

No. 1 / 2012

# IMFG **forum**

## **Moving Our Region Funding Transportation for our Future**



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**About IMFG** The Institute on Municipal Finance and Governance (IMFG) is an academic research hub and non-partisan think tank based in the Munk School of Global Affairs at the University of Toronto.

IMFG focuses on the fiscal health and governance challenges facing large cities and city-regions. Its objective is to spark and inform public debate, and to engage the academic and policy communities around important issues of municipal finance and governance.

The Institute conducts original research on issues facing cities in Canada and around the world; promotes high-level discussion among Canada's government, academic, corporate and community leaders through conferences and roundtables; and supports graduate and post-graduate students to build Canada's cadre of municipal finance and governance experts. It is the only institute in Canada that focuses solely on municipal finance issues in large cities and city-regions.

IMFG is funded by the Province of Ontario, the City of Toronto, Avana Capital, and TD Bank.

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Series editor: André Côté

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ISBN 978-0-7727-0888-5

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## Executive Summary

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During 2011 and 2012, the Institute on Municipal Finance and Governance (IMFG) hosted a speakers' series called Moving our Region on funding regional transportation. The series, supported by Metrolinx, brought together noted transportation policy-makers, practitioners, and academics from Canada, the United Kingdom, and the United States to discuss issues in transportation planning and funding that will profoundly influence the future growth and prosperity of the Greater Toronto-Hamilton Area (GTHA).

This report distills the key lessons from the series, a summary of which can be found here:

- **The Economic Imperative:** Efficient transportation systems are an economic imperative for global city-regions.
  - **Consumer-Oriented Services:** Transportation systems that focus on end users and offer seamless, technology-enabled services are essential for city-regions to compete globally.
  - **Regional Coordination:** Transportation systems that cross municipal boundaries need accountable and representative regional governance mechanisms and planning processes.
  - **Dedicated Revenue Sources:** Stable, dedicated revenue sources, applied regionally, are critical to support long-term investment.
  - **Political Leadership and Civic Mobilization:** Successful investment campaigns have engaged the public and regional stakeholders around shared challenges, recognized local concerns and shaped a community-wide vision.
  - **Public Appetite for New Taxes:** Although taxes are never popular, revenue sources dedicated to improving mobility and reducing travel times can generate public support.
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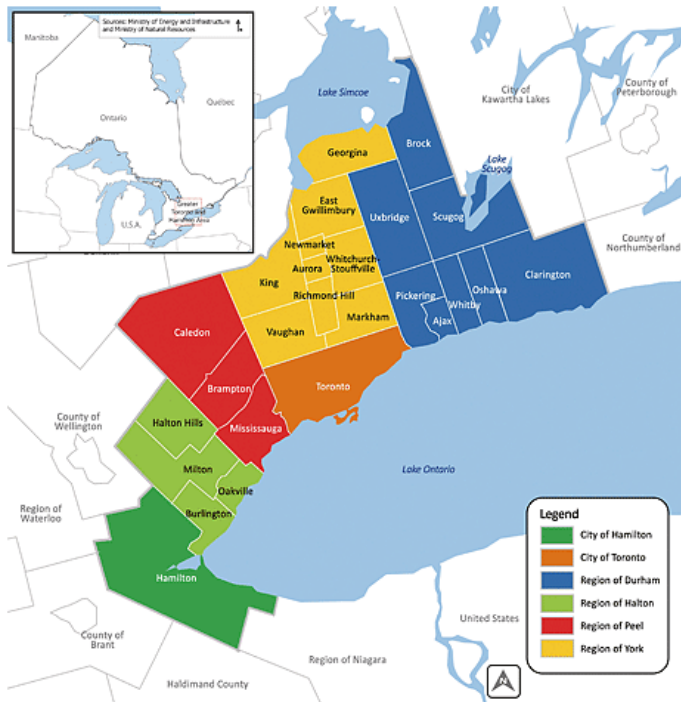


## 1. Introduction

Transportation has become an increasingly significant concern in the GTHA. Traffic congestion is worsening and commuting times have grown to among the longest in North America. Policymakers and residents alike have begun to recognize the inadequacy of the transportation system for the growing metropolitan region and for the future prosperity and quality of life in the region.

To address this challenge, the provincial government created Metrolinx, a provincial agency mandated with developing and implementing a multi-modal transportation plan for the GTHA. In 2009, Metrolinx released *The Big Move: Transforming Transportation in the GTHA*, a 25-year plan that envisions a seamless, coordinated and user-centred regional transportation system that supports a high quality of life, a sustainable environment and a strong, prosperous and competitive economy.

# Moving Our Region: Funding Transportation for our Future



Source: Metrolinx, *The Big Move*; Ontario Ministry of Energy and Infrastructure.

Metrolinx has received \$16 billion in funding, largely from the Province, for the first wave of Big Move projects. More than 200 projects are underway, including the revitalization of Union Station, the Air Rail Link, bus rapid transit projects in Mississauga, Brampton and York Region, and four light rapid transit lines in the City of Toronto. To fund the rest of the \$50 billion Big Move strategy, the Province directed Metrolinx to develop and submit an investment strategy by June 2013 that will contain long-term funding arrangements including new revenue tools.

During 2011 and 2012, the Institute on Municipal Finance and Governance (IMFG) hosted a speakers’ series called *Moving our Region* on funding regional transportation. The series, supported by Metrolinx, brought together noted transportation policy-makers, practitioners, and academics from Canada, the United Kingdom, and the United States to discuss issues in transportation planning and funding that will profoundly influence the future growth and prosperity of the Greater Toronto-Hamilton Area (GTHA).

## 2. The Economic Imperative of Efficient Transportation Systems for City-Regions

There is growing recognition of the importance of efficient, multi-modal transportation networks to the economic vitality of global city-regions. Efficient systems create economic opportunity through the movement of goods and workers and provide connections with other regions and global trade networks. Robert Puentes, Senior Fellow and Director of the Metropolitan Infrastructure Initiative with the Brookings Institution in Washington, D.C. suggests that the global financial crisis and persistent economic weakness in its aftermath have reinforced the need for transportation investment. The framing of the transportation issue has perceptibly shifted since the crisis from a focus on environmental sustainability to economic development and long-term prosperity. Policymakers recognize that regional transportation networks help create the foundation for sustainable and inclusive economic renewal.

Puentes argues that policymakers should prioritize access to employment when making decisions about transit investment and service levels. As the U.S. population of just over 300 million today is expected to increase by 130 million by 2050, urban transportation systems will be crucial in accommodating this growth. Yet, recent growth patterns in American city-regions have not been conducive to transit-oriented growth – continued suburban sprawl, the separation of residential and commercial land uses, and the decentralization of employment away from the downtown core have created a spatial mismatch between people and jobs. Brookings’ research found that a 90-minute transit commute in the 100 largest metropolitan areas in the U.S. will connect typical residents with only 30 percent of the jobs in their region. Moreover, while low-income communities have better transit coverage, low-skilled workers have poorer transit access to jobs than do highly skilled workers.

According to George Hazel, chairman of Scotland-based MRC McLean Hazel, competing globally requires city-regions to embrace the principle of “complete mobility” – transportation systems that are end-user focused, offering seamless, integrated service valued by users. City-regions around the world have been pursuing these objectives with varying degrees of success. At one end of the spectrum are rapidly

growing metropolises such as Lagos, Mumbai and Sao Paolo, where transportation systems are inadequate and chronic congestion stifles growth and reduces the quality of life. At the other end are city-regions like Paris, Tokyo and Shanghai that have extensive and integrated transportation systems, offering residents mobility options and good service. According to Hazel, the GTHA falls in between, in a cluster of city-regions where mobility investment has not kept pace with growth, putting future prosperity and quality of life at risk.

Hazel believes that the transportation systems of the future will be built around the personalization of service for customers. “Mobility management” systems will track users in the transit network in real time; balance transit supply with demand, nudging trip-making choices; notify commuters about delays and alternate routes; and provide a platform for e-commerce. They will also offer new revenue streams for transit operators by charging riders for customized amenities such as connections with taxi services, or by levying vendor access fees for opportunities to sell goods and services to riders.

Many jurisdictions have already adopted elements of such a system that align public investment with private-sector advances in technology and retailing to increase mobility options, improve efficiency, and enhance service quality. The Octopus card in Hong Kong, for example, is used for transport as well as for retail purchases and identification. In many places, smartphone apps provide users with arrival times. Hazel believes that the public sector has to get ahead of this trend.

### Lessons

- Efficient, multi-modal transportation systems create economic opportunity by providing mobility for people and goods and by linking with other regions and global trade networks.
- Employment access should be a priority in planning transportation investments.
- Transportation systems are moving towards a focus on the end users, with seamless, personalized services enabled by new technologies.

### 3. Regional Governance and Planning

City-regions require accountable and effective regional governance mechanisms to coordinate transportation planning and financing and integrate the services of local operators. Although some urban services can be provided efficiently and effectively at the municipal level, transportation spills over municipal boundaries. Without an effective regional governance structure, service provision can be hindered by political uncertainty and a lack of transparency, high transaction costs or the inability to exploit economies of scale, and administrative gaps where jurisdictional boundaries do not coincide with regional economic and service delivery patterns.

In the San Francisco Bay Area, the Metropolitan Transportation Commission (MTC) serves nine counties with a combined population of seven million people. MTC is mandated with regional planning and coordination of the local service operators. Steve Heminger, Executive Director of the MTC, notes that the agency’s effectiveness is rooted in collaboration and local representation in its planning processes. Municipal and county appointees sit on the MTC board. Budgeting is conducted by the MTC, but counties have delegated authority to make local spending decisions. Regional collaboration in transportation is also fostered through the Bay Area Partnership, a forum for communication and planning that includes staff from MTC as well as municipal, state and federal governmental bodies.

The transportation planning process is also important in developing a robust regional strategy and securing local support. Chicago operates the second-largest public transportation system in the United States, providing bus and rapid transit services for the City of Chicago and 40 surrounding suburbs. In the late 1990s, a series of growth-related challenges prompted calls for new transportation investments as part of a regional strategy. According to Michael Shiffer, then Vice President with Chicago Transit Authority (CTA), the ensuing planning process focused on understanding where transit system expansion could accommodate population and economic growth, how to integrate the regional network, and how to address local needs and concerns.

The CTA relied heavily on technology and data collection to analyze population and employment

density and growth trends, traffic flows and transit ridership volumes, and land use and property development patterns. Automated Passenger Counter (APC) devices on buses recorded passenger activity by route and time period. Spatial data mapping was used to track where people live and work and trace their travel patterns. Fare models factored in demand elasticity and different pricing schemes. Extensive consultation and the development of localized area transit plans recognized regional differences, provided more local involvement in planning, and took into account equity needs and policy areas such as housing and social services. Shiffer suggests that this type of systematic planning is essential to integrate multi-modal transportation options with economic and environmental objectives, identify stable funding sources, and align transportation and land use policies and incentives.

### Lessons

- Transportation systems that cross municipal boundaries need accountable and representative regional governance mechanisms and planning processes.
- Grassroots consultation with residents and collaboration with affected municipalities are critical elements in the planning process.
- Transportation plans should integrate mobility objectives with economic, social, environmental, and land use policies.

## 4. Funding and Structuring Investments

Adequate and reliable sources of funding are necessary for both capital investment and ongoing operating and maintenance costs. While there is great diversity in the revenue tools used in different jurisdictions,

many city-regions rely on a range of dedicated funding sources. In Metro Chicago, for example, regional sales taxes are the largest transit funding source, supplementing fares, senior-level grants, and other

own-source revenues such as advertising. Highway road tolls collected by the State of Illinois are dedicated to reducing road congestion.

Similarly, Vancouver employs a range of dedicated funding tools, including a gas tax, property tax, hydro levy and bridge tolls. The dedicated funds from each of these revenue sources are remitted to Translink, the regional transportation authority for the Greater Vancouver region, which has spending authority. Michael Shiffer, formerly Vice President of Planning, Strategy & Technology with Translink, notes that this mix of reliable, dedicated funding tools has been a critical success factor in both Chicago and Vancouver.

The federal government can also play an important role in funding new investments. In countries such as the United States and Canada, the federal interest in transportation relates largely to its connection with national economic performance. In the U.S., the focus of the national surface transportation policy began to shift in the 1980s from Eisenhower-era highway expansion to more mode-neutral objectives. Since then, federal programs have created a range of local and state level transit funding opportunities. Recently, notes Steve Heminger of the San Francisco MTC, efforts have sought to streamline the existing 108 programs for funding highways, transit, railroads, and safety to reduce bureaucratic complexity and duplication.

Matthew Mendelsohn, Director of the Mowat Centre for Policy Innovation at the University of Toronto, describes the underinvestment in transportation systems in Canada's large metropolitan areas as a "local problem that requires national resources." The federal share of transit funding has been small compared with that of other national governments around the world. Federal programs are seldom permanent, predictable, or dedicated to transit.

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**A mix of reliable, dedicated funding tools has been a critical success factor in both Chicago and Vancouver.**

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Funding formulas, often on a per-capita basis, have also limited the strategic value of investments and reduced

transparency for citizens and other governments. Mendelsohn suggests that effective federal transportation funding should be provided over a long time horizon, and targeted to Canada's three largest

city-regions through a single transfer mechanism with a clear, principles-based formula. Authority for governance and planning should rest with regional transit authorities.

Public-private partnerships (PPPs) are another mechanism to leverage investment and manage risk and can lead to a wide range of efficiencies – lower costs, higher construction quality, and improved performance. In Vancouver, private participation was central to the construction of the Canada Line, a 19-kilometre connection between the airport and downtown, running along the city’s busy north-south corridor. To oversee the planning and financing of the project, Canada Line Rapid Transit Inc. (CLI) was established.

CLI, led by CEO Jane Bird, held an international competition to identify a private-sector partner to design, build, finance, and operate the new line for 35 years. In return for its initial \$720 million investment in the project, the successful bidder, SNC Lavalin, received milestone payments during construction and will continue to receive performance-based payments for operating the service. TransLink, the regional transportation authority for Greater Vancouver, retains ownership of the assets and the ability to set fares. In establishing the partnership, Bird advises that government must initially focus on creating a credible project oversight structure and finding capable private partners. Rigour and discipline are needed to structure a financing model that aligns with private incentives, can be taken to market quickly, and will inspire public confidence in the process and the partners.

### Lessons

- Metro regions like Chicago and Vancouver employ a mix of dedicated, reliable revenue sources to fund transportation investment and operating costs.
- Federal governments can play an important role in transportation investment through long-term, targeted programs with principles-based funding models.
- Public-private partnerships can lead to efficiencies in the delivery and operation of public assets, and risk sharing in design and construction.



*Above: Jane Bird, former CEO of Canada Line Rapid Transit Inc.*

## 5. Political Leadership and the Mobilization of Public Support

One of the most prominent success stories for advocates of transit investment is Los Angeles County, a region synonymous with congestion and car culture. Los Angeles has an ambitious 30-year strategy that includes investment in subways, light rail, rapid bus and highways. The plan took shape in the mid-2000s under the leadership of newly elected Mayor Antonio Villaraigosa, who recognized that public frustration with gridlock had finally reached a tipping point. More than just a means to reduce congestion, however, Villaraigosa saw investments in the transportation system as a new form of urban renewal that could help achieve a series of policy priorities: improving air quality and public health; supporting equity and accessibility goals; changing travel patterns; and stimulating the local economy.

The Los Angeles County Metropolitan Transportation Authority (MTA) is responsible for the planning, construction, operation and maintenance of transportation infrastructure for 10 million residents. In addition to fares and senior government grants, MTA was funded by two general sales taxes, each one-half of one percent, approved by voters in 1980 and 1990. Funding Villaraigosa’s strategy, however, required a new source of funding. In 2008, following extensive public consultations, a ballot initiative called Measure R received two-thirds majority support for another half-cent sales tax dedicated to the new investments. Revenue streams from all three taxes are pledged to service



borrowing for dedicated transportation investments, minus a 15- to 25-percent share of the revenues provided to local transit operators. The borrowing plan is also backed by MTA's solid credit rating.

Richard Katz, a member of the MTA Board, Chair of the Metrolink regional commuter service, and advisor to Mayor Villaraigosa, attributes much of Los Angeles' success to political vision, leadership, and brokerage.

Parochial interests on the MTA Board, expectations for subways in low-density communities, and NIMBYism had

to be managed through consultation and transparent processes. In some cases, elected officials had to take political risks by publicly supporting proposals that alienated certain groups or communities. Significant lobbying was required at the state and federal levels to secure funding and seek legislative changes. Mayor Villaraigosa also pursued the acceleration of the Measure R investment plan – from 30 to 10 years – to complete 12 mass transit projects. Efforts to finance this aggressive strategy have required a willingness to explore innovative financing solutions with the private sector and foreign sovereign wealth funds.

Like Los Angeles, Salt Lake City has only recently addressed the need to pay for better transit. In the early 1990s, the region was suffering from growth related challenges such as worsening air quality and traffic congestion. Still, a referendum on light rail funding was vigorously defeated, signaling little public support for transit among the region's nearly two million residents. Since then, ballot initiatives in 2000 and 2006 have been approved by significant majorities, each imposing quarter-cent sales taxes dedicated to transit expansion as part of the region's comprehensive 30-year plan. Ridership has grown significantly on a system that will offer among the highest per-capita rail transit coverage of any region in the United States. Recent polling also suggests that nearly 90 percent of residents favour the construction of more transit.

How did this transformation take place? The primary factor, suggests John English, General Manager of the Utah Transportation Authority (UTA), was

a concerted effort to engage the public around a shared, community-wide vision. As recognition grew of the region's problems, a bi-partisan and multi-sectoral coalition began to form around the principles that denser, transit-oriented urban growth would reduce costs and enhance economic efficiency. Called "Envision Utah," the group embraced a diversity of stakeholders. Municipal officials were also supported in their land use planning with zoning standards and planning tools.

*Even if you don't ride it, you use it.*

**– Utah Transportation Authority promotional tag line**

As community goals took shape around the need for investment in transportation, informed and

mobilized municipal leaders helped garner support for the ballot initiatives.

The UTA and the local business community also committed significant resources to marketing and promotion in preparation for the referenda. A television ad campaign, launched well in advance of the votes, featured the state's most prominent business and civic leaders. In the commercials, prominent leaders – including the President of the University of Utah, an executive with UPS, and the owner of a number of local car dealerships – endorsed transit as a way to avoid congestion and get cars off the road, repeating the tag line, "Even if you don't ride it, you use it." English allocated 3 percent of his budget to this type of promotion because he believes that paid advertising



Above: Richard Katz (right), Chair of Los Angeles regional commuter service Metrolink, and Robert Prichard (left), Chair of Metrolinx.

attracts customers to the transit system. The UTA's success in delivering the initial projects on time and on budget also reinforced the public's support for further investments.

As the GTHA prepares for its own debate about funding transportation, public opinion in the region reflects a similar openness to engagement on the issue, suggests Barry Watson, President and Chief Executive Officer Environics Research Group. Based on his analysis, transportation and congestion have been predominant public concerns across the region. Although taxes are never popular, members of the public are generally more concerned about issues like the economy and health care. They will not actively "support" new taxes, but "acceptance" is an achievable outcome under the right conditions. The public will not lead this discussion though. Equity and fairness will be an important issue frame. Residents will also require assurance that new taxes would be dedicated to improving mobility.

### Lessons

- Successful transit investment campaigns benefit from visionary, charismatic, and informed political leadership, and transparent processes to mediate local concerns.
- They also require public engagement around a shared challenges and community-wide vision, and the mobilization of other key regional stakeholders.
- Although new taxes are never popular, revenue sources dedicated to improving mobility and reducing travel times can generate public support.

## 6. Learn More

The Moving our Region Series

April 16, 2012

[Transit Funding:](#)

[How to get there from here, without going broke!](#)

Keynote Speaker: **Richard Katz**, Chair, Metrolink, and Board Member, Los Angeles County Metropolitan Transportation Authority

March 26, 2012

[Private Sector and Public Transit: How Private Sector Participation Inspired Innovation and Helped Deliver the Canada Line Rapid Transit Project in Vancouver](#)

Keynote Speaker: **Jane Bird**, President and CEO, Columbia Power Corp., and former CEO, Canada Line Rapid Transit Inc.

February 27, 2012

[Move It: The Importance of Transportation in Economic Growth of City-Regions](#)

Keynote Speakers: **Robert Puentes**, Senior Fellow and Director of the Metropolitan Infrastructure Initiative, Brookings Institution Metropolitan Policy Program

March 1, 2011

[Funding Transportation for the Future: Strategies for Winning Public Support](#)

Keynote Speakers: **John English**, General Manager, Utah Transportation Authority; and **Barry Watson**, President and Chief Executive Officer, Environics Research Group

February 1, 2011

[National Transit Strategy and Policy: North American and International Perspectives on the Federal Role](#)

Keynote Speakers: **Steve Heminger**, Executive Director, Metropolitan Transportation Commission, San Francisco; and **Matthew Mendelsohn**, Founding Director, Mowat Centre for Policy Innovation

November 22, 2010

[Planning for Better Transportation Outcomes in Complex Environments: Lessons Learned from Vancouver and Chicago](#)

Keynote Speaker: **Michael Shiffer**, Vice President, Planning, Strategy & Technology, TransLink

October 19, 2010

[Transport for our Region in 2030... But not as we know it](#)

Keynote Speaker: **George Hazel**, Chairman of MRC McLean Hazel

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