FINAL REPORT

Paying the Way: Financing GTA Transit Expansion in the 21st Century and Beyond

TEAM 21

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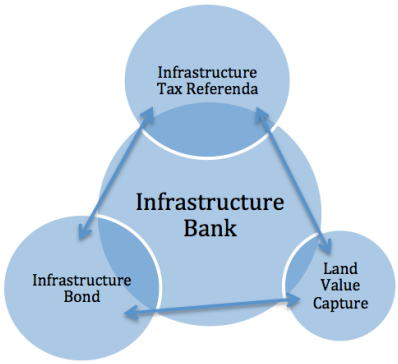
1. Executive Summary:

Finding additional revenue streams to pay for the public transit expansion in Toronto is a daunting task. As stated in the challenge prospectus for this competition:

While there is general agreement that massive investments are necessary, much resistance is expected towards the traditional measures used to finance such projects, such as tax increases and road tolls. Consequently, new business models and/or policies are needed to ensure financing for transit projects in Ontario.

This proposal will attempt to create a framework that will help to generate these new business models and policies. The framework is premised on 4 key ideas: infrastructure referenda, infrastructure bonds, government driven transit oriented development and a new provincial infrastructure bank. Each one of these will help to generate much needed revenue for the $50 billion expansion that has been proposed in Metrolinx's *The Big Move*. The key elements of each idea are:



- **Infrastructure Referenda:** Referenda present a great opportunity to have an open public debate about transit and which projects should take priority. Referendum ballots will include a clear question on support for a dedicated sales tax for clearly identified set of projects – this is how many other jurisdictions have passed tax increases to pay for infrastructure.
- **Infrastructure Bonds:** The sale of bonds to institutional and retail investors looking for a stable return on a proven investment class. The bonds are directed to specific infrastructure projects and sold with incentives such as tax credits. Mobilizing private sector capital will lessen the tax burden on the public in the short term while allowing those who support it to invest in their communities directly.
- **Government driven transit oriented development:** Having the government act as both transit and property developer around new transit stations/hubs. Benefits would include reaping the revenues from the development projects and ensuring that high-density planning intentions that would support the infrastructure are built into place.
- **Provincial infrastructure Bank:** Establishing an independent bank with the sole purpose of managing the funds and debt issued for transit development. This bank will collect the dedicated sales tax, land value capture, and raise funds through bond issuance. The bank would be the central lynchpin of the proposed system.

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2. Introduction

Finding funding for transit capital expenditures in Ontario is a daunting challenge. By their nature, transit projects are expensive, take years of planning and construction and are paid off over long periods of time. Traditionally, transit infrastructure has been directly funded by governments utilizing tax and fare revenues. All levels of government are facing major fiscal challenges in the 21st century and politicians of all stripes eschew raising taxes on their already cash-poor public resulting in endless squabbling over transit development funding and a neglected transportation infrastructure. In Toronto, this couldn't be more obvious as growing populations demand more transportation infrastructure, but the primary financing agent can no longer afford to build it.

The lack of transit in Toronto is causing more problems than just inconvenient for city-dwellers. The cost to our local economy is estimated at $6 billion a year – a number that is expected to go up to $15 billion by 2031 if nothing changes. Costs to environment and public health are compounding as people continue to rely on cars because of a lack of a feasible alternatives.

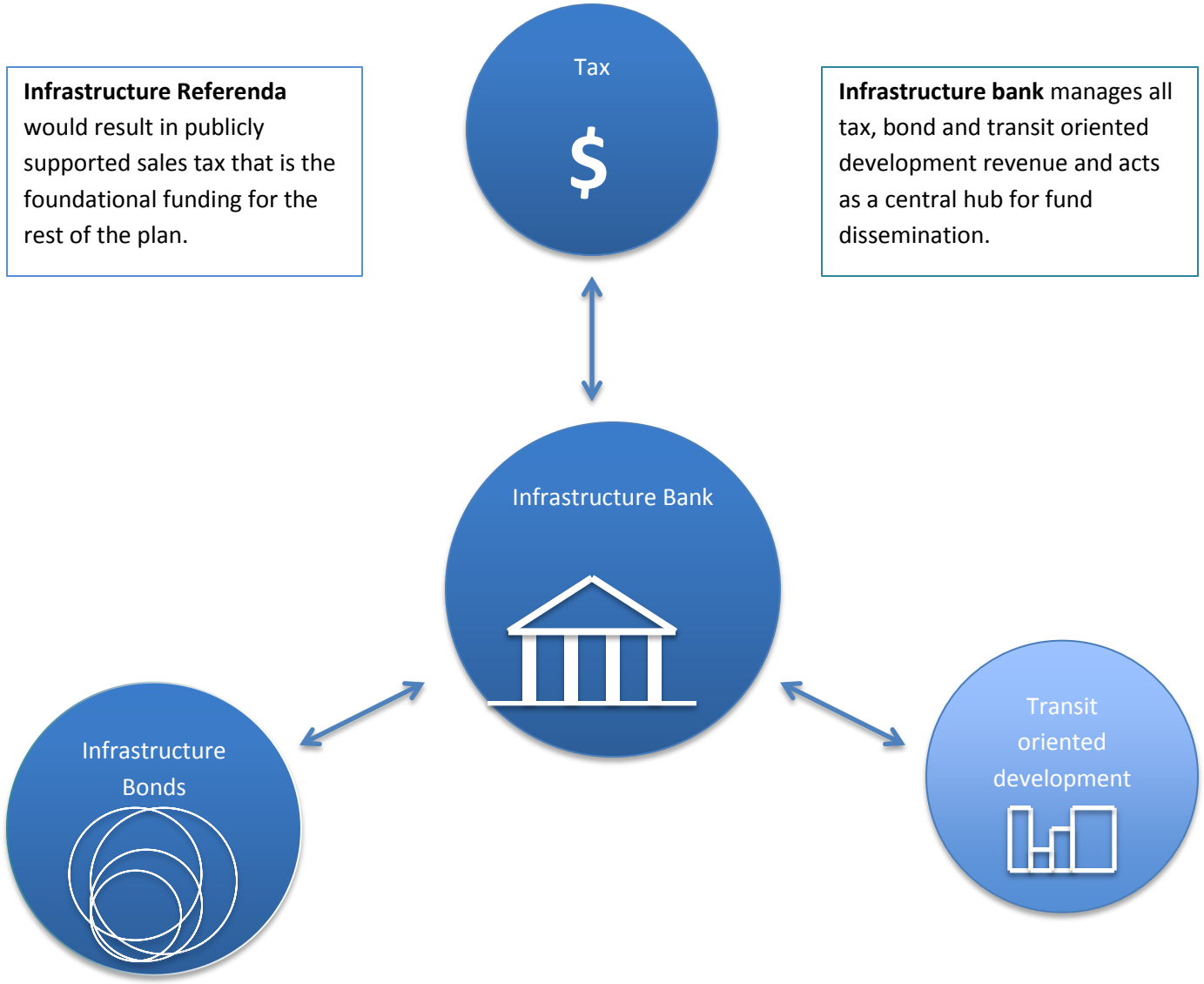
This proposal will attempt to reconcile the funding challenges by suggesting a new innovative system of funding for transit projects. The individual tools themselves are not novel they are all tactics that have proven successful in other cities - but the system and delivery method is innovative in the Greater Toronto and Hamiltion Area context. This proposed system is built on a foundation of transparency, accountability and more efficient use of public and private funds. It will create a space where raising new public revenue is politically acceptable, while leveraging private investment and building more sustainable, transit-oriented communities.

Inevitably, due to their expensive price tag and need to ensure that public interests are met, new tax revenues will need to be raised in order to build transit. The most transparent and accountable method of raising this is through a voter referendum authorizing new taxes to pay for pre-determined transit projects. Experience in the United States suggests that such referenda have a high rate of success.

With new tax dollars in hand, the money could be leveraged to issue a series of infrastructure bonds to obtain private investment. An independent Infrastructure Bank could then be setup to assume the debt and also be the main financing institution for large transit-oriented developments such as shopping centres, housing or commercial spaces near new transit lines. Such development could generate additional revenue and ridership by capturing land value increases resulting from the transit line while clustering more potential riders near the station. Based on current estimates, this system of funding should be able to pay for Metrolinx's entire $50 billion plan, "*The Big Move"*.

3. The Proposed Financing System

Infrastructure Referenda would result in publicly supported sales tax that is the foundational funding for the rest of the plan.



Infrastructure bank manages all tax, bond and transit oriented development revenue and acts as a central hub for fund dissemination.

Infrastructure bonds are issued to raise private sector capital. Bonds are leveraged by tax income and repaid by tax and development revenue.

Government driven transit oriented development would generate extra revenues that could be used to repay bondholders and be a long-term source of income for the bank.

3.1 Transit Tax Referendum

The proposed financing system begins with holding a transit tax referendum. The concept is simple – run a regional referendum for an increase in sales taxes to pay for specific infrastructure projects. The referendum would be run in all of the GTA municipalities that would benefit most directly from the proposed infrastructure development and could be tied with municipal elections in November 2014.

Experience in the US has shown that such referenda are highly successful. Between 2005 and 2009, out of 155 transit referenda held across the country, 72% were approved by voters. US transit referenda tend to be premised on a modest sales tax increase, property tax increase, implementing gas taxes or issuing bonds that will fund new projects, increase service levels or adjust fares. Major cities including Los Angeles, St. Louis, Denver and Phoenix have passed such referenda.

How much would it Generate?

The amount of revenue generated from such a referendum in the GTA would vary depending on the tax rate chosen and who would pay the tax. Estimates range from $1 to $2.6 billion annually. For example, analysis provided by the Toronto Board of Trade notes that a 1% sales tax increase for the GTA would generate $1 billion annually resulting in $25 billion over the 25 year timeframe for *The Big Move*. In another scenario, Metrolinx has previously stated that its entire $50 billion plan should not cost more than $1.30 per person, per day. Using this figure and based on a population of 5.58 million people in the GTA (as per the 2011 census), that would raise $2.6 billion per year, resulting in $65 billion over 25 years. With the GDP of the GTA estimated to be around $323 billion, $2.6 billion would represent 0.8%.

Making it Successful

The success of these referendums is primarily due to the transparency and accountability of the taxes and projects being proposed. With the list of projects being supported being clear, voters are more likely to understand and therefore support a raise in taxes. Additionally, the project list has gone through public consultation and contains items that appeal to all voters.

Holding a referendum also has the added benefit of being able to have an open public debate on transit funding and projects since voters would now have some stake in the outcome. Once all the issues are on the table and the public can see the benefit of the projects in question it is felt that they would likely support it. Also, the public would be empowered through the process since they are making their own decision and would likely be more committed to seeing the projects through.

Politically, a referendum also has the advantage of allowing politicians to delegate a difficult decision to the public. Advocates of more taxes or less taxes can generally agree on using a democratic process to settle the issue, and they would be free to campaign for the Yes or No sides. Toronto Mayor Rob Ford, a staunch critic of new taxes, has stated publically that he would support new taxes approved through a referendum.

Case Study: Los Angeles County's Measure R

A good case study of a transit referendum in action is in Los Angeles. In 2008, over two-thirds of voters in Los Angeles County approved Measure R, a 0.5% sales tax increase within the County for a period of 30 years, which would amount to approximately $25 per year, per resident. It is estimated that the tax would generate $30 billion over 30 years. In conjunction with the tax, an Independent Taxpayers Oversight Committee was established to audit and monitor the progress on Measure R. The measure was designed to support a variety of transportation and transit projects including new light rail lines, subway lines, fare freezes and highway projects. The money raised from the tax, in combination with some federal funds, has since been leveraged to issue a $750 million bond from private investors. This leveraging is part of an overall plan to accelerate transport developed called the 30-10 Initiative – 30 years of projects delivered in 10 years. The initiative would also deliver economies of scale and timing savings by accelerating construction.

Experience has shown that it may take a few attempts to get a ballot initiative passed – for example Phoenix's transit referendum took 4 tries before voters said yes – so an initial no vote should not deter supporters. The key to success will be in the process and campaign strategy leading up to the referendum. Having the right list of projects to support, ensuring that the plan is fair and accountable, making sure that there will be regular reporting and monitoring mechanisms during the life of the tax and voters can see true value in the plan will be very important. In a paper published in advance of a transit referendum in the Research Triangle area of North Carolina, it was noted that building broad coalitions, ensuring a consistent message, responding well to critics and adequate outreach/consultation are important best practices to ensure success.

Toronto's Experience with Referenda

The idea of having referendums to support the creating of infrastructure is not a new one in Toronto. Referenda have been used in the past to help build many major infrastructure projects including the Prince Edward (Bloor) Viaduct and the original section of the Yonge Subway line (Union to Eglinton). More recent transit projects have tended to reply on direct government funding, but with continuing governmental fiscal

challenges, resurrecting referenda to pay for transit projects will need to be re-considered.

How it would work out

Once passed, the taxes would be remitted with the HST to Ottawa, but be placed in a separate line item for easier accounting. The federal government would remit the appropriate funds to Ontario. Simultaneously, an independent Provincial Infrastructure Bank with citizen members on the Board should be created through legislation that would be responsible for administering and leveraging the referendum funds (more details about the bank appear below). The bank would be in charge of funds and publish annual reports showing where the funds have gone and the progress to date.

3.2 Infrastructure Bonds:

In their report *The Move Ahead: Funding The Big Move,* the Toronto Board of Trade discusses the option of using an Infrastructure Bond to help fund transit development. According to the Board of Trade, such a bond could generate $500 million or more annually and would not be overly arduous for Ontario issue since we already sell Savings Bonds that pay for provincial infrastructure. The key difference would be that infrastructure bonds would be tied directly to transit and no other government project.

By leveraging the additional $1 billion in annual revenue from the dedicated sales tax as a result of the infrastructure referenda, infrastructure bonds can be issued.

What are Infrastructure Bonds?

Infrastructure Bonds are targeted debt instruments issued by a government that are tied to the construction of particular infrastructure projects. The different between an Infrastructure Bond and a Savings Bond is that proceeds from an infrastructure bond are reserved for the construction (and potentially the maintenance) of identified infrastructure projects, while proceeds from a traditional savings bond generally go into general government revenues to finance a variety of government projects, which may include infrastructure expansion.

Why are bonds an attractive option to raise funds?

Bonds generally attract a relatively low interest rate to reflect the level of risk associated with the instrument. This makes them an attractive investment instrument for retail and institutional investors because they know that their initial investment is secure and will also yield a steady and predictable rate of return.

Bonds allow the government to raise money directly from businesses, pensions and high net worth individuals (those that could most likely afford to take on the cost). Businesses and pensions have surplus capital while average individuals are riddled with high personal debt levels, and already high cost of living in Toronto. Institutional investors would see a direct benefit from investing in transit that would increase productivity of their businesses and eventually bottom line.

Bonds allow for a relatively low cost of borrowing in comparison to a bank loan. It allows governments to reinvest bond proceeds and disperse project funds as needed over time. Toronto Board of Trade research report predicted that there is actually there is potential for government to achieve an overall profit.

Infrastructure bonds allow for utilizing private sector funds. The benefit of this is that it allows the community to voluntarily opt to fund the project, and it alleviates the burden on the taxpayer in the short term. In addition the government uses bonds to control

inflation and protect against recession. After the WWII the Canadian government released the “Victory Bonds” to encourage spending to boost the economy.

In the long term, the interest payments on the bond will increase the cost of the subway. However, it would it is worthwhile to note that this added cost, which would be experienced as a longer tax term, may be worthwhile to taxpayers because of the benefits and cost savings that effective transit would provide in the present. It’s difficult to measure exactly what the net benefit to tax payers would be, but its likely that businesses that depend on walk-by traffic and residents faster commuting – whether by car or by transit has cost benefits. According to statistics Canada, transportation is the largest expense after shelter and taxes (see Appendix). Additionally when you consider time available to spend working, less cost on childcare etc., it seems probable that the cost-benefits may net out in favour of debt via infrastructure bond over the long-term.

Risk Factors

It should be noted that there are some other risks associated with infrastructure bonds. One is that interest rates are at record lows, meaning that they have nowhere to go but up. If interest rates go up, the value of the bonds will decrease as interest rate and bond values have an inverse relationship; as a result investors could potentially see a bond as a poor investment.

Like in every investment there is a possibility that bond holders would seek to redeem their bonds prior to maturity. Another key factor of making infrastructure bonds successful is ensuring that there is enough incentive and security to entice buyers since there will likely be a low liquidity. If the bonds are government backed, and a tax is approved for the long term, the government should be able to successfully leverage its revenue for bond insurance and ensure secure rates and incentives.

According to the Toronto Board of Trade Report there is a fear that increased interest in transit bonds would detract interest from other government bonds. However, its possible that transit bonds would capture the public attention in a different way because there is a direct outcome tied to the purchase. Citizens affected by the transit issues in the GTHA would be more likely to feel inspired to purchase a bond and feel like they are taking action on an issue in which they believe (especially if these bonds were tax redeemable). Therefore, transit bonds could actually tap into a larger market altogether.

Our proposal suggests that with the decided upon fundraising mechanism like a property tax or sales tax (both estimated by the BOT to equal $1 billion a year) the government should easy be able to repay investors after a set term (see Appendix A). Another option is to strategically set bond terms to manageable timeframes. If the first bonds are up after 15 years, 20 years, it gives the government time to begin recovering some costs from the initial investment.

The government should generally be able to repay the debt based on revenues from the transit tax and the positive economic effects of having transit in place: job creation, increased land value and decreased congestion. It is essential that the province would be on board to funnel some of the economic gains back into the Ontario Transit Bank to ensure the continuity of development. This would have to be sorted out as a separate internal negotiation, to ensure the cash flow and repayment ability of the bank.

Would people want to buy infrastructure bonds?

Bonds are only effective if investors deem them to be an attractive investment opportunity and actually want to purchase the product. When considering whether people would want to buy infrastructure bonds it is important to consider that one of the key characteristics of infrastructure assets, and what can make them particularly attractive as investments, is that they tend to be, or exhibit the characteristics of, natural monopolies. Being a government issued bond, it is likely that they would be considered relatively secure.

To further incentivize the purchase of these bonds and make them more secure, cities such as Los Angeles have successfully raised new taxes through referenda to use as collateral for the bonds. In India, they have even allowed for a bondholder tax credit to further incent the purchase of their infrastructure bonds.

In this context, the Ontario Government, through the Infrastructure Ontario Bank, could issue the bonds. The bonds are to be issued in stages where each completed project (or series of projects) with its associated economic impacts helping pay it off would trigger the issuance of the next bond for the next series of projects.

For both World War I and World War II, Victory Bonds were issued to raise money and stimulate engagement with the war effort. Sale of the bonds resulted in $1.34 billion in WWI and $12 billion in WWII. While this was a national sale, and infrastructure bond sale would be only local, the population of Canada was only about 7.5 million in 1914 and 12.5 million by 1945. Meaning that the per capita sale was about $50 per person. Clearly, infrastructure wouldn't have the same rousing effect as war bonds, but its worthwhile noting that public engagement in issues that affect citizens personally can result in something significant.

Infrastructure Bond Case Studies

Indian Infrastructure Bonds

- The Indian government anticipates that the country's infrastructure needs over the period of 2012 – 2017 to total $1 trillion. One of the methods being used to finance this massive investment is the issuance of infrastructure bonds. To attract investment, those that purchase infrastructure bonds reap an income tax savings. The finance minister has recently annoyed that private sector companies undertaking some of these infrastructure projects will also be allowed to issue these tax-savings bonds.

Australian Broadband Bond

- The Australian government has unveiled a $43 – billion plan to build a fibre-to-the-premises (FTTP) broadband network across the country. This national broadband network project will be operated by NBN Co., a company established by the federal government for this purpose. In its 2010 Budget the federal government announced that it will issues $300 million in Aussie Infrastructure Bonds over the coming 12 months to help fund its investment in NBN Co. as part of its overall debt issuance program.

Ontario Government Savings Bond

- The Ontario government issues savings bonds and reports that it uses the revenues to fund health care and infrastructure projects. Currently, they issue bonds at 3-year, 7-year, and 10-year terms for amounts ranging from $100 to $500,000. in 2009, Ontarians purchased more than $1 billion in Ontario Savings Bonds during the 2009 campaign.

Los Angeles County Infrastructure Bond

- Since 2009 Los Angeles County has sold over $30 billion in infrastructure bonds and has disbursed $21 billion

3.3 Government-Driven Transit Oriented Development

A lot of discussion surrounds the issues of land value capture and tax increment financing. Various studies have shown that land value invariably increases for those properties that are located close to a transit line once the project is completed. The main idea behind land value capture and tax increment financing is to capitalize on this land value jump through capturing the predicted or actual gains in taxes or land value to help finance the transit project. Methods to achieve this include borrowing against the predicted uplift in tax revenues, charging special property levies to those who will likely benefit or selling/leasing properties/development rights of lands near a transit project.

Transit projects around the world have been financed using these methods. Examples include the new Transbay Transit Center in San Francisco, redevelopment of Denver's Union Station, the Dulles Metrorail project in Washington, DC and the Rail+Property model utilized by Hong Kong's MTR Corporation.

How it would work?

In Toronto, it is proposed that a mix of these options be utilized to work in a system to advance Transit-Oriented Development. This would lead to additional revenues for capital financing and better sustainability of transit operations due increased ridership support from the transit-oriented designs. It would help mitigate the risk that higher-value development never occurs along a transit line as in the case of the Spadina Subway.

The system would begin with the transit agencies being authorized as the core developer and manager of both the transit project and its surrounding developments. The agency would be given the powers to purchase land for development of the transit infrastructure and some of the transit oriented developments at pre-construction prices. Land could also be provided by government through municipally or provincially owned properties. The agency would also be given the authority to define and negotiate special tax increment/assessments districts for implementation of tax increment or land-value capture financing.

Depending on the location and the property, the transit agency could either develop the land directly or sell/lease the development rights to a developer. In the case of direct development, the tax increments and special assessments could be used to kick-start specific transit oriented projects such as high-density residential or commercial spaces and the proceeds from the sale or lease of these properties would be used to help finance the transit infrastructure. Selling or leasing development rights would yield up-front funds for the same objectives.

With the transit agency in charge of both planning and development, it would be much easier to ensure that transit oriented planning objectives are met as well as ensuring that higher land-values are achieved through good design and incorporating best practices from other jurisdictions. Development would also be accelerated and savings could be achieved through larger economies of scale.

How much would it raise?

It is difficult at this time to estimate how much these financing tools could generate. Part of the difficulty is because it is unknown at this point where the exact properties will be located and also because these tools have not been combined together in such a system. The Toronto Board of Trade did estimate that Land Value Enhancement could generate $500 million or more per year, resulting in $12.5 billion over 25 years. According the a report done by KPMG for the City of Toronto and Toronto Transit Infrastructure Limited, tax increment financing along the Sheppard and Eglinton Crosstown line could generate $5.3 billion over a 50-year timeframe. Pro forma analysis on a hypothetical 190-unit residential condominium in Toronto could yield $8 million in profits while commercial rent figures provided by the Toronto Real Estate Board show an average of $116/sq.ft. as of the 3rd quarter of 2012.

In other jurisdictions, these financing tools have been shown to generate large streams of revenue. For example, Denver's Union Station project is financing $300 million in loans through tax increments of a $500 million project. San Francisco is using tax increments to pay for $1.2 billion of its $4 billion Transbay Transit Center.

Case Study: Hong Kong's MTR

In Hong Kong, the Rail+Property (R+P) value capture model has been used extensively by the MTR Corporation, Hong Kong's subway developer and operator. The MTR basically builds rail infrastructure along with associated transit-oriented developments and reaps the direct land value increase on these developments. Land and development rights for the developments are provided by the government at time of construction. MTR leases/sells the development rights for upfront cash or sells/leases the resulting developments and also provides property management services. The model has allowed MTR to be able to finance, build and operate most of their subway infrastructure without direct taxpayer subsidy. From 2001-2005, property development provided over 50% of MTR's revenues and it has been estimated that in the 1980 to 2005 timeframe, the R+P model combined with the semi-privatization of the MTR (23% of shares are traded on the Hong Kong Stock Exchange, while the remainder is owned by government) has netted close to US $19 billion (HK$140 billion). MTR has become so good at what they do that they now develop and operate transit projects in other

cities (including Beijing, London and Stockholm) and are one of the few transit operators worldwide that can turn an annual profit.

Potential Drawbacks

Drawbacks to this proposal would be the massive initial capital outlays required to kick-start the development of such projects, potential objections from the community about high-density projects in their neighbourhood and potential objections from the development community about lost business.

To address the funding issue, an independent infrastructure bank could be setup that could help bridge financial gaps. Individual projects would borrow from the bank and pay interest. More details about an infrastructure bank is discussed in the next section.

With respect to community objections, consultation and negotiation will obviously need to happen. Inevitably though, practice has shown that re-development of neighbourhoods is almost inevitable with new transit infrastructure. The benefits of having the transit agency as lead developer for transit oriented development are that community interests can be taken into account in the planning process and would result in a more community oriented design. Private developers can be brought on-side by structuring innovative private-public partnerships to share profits and ensure win-win situations.

Another major issue would be the in-house knowledge and long-term planning required in executing large profit driven development projects. Current government transit agencies would likely not be equipped to be able to handle these complex projects so changes in management and governance would be required. Creating new development divisions with expertise hired from the outside would definitely be needed. Building adequate buffers between the agency and the government would also be required to ensure that long-term planning can be followed through with minimal political interference.

The Toronto Board of Trade report estimated that Land Value Enhancement strategies could generate $500 million or more annually.

3.4 Tying the System Together: A Provincial Infrastructure Bank

The cornerstone of our plan is to establish a non-profit Provincial Infrastructure Bank (PIB) that would oversee the collection and disbursement of all transit development funds. The inspiration is a proposal from the Obama administration in the US that has recently proposed a similar type of bank. The PIB would be an independent entity designed to finance major infrastructure projects, including transit that would accept deposits from the government and private sector as well as issue debt.

What would the key benefits of this bank be?

- Ability to increase overall investment in infrastructure by attracting private capital for infrastructure projects
- Improving the efficiency of infrastructure development by having a dedicated body that is external to the government and immune to political changes
- Have the ability to innovate and develop public-private partnerships
- Have the ability to raise revenue through debt issuance, without affecting the operating budgets or credit ratings of municipalities or the Province of Ontario
- Encourage infrastructure projects to look at life-cycle costs analysis which saves on long-term maintenance and find ways to deliver efficiencies in procurement
- As discussed above, the PIB would be accountable to the public for how referendum funds are expended. There would need to be citizen members on its Board and annual reports would have to be issued detailing where the money has gone and what is the progress of the projects.

How would it work?

The PIB is the hub of this proposal and would be formed once the transit tax referendum was approved. The bank would be part of the list of projects approved through the referendum. With the tax as a financial leverage, the new PIB would be able to issue the infrastructure bonds that we described about in section 3.2 and assume all of the bond repayments as well as be the main financier for all transit projects. Metrolinx would submit project proposals to the PIB and each project would be evaluated on its merits. The PIB would also help to fund the transit oriented development projects, the revenues of which would also be used to help pay down debts.

Initially, the bank would deal only with transit projects as that is where the core of its capitalization funding would be coming from. In time, as the bank gains revenues and a steady cash flow, it would branch out into other infrastructure projects around the province and provide consulting or advisory services as means to generate additional revenue. The bank would also be able to finance infrastructure retrofit and rehabilitation

projects – something that is often overlooked in our current infrastructure funding system since preventive maintenance is not a major vote winner.

A few of these functions are already being performed by Infrastructure Ontario (IO), a provincial crown corporation. IO offers services such as the Loan Program which lends to specific infrastructure projects and financed through debentures. IO also manages the Alternative Financing and Procurement (AFP) model, which develops innovative public-private partnerships and structures customized plans for more efficient financing, procurement and life-cycle analysis. As a crown corporation however, IO is not independent and often acts as an expert facilitator in making these infrastructure deals go through. The PIB that is being proposed would offer full banking functions and manage its own projects and deals. It is proposed that IO could be merged with the PIB, or IO's mandate could be expanded and be turned into a bank offering all of the services discussed above.

Establishing the PIB is definitely a key component to ensuring that infrastructure is developed more intelligently in Ontario.

4. Conclusion

Utilizing all of these tools together will be an important part of implanting the full framework. Each one of these options will need to be tied into each other so that the full benefits of each can be reached.

It is proposed that the infrastructure referendum be run first so that a full rational debate about transit funding can be had and the public will have time to make up their mind on the issue. It will also help to answer the critical question of whether or not the GTA is truly committed to this major transit expansion.

With a positive vote on the referendum, the PIB will be established to manage the revenue from the dedicated tax and eventually the disbursement of project funds.

The bank will also issue infrastructure bonds, leveraging the revenues from the dedicated sales tax decided upon in the referendum. These bonds will unlock access to large cash reserves of the private sector and foster the engagement of the business community.

The PIB will also be able to kick-start government-driven transit oriented development. As the projects proceed, the revenues received through these non-transit developments will help to keep up enough cash flow to pay back the bondholders.

Finding alternative methods of financing large capital projects is never easy, and the truth is a lot of the tools are not really all that new. The innovation will be in how they are used and the system that is developed so that they can mutually reinforce one another. This proposal aims to present one such system and it is hoped that this will kick-start a larger discussion of whether or not this system is right for the GTA.

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