



Report of the
Regional Transportation Commissioner
on
TransLink's 2011 Base Plan and Outlook

August 26, 2010

LETTER OF TRANSMITTAL

OVERLEAF

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Mayor Peter Fassbender
Chair
Mayors' Council on Regional Transportation
delivered via email

Mr. Dale Parker
Chair, Board of Directors
South Coast British Columbia
Transportation Authority
delivered via email

August 26, 2010

Dear Mayor Fassbender and Mr. Parker:

**Regional Transportation Commissioner's Report
on the South Coast British Columbia Transportation Authority's
2011 Base Plan and Outlook**

I am pleased to submit the enclosed report, as required by section 203 of the South Coast British Columbia Transportation Authority Act. It gives my opinion on the reasonableness of the assumptions and parameters in the Authority's 2011 Base Plan and Outlook, titled *Funding Stabilization Update*.

Last year, I undertook a deep examination of the 2010 10-Year Plan, which included the *Funding Stabilization Plan*, the supplemental plan proposal that was subsequently approved by the Mayors' Council. This year, in its *Funding Stabilization Update*, the Authority has not proposed a supplemental plan, warranting a relatively limited review by the Commission.

Nonetheless, my report thoroughly addresses an important question: with the passage of a year, *has the Authority provided an Update that remains true to the intent of the Mayors' Council when, in 2009, the Council approved the Funding Stabilization Plan and agreed to extra funding, in considerably higher fares, and taxes?*

The Commission team and I are available to present the findings and recommendation to you in person, at your convenience.

Yours truly,

Martin Crilly
Regional Transportation Commissioner

1 Summary and Recommendation

a. An Implicit Contract

TransLink has issued its 2011 Base Plan and Outlook, titled **Funding Stabilization Update**.

This is an annual update of last year's approved Funding Stabilization Supplemental Plan. It sets out a package of future transit services, capital projects and other initiatives, with projected revenues, expenditures and borrowing. Its time horizon is the year 2020. In this Report it is referred to as **the Update**.

The South Coast BC Transportation Authority Act requires TransLink to roll forward its 10-year plan, through annual updates such as this one. Fine-tuning the original package is clearly desirable over time, as external conditions shift, as uncertainties are resolved, and as TransLink gains new knowledge.

*Approval of the Original
Funding Stabilization
Supplemental Plan*

Last year, the Commission found the underpinnings of the original Funding Stabilization Supplemental Plan to be broadly reasonable. In October 2009, the Mayors' Council approved that Plan. It agreed to the extra funding that TransLink sought: a 25% higher fuel tax rate in a single step, and ten years' worth of fare increases at roughly twice the expected rate of general inflation. Also, the parking sales tax rate was tripled.

When the Mayors' Council granted TransLink that extra funding last year, it was in effect purchasing a package of future transportation services and initiatives for the region, on behalf of farepayers and taxpayers, to be provided by TransLink. At that moment the Council and TransLink made an implicit contract: in return for the funding, TransLink was to use best efforts to deliver the package that it had offered; furthermore, *TransLink was to continue to plan to deliver it, subject to annual updates of the original plan.*

Under the Act, because this year's Update proposes no new sources of funds, it does not need to be approved by the Mayors' Council. This means that the Council does not have

direct¹ control of the Update's contents. The Update must, however, still be reviewed by the Commission as to the reasonableness of its parameters and assumptions.

Last year's *Funding Stabilization* was the first Supplemental Plan approved by the Mayors' Council under the governance framework enacted in 2007. This means that never before has an approved Supplemental Plan seen an annual Update such as this one.

b. Significance of This Review

The extent to which TransLink's Update changes the Mayors' Council-approved Plan, and why, is an important matter for decision-makers in the future. Does the Update stay true to the intent of the Mayors' Council? Part of the Commission's role is to be skeptical. Is TransLink changing its deliverables so as to make its job less difficult?

Accordingly, for this Commission report the key test of "reasonableness" lies in the following question:

- *does this year's Update aim substantially to **maintain the same direction and deliver the same value** in transit services, capital projects and other initiatives as last year's approved Funding Stabilization Supplemental Plan, while **appropriately modifying** the package to respond to changing circumstances and new data?*

This year is special for another, complicating reason: the Act was amended in June 2010, relaxing a constraint on the Plan: TransLink no longer must provide a fully-funded 10-year plan, but instead a 3-year fully funded Base Plan plus a 7-year (permitted to be unfunded) "Outlook" beyond.

c. Summary of Findings

The body of this report gives background, the approach to the review, and detailed findings. In summary, the Commission finds that:

- TransLink's Funding Stabilization Update features all the necessary elements to be considered a **legitimate Base Plan and Outlook** under the South Coast British Columbia Transportation Authority Act, as amended in June 2010;
- The Update plans to deliver **almost the same amount of transit service** each year through 2019, as in the original

¹ The only fiscal control that can be exercised by Metro Vancouver mayors in this case is indirect: through their overlapping membership of the Metro Vancouver Board they may influence the annual disposition of the Federal gas tax revenue (Strategic Priorities Fund) which has to date been 100% allocated to TransLink for eligible transportation expenditures, notably to buy new buses and rail cars. The Update assumes this source of funds will continue uninterrupted.

Funding Stabilization Supplemental Plan approved by the Mayors' Council last year;

- the newly projected **output of the transit system is an average of 1.5% less** (in terms of revenue-passenger-trips handled per year) in the three years 2011-2013, reflecting the optimism of last year's ridership forecasts;
- TransLink has **not** used its new flexibility under the amended Act to present a 10-year plan which is **only partly funded** for its last 7 years;
- but it has presented a **slightly larger and re-profiled capital expenditure** plan for 2011-2019, accelerating expenditures through 2013, while reducing expenditures identified for later on, from 2014 to 2019;
- TransLink's **revenue forecasts recognize the latest developments** including the Commission's recent, limited approvals for fare increases; they also telegraph TransLink's intention to obtain a fare increase in 2013;
- **cost projections** for fuel, labour and other inputs are reasonable;
- the Update still leaves TransLink **solvent and financially sustainable**;
- TransLink has properly **consulted** with other parties on the Update;
- there is little change in TransLink's plans for **land-use coordination and demand management**;
- the Update **marries with related plans**—Metro Vancouver's growth strategy, the Provincial Transit Plan, and TransLink's own Transport 2040 long range plan—in **ways not substantially different** from the original Funding Stabilization Supplemental Plan.

Overall, the Commission judges that TransLink's Update remains true to the intent of the Mayors' Council when, in 2009, the Council agreed to extra funding in the Funding Stabilization Supplemental Plan in 2009.

TransLink continues to face a considerable challenge as it endeavours to swing the development of the system in the direction of its long-range vision for the year 2040.

d. Recommendation

The Commissioner recommends that the Mayors' Council and TransLink receive this report for their information.

2 How the Commission Approached this Review

a. Context

TransLink's title for its 2011 Base Plan and Outlook, "Funding Stabilization Update" establishes the context for this year's Commission review. The Update drops the first year of the 2010 Plan, adds one more year to the end and makes adjustments that are reflective of changed circumstances.

In 2009 Commission conducted an in-depth and extensive review of last year's 2010 10 year-Plan, rigorously analyzing its assumptions and parameters. With only modest changes in the economic climate facing TransLink, the Commission's review this year focuses those changes TransLink has introduced and the reasons for them.

b. Commission's Approach

The Commission had early access to a draft of the Funding Stabilization Update, provided to it during a briefing session with TransLink staff in June 2010. Prior to the receipt of the Board-approved version, the Commission studied the changes to the Act in order to understand what the Plan should contain and how they would affect its assessment of it. The Commission also re-visited the Provincial Transit Plan and TransLink's Transport 2040 Plan.

The Commission received the Funding Stabilization Update on July 27, 2010, together with supplementary documentation that TransLink used in preparation of the Plan. It consisted of a wide assortment of material, ranging from presentations used by the CEO in public consultation sessions and briefings to municipal councils to internal memoranda.

Following review of the Plan and its supporting documentation, the Commission compiled a series of questions for clarification by TransLink. These were followed up during a conference call with senior staff members.

The Commission asked TransLink to examine a final draft of this report for factual accuracy and made corrections accordingly.

3 Planning Framework and Commission's Role

The South Coast British Columbia Transportation Authority Act (the Act), which was passed in the provincial legislature in November, 2007, created a new governance structure for TransLink. The Act established an appointed Board of Directors, a Mayors' Council on Regional Transportation, and a Regional Transportation Commission.

Under the Act, TransLink must produce both long term and strategic plans. The Act also requires TransLink to consult with the public and stakeholders as these plans are created.

a. Long Term Strategy

The Long Term Strategy, which spans a period of thirty or more years:

- identifies goals and direction for the transportation system, identifies key initiatives, and states the underlying principles; and
- guides preparation of Base Plans and any Supplemental Plans.

It must consider:

- regional land use objectives
- provincial and regional environmental objectives, including air quality and greenhouse gas emission reduction objectives; and
- anticipated regional population growth and economic development.

In developing the Long Term Strategy, TransLink must consult with Metro Vancouver, the Minister of Transportation, local governments in/adjacent to the service region, agencies of government involved in transportation in the region, the public in the service region, and other appropriate bodies. The Long Term Strategy must be submitted to the TransLink Board for approval and then submitted to the Mayors' Council. It must be updated and submitted for approval and review by the respective bodies every five years.

Plans and Approvals

30+ Year Long Term Strategy

- must be updated every 5 years
- must be approved by Board
- reviewed by Mayors' Council
- *Transport 2040* is current strategy

3- Year Base Plan and 7- Year Outlook

- updated annually
- equals last year's Base Plan + any approved Supplements
- Base Plan must be approved by TransLink Board
- reviewed annually by Commission
- Supplements must be approved by Board and Council; short-term fare increases, if any, over 2%/year must also be approved by Commission

b. Base Plan and Outlook

The amendments to the Act, which were brought into force in June of 2010, require TransLink to prepare annually a three year Base Plan. The changes also require TransLink to prepare an Outlook for the seven years subsequent to the Base Plan.

The Base Plan must describe how TransLink proposes to:

- provide transportation services;
- manage transportation demand; and
- meet its financial requirements.

In meeting its financial requirements, it can use only:

- established funding resources;
- funding resources from previous years; and
- borrowings within established limits.

The Outlook for the fourth to tenth years subsequent to the Base Plan requires TransLink to describe the transportation services (and their levels) that it plans to provide and the major capital projects that it contemplates engaging in for which expenditures will be required.

The consultation process for developing the Base Plan is similar to that of the Long Term Strategy. The approval process, however, is different. The Base Plan must be submitted to the TransLink Board for approval, and then submitted to the Mayors' Council and the Regional Transportation Commission by August 1st of each year. The Mayors' Council receives the Base Plan for information. Within 30 days of receipt, the Commission must advise TransLink and the Mayors' Council of reasonableness and appropriateness of the assumptions and parameters in the Base Plan.

c. Supplements

TransLink may also prepare supplemental plans at any time that include changes to the transportation services and major capital projects and other additional initiatives. TransLink must indicate in a supplement any increased expenditures that will be required and how it will obtain the funds for those initiatives. Supplements must be submitted to the TransLink Board for approval, and then submitted to the Mayors' Council and the Regional Transportation Commission. Within 30 days of receipt, the Commission must advise TransLink and the Mayors' Council of reasonableness and appropriateness of the Supplements. The Mayors' Council must then approve or reject the supplement within 90 days of receipt. Any increases, beyond inflation, in short term fares (i.e. any transit fare valid for up to 3 days) contemplated by a Supplement must also be approved by the Commission.

d. Regional Transportation Commission's Role

Under the Act, the Commission is responsible for:

- advising TransLink and the Mayors' Council of the reasonableness of the assumptions and parameters included in a Base Plan or a supplement submitted by TransLink;
- providing TransLink and the Mayors' Council with a preliminary, non-binding indication of the appropriateness and reasonableness of a fare increase or an assessment of a new short-term fare proposed in any Supplement, by September 1st of each year;
- considering applications for short term fares (transit service passes that are valid for less than 3 days) that are being assessed for the first time;
- considering applications for increases in short term fares being proposed under a Supplement approved by the Mayors' Council, that are greater than the rate of inflation (2% compounded annually)
- holding public hearings on the application for new short term fares or an increase in short term fares above the rate of inflation, if he considers it necessary;
- approving the process for an annual customer satisfaction survey and any subsequent amendments to it; and approving the complaints resolution process and any subsequent amendments to it;
- making an annual report the Mayors' Council with:
 - a summary of all applications and requests for decision to the Commission in the previous fiscal year
 - a summary of all decisions made and all orders issued by the Commission in the previous fiscal year
 - the financial statements applicable to the office of the Commission for that year along with the full disclosure of the expenses, and associated with, the office of the Commission; and
 - an opinion as to whether TransLink's operations and its subsidiaries for the previous fiscal year were in accordance with the strategic plan and applicable service, capital, and operation plans;
 - a review of the disposition of any major facility or major asset; and
- if required, carrying out inspections of records held by TransLink, as they relate to the Commission's authority under the Act.

4 Last Year's 10-Year Plan

Prior to the changes to the Act that took place this year, TransLink was required to produce a 10-year Plan. Following an extensive public consultation process TransLink developed three alternative plans that were approved by the Board of Directors. They were:

- a Base Plan, titled “Drastic Cuts”, 2010 10-Year Transportation and Financial Base Plan;
- “Funding Stabilization”, 2010 10-Year Transportation and Financial Supplemental Plan; and
- “On Track to a Sustainable Region”, 2010 10-Year Transportation and Financial Plan (with Supplement).

In accordance with the requirements of the Act, the two plans containing supplements were forwarded to the Mayors' Council for review and consideration on July 30, 2009. All three plans were forwarded on the same date for review by the Regional Transportation Commissioner for his determination of the reasonableness of the assumptions and parameters in the plans.

a. Commission Review

In order to conduct an extensive review of TransLink's Ten Year Plan (given that it consisted of a Base Plan and two other scenarios with supplements), the Commission engaged the Underhill Company LLC to assist it. The Commission team (collectively the Commissioner, the senior advisor and the Underhill group) had early access to TransLink staff and received draft documents for analysis as they were produced. Several meetings and conference calls were held with the CEO of TransLink and his senior staff over the course of the summer months. The Underhill team had extensive consultation with TransLink's planning and financial staff. The Commission attended meetings of the Mayors' Council and the Board of Directors where plan development was discussed. Members of the Commission team attended TransLink's Greater Vancouver's Livability Forum. Consultation also took place with the Ministry of Transportation and Infrastructure.

The Commission's major findings were that:

- the underlying external economic assumptions were not unreasonable;
- ridership forecasting were adequate; and
- capital spending priorities made sense.

The plan (except for its Base level) also sought to raise short term fares between 3 to 3.5 % per year instead of the 2% per year permitted in the Act, in four steps: on April 1 of 2010, 2013, 2016 and 2019.

The Commissioner was reluctant to allow short-term fares to rise so quickly without TransLink needing to return for approval for ten years. Accordingly he gave a preliminary non-binding indication, as required in the Act, that TransLink's proposed short-term fare increase at April 1, 2010 may be appropriate and reasonable, but not necessarily in 2013, 2016 and 2019.

b. The Funding Stabilization Supplemental Plan

In October 2009, the Mayors' Council approved the Funding Stabilization option. As a supplemental plan, it contained revenue increases beyond what was permissible under a Base Plan. The increased revenue allowed TransLink to minimize reductions in services and programs, largely keeping the organization whole, but did not allow for upgrades to existing infrastructure and services, or for expansion. Overall, the plan identified approximately \$130 million per year in additional revenues from the following:

- fuel tax revenues – rate was increased by 3 cents/litre effective January 1st, 2010;
- fare revenues – an increase of 7%, with rate increases in 2010 and 2013 over what is legislatively permitted in a Base Plan; and
- parking sales tax – the rate was increased from 7% to 21% in January 2010.

5 Details of Findings

a. How Does the Update Change Last Year's Plan?

In examining TransLink's Funding Stabilization Update for this report, the Commission focussed on the differences between the Update and the Funding Stabilization Plan as approved in 2009, asking:

- *how has TransLink **used its new flexibility** under the amended Act; does the Update **feature all the necessary elements** to conform with the amended Act?*
- *is TransLink changing (up or down) the amount of **transit service** that it previously planned to provide for the funds it was granted?*
- *does TransLink plan to do a different amount of **people-moving work** (in terms of projected ridership loading on the planned transit service) for the region?*
- *in its financial outlook, do TransLink's **revenue forecasts** recognize the latest developments including the Commission's recent, limited approvals for fare increases?*
- *has TransLink appropriately revised **cost projections** for fuel, labour and other inputs; has it re-cast its **capital expenditure** programme, and why?*
- *does the Update still leave TransLink **solvent and financially sustainable**, as far as the Act requires?*
- *has TransLink properly **consulted with other parties** on the Update, as required by the Act?*
- *has it attended to any of the **shortcomings in its supply-driven approach** to transportation planning that the Commission identified in last year's Plan?*
- *does the Update **marry with related plans**—Metro Vancouver's growth strategy, the Provincial Transit Plan, and TransLink's own Transport 2040 long range plan— any differently than did the original Funding Stabilization Supplemental Plan?*

b. Findings

*TransLink's Priorities
Unchanged*

TransLink was helpful in responding to information requests and enabling the Commission to tackle detailed questions about the Update. Accordingly, **the following findings** rely on an examination of more data and analyses than have been publicly released.

In developing the Funding Stabilization Supplemental Plan last year, TransLink applied a set of priorities to guide funding allocation. They were (with highest priority first):

1. maintain existing services;
2. maintain assets in a state of good repair;
3. upgrades to improve efficiency and effectiveness; and
4. expansion.

The Update adopts the same priorities. It states that there is sufficient funding to maintain service levels and state of good repair with modest investments in upgrades.

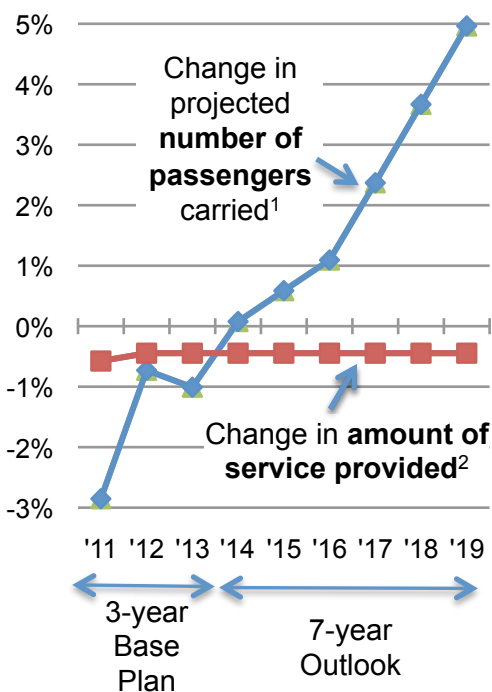
The **annual quantity of transit service** is the most important of TransLink's outputs, and a key metric for comparing the Update to last year's Funding Stabilization Supplemental Plan.

Under the Update, the transit service now planned to be delivered over the next ten years **is nearly the same** showing about a 0.5% reduction in each year through 2019, compared to last year's original Funding Stabilization Supplemental plan. This is not considered particularly significant.²

As to the **people-moving work** done by the system (in revenue-passenger trips), TransLink now projects that initially, in 2011-2013, transit ridership will be a few percent lower than forecast last year (see chart). This occurs even though usage of the Canada Line is heavier than originally expected.³ This is significant, but understandable: last year's forecast on the

*Change in Amount of
Transit Service and
Passengers Carried*

**Change from
Last Year's Plan**



² As measured in system-wide transit-vehicle-service-hours. The Commission considers a threshold 1% change would be significant. The 0.5% drop is a net effect of slightly less rail rapid transit service on SkyTrain, and slightly more bus and West Coast Express service. The single biggest change is in the number of hours to be delivered by West Coast Express, which takes delivery of seven new train cars, resulting in an increase of 6,000 vehicle service hours annually. The "service hours" measure is somewhat unsatisfactory since it weighs equally transit vehicles of different capacities.

³ TransLink has had difficulty in measuring and forecasting passenger traffic, even in the short term: it is already budgetting 7% fewer system-wide passenger revenue trips for the current year (2010) than was forecast only a year ago in the Funding Stabilization Plan.

¹Revenue Passenger-Trips

²Transit Vehicle Service Hours

utilization or “ridership productivity” of transit service was optimistic.

TransLink has started a project to “optimize the current levels of transit resources”, with the potential to change the geographic allocation of bus service across the region, and to change the times (e.g. in the day or in the week) when it is offered. The project features a one-time target of 2% increased productivity of the bus service. The Commission notes both the rigour of the project’s design and the intent to keep the Mayors’ Council informed.

In the Outlook period (2014-2019) the Update raises the ridership forecast by 2% on average, lower at the start but rising to 5% at the end of the period, relative to last years’ Plan. The main reason is a fresh view of the existing rail rapid transit lines, seeing higher capacity and greater passenger attraction, even without extra feeder bus service. Long range bus productivity levels are very similar to Funding Stabilization Supplemental Plan figures.

TransLink also attributes higher productivity to increased reverse peak traffic, the spreading of the peak period and increased demand on weekends and evenings.

The Commission has not formulated a view on the credibility of this revised ridership outlook.

Revenue Forecasts

The Commission finds no difficulty with TransLink’s **updated projections of revenue** from property taxes, fuel taxes and other taxes, and contributions from senior governments, for the 10-year horizon.

However, transit **revenue from fares** (accounting for one third of total revenues) has peculiarities worth flagging.

For the 2011-2013 Base Plan period, TransLink’s Update puts fare revenue considerably lower (by 5.5%) than the Funding Stabilization Supplemental Plan. This is because (a) as mentioned above, ridership is down, and (b) the share of cheaper tickets is rising, reducing the average yield per rider. TransLink is understood to be investigating this phenomenon. Its review will determine the allocation of future fare increases to the different fare products.

Further, TransLink notes the announced expansion of the **U-Pass programme**, which allows students to travel at low pre-paid fares. Provincial funding is expected to accompany it. It has not yet been factored into the revenue and ridership projections and introduces a degree of uncertainty.

Future Fare Levels and Approvals

Input Cost Projections Updated

- General inflation unchanged, as per BC Budget and Fiscal Plan 2010-13
- Electricity prices up from 6.75% in 2012 to 12.0% based on BC Budget, then assumed 2.0% per year
- Long-term interest rates move from 5.50% to 6.8% in later years
- Construction costs (excl. road construction) to increase 3.0% annually, not unlike last year.
- Road construction cost inflation remains at 4.0%.
- Diesel fuel costs show only very minor variations.

Toll revenues expected for the **Golden Ears Bridge** have been lowered significantly based on recent performance. Reduced bridge traffic is attributed to delayed commercial and residential development due to the current economy.

Another uncertainty surrounds **future transit fare increases**. The Commission regulates short-term⁴ fares. In January 2010 it approved only the first out of **four step increases** proposed in the Funding Stabilization Supplemental Plan through 2019.

This **first** approved step (for April 2010) is appropriately built into the revenue forecast in TransLink's Update. But how does it cope with the lack of approval for the other steps, in 2013, 2016 and 2019?

The **second** step, a 2013 increase equivalent to a 12% in the average fare, lies within the 2011-2013 Base Plan period, when the law requires TransLink's plan package to be fully funded. To maintain the total planned fare revenue while not presuming Commission approval for a short term fare increase in 2013, TransLink has used a hypothetical device for planning purposes: it assumes it could achieve the same revenue growth by increasing only (unregulated) long term fares, such as monthly FareCard passes.

Though this creates an odd, radically different tariff structure, the Commission, without prejudice to any future ruling, has no objection to its use—strictly as a planning device.

For the **third and fourth** steps, in 2016 and 2019, TransLink has removed the fare increases assumed in the Funding Stabilization Supplemental Plan, returning to fare escalations that do not require regulatory approval. This means that, in the Outlook period 2014-2020, fare revenue is relatively lower, although the abovementioned ridership forecast makes up much of it towards the end of the Outlook. This assumption does not threaten the legitimacy of the Outlook.

The Update appropriately adjusts earlier **assumptions on underlying economic variables** such as future cost inflation, interest rates, diesel fuel prices, and population growth. Lower expected short term interest rates help to cut the last year's forecast interest costs for 2011-2013 by some \$90 million, a significant saving.

⁴ "transit service passes", i.e. transit tickets, that are valid for less than three days.

As noted last year, TransLink is alert to the risks and importance of input prices to its financial viability. It has conducted a **risk assessment**. The Update outlines what would happen through variances in its assumptions. It states that TransLink conducts annual assessments using an Enterprise Risk Management process. Risk factors considered high or moderate are incorporated into a risk action plan.

TransLink can propose adjustments as the future unfolds and as it gains more information, since the Plan is revisited annually.

Capital programme

The Update **re-profiles TransLink's 10-year capital programme**, which is accelerated in the early years and less definitive in the later years, compared with last year's Funding Stabilization Supplemental Plan.

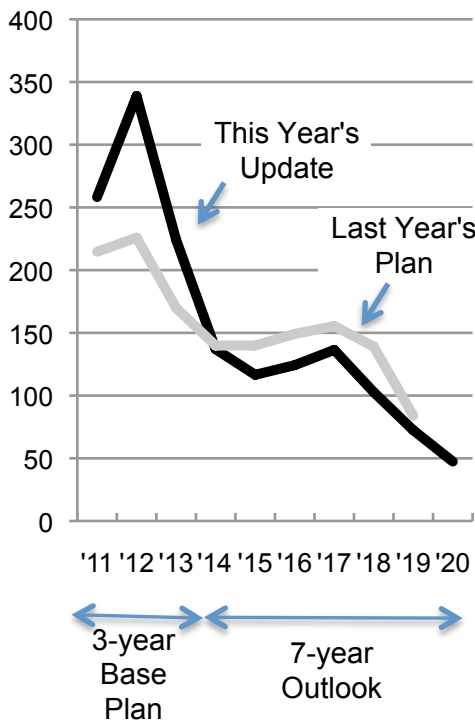
Last year's Plan presented a capital programme with a total gross cost of **\$1.4 billion over the period 2011-2019**. Senior governments would pay for 49% of this. In contrast, the Update sets forth a total gross cost of **\$1.5 billion over the same period**, with senior governments paying 53%.

The Update **clusters capital expenditure earlier** in the ten-year period: relative to last year's Plan, for the Base Plan years 2011-2013 the Update increases cash flowing into capital projects by 34%; but in the following six years 2014-2019 for the Outlook, the contemplated cash flow is 15% less than last year's Plan.

These changes follow the June 2010 amendment to the Act: it no longer calls for a fully-funded 10-year plan, but instead a 3-year fully funded Base Plan plus a 7-year Outlook. The Act now allows some vagueness in the period more than three years hence, possibly to recognize the reality of greater uncertainty in planning to more distant horizons.

In re-working the capital programme, TransLink has interpreted the Act's amendment to mean that:

Capital Cash Flows Compared
\$m/year



*How TransLink
Interpreted Act's
Amendments*

**Highlights
Capital Plan Update**

(gross cost before senior government contributions)

- adds six new projects totaling \$86 million, now deemed urgent in maintaining level of service and state of good repair. Largest of these is Hamilton Transit Centre, \$72 million.
- removes \$47 million from the replacement of standard buses.
- trims \$22 million from expenditures on the rehabilitation of the existing Patullo Bridge, now determined as not needed before the building of a new bridge.

1. every capital project which is (a) fully or partly completed by 2010 or (b) planned to be started in the **2011-2013 Base Plan period**, must be financially sustainable through 2020. That means having credible projections showing that established sources of funding (including accumulated reserves, and borrowing within existing limits) are enough to pay their financing costs through the year 2020. *The Commission agrees with this interpretation, and agrees that TransLink has both followed and met the requirement;*
2. for the **Outlook period 2014-2020**, only certain new capital projects (i.e. in addition those that extend from the Base Plan period) need to be identified in the Update. TransLink elected to show projects that:
 - a. TransLink needs to (1) maintain the current level of services and (2) keep its system in a state of good repair through 2020. *The Commission concurs that including these is consistent with TransLink's first two investment priorities—and with meeting the implied contract to continue to plan to provide the level of service in last year's approved Plan;*
 - or
 - b. involve other funding partners (notably, municipalities), where TransLink wants explicitly to confirm its ability to pay its own share during the Outlook period, to the end of the partners' own funding horizon. The Major Road Network minor capital and bike capital programmes are cases in point: the municipal funding cycle is 5 years, through 2015. These projects include elements of upgrade and expansion, the third and fourth investment priorities, and were not captured in 2a. above. *The Commission considers this accommodation of TransLink's partners not unreasonable and consistent with last year's approved Plan.*⁵

Therefore, in the Outlook years 2014-2020, TransLink's Update shows only capital expenditures for the above two purposes as specifically line-itemed.

⁵ That said, a question-mark hangs over the adequacy of infrastructure investment in roads, bridges, and in the bike capital programme: the Update reduces these for the near term (2011-2013) and does not identify them for the 2016-2020 period. Furthermore, to operate, maintain and rehabilitate the 2300 lane-km of the Major Road Network, TransLink's payments to municipalities continue at about 70% of the optimum level of per-lane-km-per-year rate.

Notably, TransLink has **not** used its option to show an unfunded Outlook on this occasion; this Update's package is fully funded right through 2020. In fact the Update leaves a somewhat higher, not lower, cumulative funded surplus compared to last year's approved Plan.

TransLink is almost certainly thinking about engaging in other specific projects in Outlook period, but does not identify them, either by name, or as a line in its capital cash flow projections. To do so—likely producing an (allowed) funding shortfall in the Outlook period—would mean fresh analysis and more detailed planning. TransLink states that there was not enough time (between the change in the law and the deadline for issuing its Update) for the necessary work.

Although the Act states that an Outlook must “identify the major capital projects that the authority contemplates engaging in” during the Outlook period, the Commission fully accepts TransLink's explanation, and views its approach as satisfactory for this transition year of the amended Act.

After inspecting in detail all of the Update's contents, including the capital programme, the Commission finds the 2011 Base Plan and Outlook to be legitimate under the amended Act.

Planning Initiatives

The Update provides a budget for worthy **planning initiatives in seven areas**⁶. These will help map out TransLink's mid to long-term intentions, and will inform future updates of the capital plan.

A particularly noteworthy undertaking is to start a **regional rapid transit plan** during the Base Plan 2011-2013 period. As far as the Commission is aware, this exercise was last undertaken in the early 1990s.

Financial Sustainability

Two tests of **financial sustainability** are whether (1) TransLink's accumulated surplus is healthily positive without a downward trend, and (2) TransLink is operating comfortably within its borrowing limit. The Update passes both tests, most importantly for the Base Plan term (through 2013).

The Commission takes note that the financial plan continues to rest on the liquidation of real estate assets to the tune of \$200 million in the years 2011-13, with the proceeds

⁶ These are: rapid transit studies; station upgrade planning; station area plans; a Transportation Demand Management strategy; a Major Road Network review; a Goods Movement strategy; and a regional cycling strategy.

effectively going to pay for operations. TransLink has commented to the Commission that through aggressive cost cutting measures, it is now less dependent on the sale of surplus properties for funding operations, and is continuing to work towards eliminating its dependence.

Consultation with Other Parties

The Commission has reviewed TransLink's records of its **consultation** with the public, the Mayors' Council, Metro Vancouver and municipalities.

The Act requires TransLink to conduct a consultation process as part of its Update development. The Authority held five public sessions with opportunity for discussion with the CEO. The public also gave input through on-line "e-consultation". TransLink consulted with the Federal and Provincial governments, the Mayors' Council, municipalities and Metro Vancouver. It held discussions were also held with various regional staff committees. It gave a working draft to stakeholders and incorporated feed back into the final Update.

Though somewhat rushed on this occasion, the consultation appears to have been adequate, meeting the statutory requirement.

Shortcomings in Supply-driven Approach

In its 2009 review of TransLink's 2010 10-Year Plan proposals, the Commission observed that there are inefficiencies in TransLink's essentially supply-driven approach to meeting the Region's transportation needs.

Two areas of endeavour—coordination with **land use** decisions by local government, and **transportation demand management**—hold promise for higher utilization of transit and road networks by all modes, and more effective deployment of transportation capital.

The Update indicates no particular change in TransLink's programmes in these areas. It provides only the most general statement about the integration of land use and transportation planning with no specifics. For instance, Framework Agreements between municipalities and TransLink, whereby transit-friendly land use is rewarded by better transit service and vice-versa, have been explored by TransLink in the past, but are not touched upon in the Update.

TransLink's ridership forecast still assumes that demand management measures of both carrot and stick varieties will remain essentially unavailable in the short-term. The most important advances in this area would be:

- some form of road pricing (notably on highways in the hands of the Province, and including a coordinated tolling policy for TransLink and Provincial bridges) and
- a region-wide, coordinated policy for tighter management of parking (belonging to the municipalities).

Related Plans

Likewise, there is no substantial change in the way that the Update relates to TransLink's long range plan *Transport 2040: a Transportation Strategy for Metro Vancouver*. As noted last year, the Funding Stabilization Supplemental Plan is not on track to the 2040 plan: rather, it secures past gains and provides a breathing space for the search for new funding sources.