York Region

# Agenda

## Committee of the Whole - Week 2

December 9, 2021
9 a.m.
Electronic Meeting

Quorum: 11

## E. Conservation Authorities

### E.1. Presentation: 2022 Budget - Toronto and Region Conservation Authority

John MacKenzie, Chief Executive Officer, Toronto and Region Conservation Authority

(See Item E.3)

### E.2. Presentation: 2022 Budget - Lake Simcoe and Region Conservation Authority

Rob Baldwin, Chief Executive Officer, Lake Simcoe and Region Conservation Authority

(See Item E.3)

### E.3. Report: 2022 Budget - Conservation Authorities 3

Report dated November 17, 2021 from the Acting Commissioner of Finance and Regional Treasurer recommending that:

1. Committee of the Whole recommends the budget to Council as submitted for Conservation Authorities as follows:
    a. The 2022 operating budget as summarized in Attachment 1.
2. The recommended budget be consolidated by the Commissioner of Finance and Regional Treasurer for consideration by Council on December 16, 2021.

## F. York Regional Police

### F.1. Presentation: 2022 Budget - York Regional Police

Mayor Maurizio Bevilacqua, Chair, The Regional Municipality of York Police Services Board, Jim MacSween, Chief, York Regional Police and Jeffrey Channell, Manager Financial Services, York Regional Police

(See Item F.3)

### F.2. Communication: 2022 Police Operating and Capital Budgets 11

Mafalda Avellino, Executive Director, The Regional Municipality of York Police Services Board dated October 28, 2021

Recommendation: Receive

### F.3. Report: 2022 Budget - York Regional Police 31

Report dated November 17, 2021 from the Acting Commissioner of Finance and Regional Treasurer recommending that:

1. Committee of the Whole recommends the budget to Council as submitted for York Regional Police as follows:
    a. The 2022 operating budget as summarized in Attachment 1.
    b. The 2022 capital expenditures and the 2022 Capital Spending Authority, as summarized in Attachment 2.
2. The recommended budget be consolidated by the Commissioner of Finance and Regional Treasurer for consideration by Council on December 16, 2021.

## G. YorkNet

### G.1. Presentation: 2022 Budget - YorkNet

Laura Bradley, General Manager, YorkNet

(See Item G.2)

### G.2. Report: 2022 Budget - YorkNet 41

Report dated November 17, 2021 from the Acting Commissioner of Finance and Regional Treasurer recommending that:

1. Committee of the Whole recommends to Council the budget as submitted for YorkNet as follows:
    a. The 2022 operating budget as summarized in Attachment 1.
    b. The 2022 capital expenditures and the 2022 Capital Spending Authority, as summarized in Attachment 2.
2. The recommended budget be consolidated by the Commissioner of Finance and Regional Treasurer for consideration by Council on December 16, 2021.

## H. Corporate Management and Governance, Financial Initiatives, External Partners, Court Services and Yonge North Subway Extension

### H.1. Presentation: 2022 Budget - Corporate Management and Governance, Financial Initiatives, External Partners, Court Services and Yonge North Subway Extension

Bruce Macgregor, Chief Administrative Officer

(See Item H.2)

### H.2. Report: 2022 Budget - Corporate Management and Governance, Financial Initiatives, External Partners, Court Services and Yonge North Subway Extension 51

Report dated November 17, 2021 from the Acting Commissioner of Finance and Regional Treasurer recommending that:

1. Committee of the Whole recommends to Council the budget as submitted for Corporate Management and Governance, Financial Initiatives, External Partners, Court Services and Yonge North Subway Extension as follows:
   a. The 2022 operating budget as summarized in Attachment 1.
   b. The 2022 capital expenditures and the 2022 Capital Spending Authority, as summarized in Attachment 2.
2. The recommended budget be consolidated by the Commissioner of Finance and Regional Treasurer for consideration by Council on December 16, 2021.

OTHER ITEMS

## I. Finance and Administration

Chair – Mayor Bevilacqua
Vice Chair – Mayor Lovatt

### I.1. Greater Toronto Hamilton Area Regional Prosperity Alliance & COVID Recovery — 63

Memorandum from Bruce Macgregor, Chief Administrative Officer dated November 24, 2021

Recommendation: Receive

### I.2. 2022 Regional Fiscal Strategy — 65

Report dated November 17, 2021 from the Acting Commissioner of Finance and Regional Treasurer recommending that:

1. Council adopt the updated fiscal strategy outlined in this report
2. Council affirm the 2022 Long-Term Debt Management Plan, shown as Attachment 1
3. Council approve the amendment of the Capital Financing and Debt Policy to limit the access to the growth-related cost supplement to the Annual Repayment Limit only to the Yonge North Subway Extension (YNSE), as shown in Attachment 2
4. Council approve the reinstatement of the Surplus Management Policy that was temporarily suspended last year due to COVID-19
5. Council approve an amendment to the Rapid Transit Reserve Fund to include contributions from the Rapid Transit Infrastructure Levy as a funding source
6. Council approve the renaming of the Federal Gas Tax Reserve Fund to Canada Community-Building Fund Reserve Fund to align with the federal renaming of this program, as shown in Attachments 2

7. Council authorize the transfers of funds between the following reserves:

   a. $31.5 million from the Debt Reduction Reserve to the Rapid Transit Reserve Fund

   b. Up to $508,724 of contributions that will be made by YorkNet to the Region's General Capital Reserve in 2022, to YorkNet's Capital Asset Replacement Reserve

   c. Up to $113,105 of contributions that will be made by YorkNet to the Region's Tax Stabilization Reserve in 2022, to YorkNet's Stabilization Reserve

8. Council approve a technical amendment to Appendix 3 of the Investment Policy to designate the short-term interest earning rate for the Pandemic Management Reserve Fund, as shown in Attachment 2

9. Council authorize the Regional Solicitor to prepare and amend the necessary bylaws

## J. Notice of Motion

## K. Other Business

## L. Private Session

### L.1. Organizational Review - Labour Relations

## M. Adjournment

# DEPUTATION REQUEST

## COMMITTEE OF THE WHOLE
## DECEMBER 9, 2021

**Subject:** Cultural Industries of York Region

**Spokesperson:** Sergei Petrov – Executive Director

**Name of Group or person(s) being represented (if applicable):** York Region Arts Council

---

**Brief summary of issue or purpose of deputation:**

York Region Arts Council team will make a deputation on the state of the cultural industries of York Region in 2021, and 2022, and present our findings and vision to the Regional Council for 2022 budgetary consideration.

# The Regional Municipality of York

Committee of the Whole
Finance and Administration
December 9, 2021

Report of the Commissioner of Finance

# 2022 Budget – Conservation Authorities

## 1. Recommendations

1. Committee of the Whole recommends the budget to Council as submitted for Conservation Authorities as follows:

    a. The 2022 operating budget as summarized in Attachment 1.

2. The recommended budget be consolidated by the Commissioner of Finance and Regional Treasurer for consideration by Council on December 16, 2021.

## 2. Summary


This report provides a summary of the 2022 Operating Budget for Conservation Authorities for consideration by Committee of the Whole. Details of the budget can be found on page 202 of the 2022 Budget Book.

Key Points:

- Conservation Authorities programming assists the Region in protecting Regional infrastructure, residents and their property from flooding and other natural hazards, and with the protection of Regional drinking water sources.
- The 2022 proposed gross operating expenditures for Conservation Authorities are \$6.6 million, which is 0.2% of total Regional operating expenditures
- The proposed net operating budget is \$6.6 million, or 0.5% of the Region's net expenditures


## 3. Background

The Conservation Authority budget includes funding for the Toronto and Region Conservation Authority and the Lake Simcoe Region Conservation Authority.

Under the recently updated *Conservation Authorities Act*, conservation authorities are mandated to provide natural hazard protection and management, conservation and management of conservation authority lands, protecting drinking water sources under the *Clean Water Act*, and have specific responsibilities under the *Lake Simcoe Protection Act*.

### Council directed staff to reduce the tax levy increase for 2022 and on May 27, 2021 endorsed a target tax levy increase of 1.96%

The 2021-22 Budget approved on March 25, 2021 included a 2022 outlook tax levy increase of 2.96%. This outlook reflected budget amounts for Regional departments and key service areas.

As part of budget approval, Council directed staff to “undertake strategies and processes to reduce the 2022 operating outlook as tabled on February 25, 2021.”

The 2022 Budget Direction report, adopted by Council on May 27, 2021, set out a target tax levy increase of 1.96% for 2022, in response to Council’s direction.

Building on Council’s direction, a comprehensive savings exercise was undertaken to achieve a proposed 2022 tax levy increase that is 1% below the outlook, while also ensuring that contributions to reserves are maintained at levels that safeguard the Region’s financial sustainability.

### The 2022 budget was tabled with Council in November with a proposed 2022 tax levy increase of 1.96% and a Rapid Transit Infrastructure Levy of 1%

The budget as tabled on November 25, 2021 included a proposed tax levy increase of 1.96% which is consistent with the 2022 Budget Direction report. The tabled budget also includes a Rapid Transit Infrastructure Levy of 1% to help fund the Yonge North Subway Extension.

The proposed 2022 Operating and Capital Budget was tabled with Council on November 25, 2021, in accordance with the timelines established in the 2022 Budget Direction report. It was received and referred to the December meetings of Committee of the Whole for consideration and recommendation.

### The 2022 Budget is the fourth year of the 2019-2022 Multi-year Budget cycle

The operating budget presented is a one-year budget for the remaining year of Council’s term. Council is asked to approve the budget for 2022.

## 4. Analysis

### OPERATING BUDGET

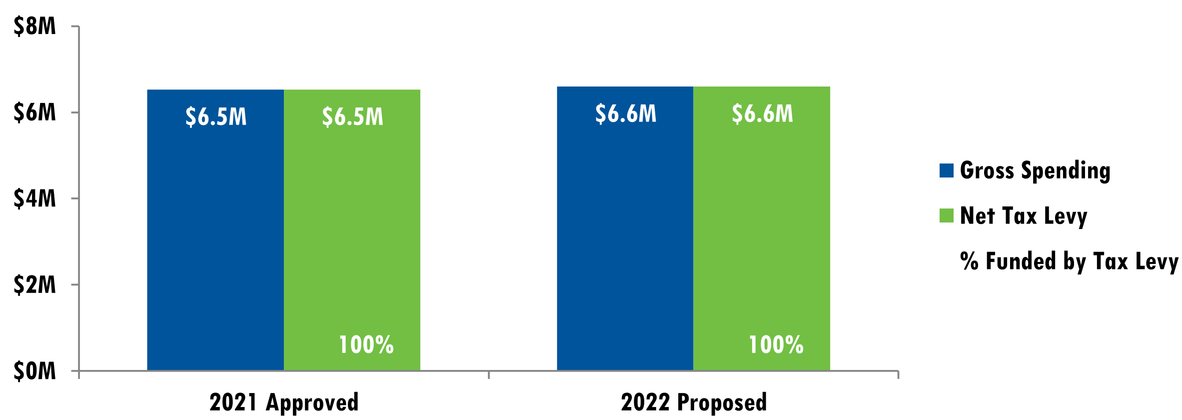
### Approval of 2022 gross expenditures of $6.6 million and net expenditures of $6.6 million is requested

The budget includes gross operating expenditures (i.e., total budget) and net expenditures, which correspond to the portion of the budget paid by the tax levy.

The Conservation Authority budget includes funding for the Toronto and Region Conservation Authority and the Lake Simcoe Region Conservation Authority. The 2022 proposed gross operating expenditures for Conservation Authorities are $6.6 million, or 0.2% of total Regional expenditures. The proposed 2022 net expenditures of $6.6 million are 0.5% of the total. Operating expenditures for the Conservation Authorities are 100% funded by tax levy as shown in Figure 1 below.

**Figure 1**

**2022 Gross and Net Operating Expenditures**

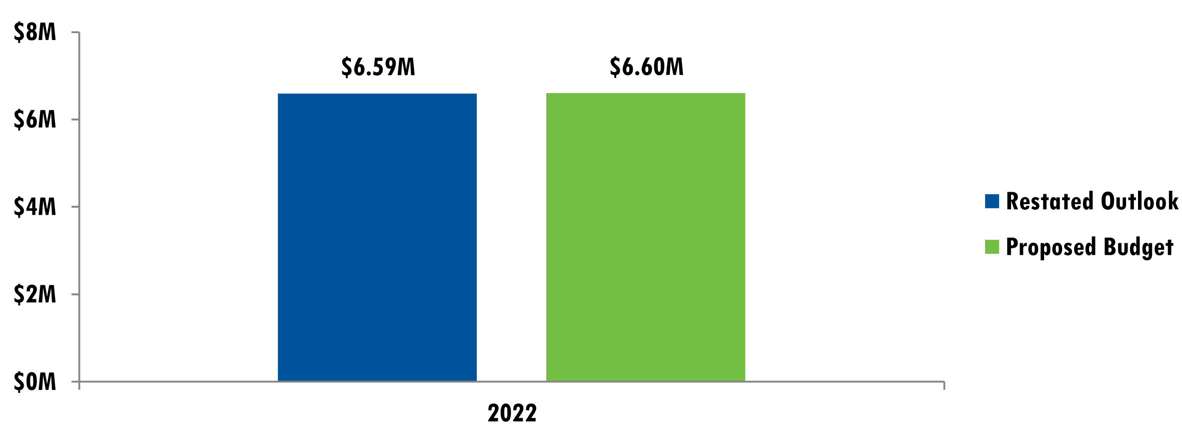



## Conservation Authorities' proposed 2022 operating budget is slightly higher than the previous outlook

As illustrated in Figure 2 below, Conservation Authorities' proposed 2022 net budget is slightly higher than the previous outlook.

**Figure 2**

**2022 Proposed Net Budget Compared to Outlook**




The 2022 operating budget request of $6.6 million for Conservation Authorities reflects York Region's share of each Conservation Authority's general levy budget. These costs are apportioned among municipalities in their watersheds based on share of assessment. York Region's proposed contribution to the Lake Simcoe Region Conservation Authority increased slightly compared to the outlook.

Additional funding for Conservation Authority special capital and reforestation is included in the Environmental Services Water and Wastewater capital budget and the Forestry operating budget. The tables on page 202 of the budget book provide a comprehensive view of total funding for each Conservation Authority.

### Conservation Authorities and York Region are working together to respond to the requirements of *Conservation Authorities Act* amendments

Amendments to the *Conservation Authorities Act*, addressing the mandates of the conservation authorities, received Royal Assent on December 8, 2020. Regulations under the Act for mandatory and non-mandatory services that will support implementation were filed on October 1, 2021.

Regulatory changes require conservation authorities to prepare an inventory of programs and services, in consultation with member municipalities, that identifies mandated and non-mandated programs/services by February 28, 2022. By January 1, 2024, the Region will need to enter into Memorandums of Understanding (MOU) for non-mandated services with the TRCA and LSRCA, respectively.

Environmental Services and Corporate Services (Planning) are leading a cross-departmental task force that includes representation from Transportation Services, Finance, and Legal Services to transition the Region and conservation authorities into this new model. Transition to this new funding model will be reflected in the 2024 budget.

### The proposed budget supports the 2019 to 2023 Strategic Plan

The budget for Conservation Authorities supports the Sustainable Environment community result area of the 2019 to 2023 Strategic Plan. More information is provided in the 2022 Budget Book.

## 5. Financial

The proposed 2022 net operating budget for Conservation Authorities totals $6.6 million, as summarized in Attachment 1. This represents 47% of the funding provided to the Conservation Authorities through the annual budget process. The remaining funding represents special capital and reforestation initiatives included in the Environmental Services budget. In 2022 the amount is expected to be $8.0 million.

Other funding is provided to the Conservation Authorities for fee-for-service work including capital project support, funding agreements for staffing support and urban forest studies. The amounts vary each year depending on the number and timing of projects. In recent years the amount has ranged from $2.7 million to $4.5 million.

## 6. Local Impact

The Region's budget supports a wide range of public services that benefit residents and local economies. The Region works with its local municipal partners to develop many Regional programs and services. Local needs and impacts are an important consideration in delivering effective and efficient services for a growing population.

## 7. Conclusion

This report sets out the proposed 2022 operating budget for Conservation Authorities. To facilitate completion of the budget process, it is recommended that the Committee's recommendations be forwarded to Council for consideration on December 16, 2021.

---

For more information on this report, please contact Kelly Strueby, Director, Office of the Budget at 1-877-464-9675 ext. 71611. Accessible formats or communication supports are available upon request.

Recommended by: **Jason Li, CPA, CA**
Acting Commissioner of Finance and Regional Treasurer

Approved for Submission: **Bruce Macgregor**
Chief Administrative Officer

November 17, 2021
Attachments (1)
eDOCS# 13369125

**Attachment 1**

# 2022 Operating Budget for Conservation Authorities

| (in $000s) | Page No. | 2022 Proposed | |
|---|---|---|---|
| | | Gross | Net |
| Lake Simcoe Region Conservation Authority | 202 | 3,067 | 3,067 |
| Toronto and Region Conservation Authority | 202 | 3,531 | 3,531 |
| **Total** | | **6,598** | **6,598** |

# The Regional Municipality of York Police Services Board

To Make a Difference in Our Community

17250 Yonge Street, Newmarket,
Ontario, Canada L3Y 6Z1

Tel: 905.830.4444 or 1.877.464.9675 ext. 77906
Fax: 905.895.5249
E-mail: psb@yrp.ca • Web: yrpsb.ca


October 28, 2021

Mr. Jason Li
Acting Commissioner of Finance
The Regional Municipality of York
17250 Yonge Street
Newmarket, Ontario
L3Y 6Z1

Dear Acting Commissioner Li:

**Re: 2022 Police Operating and Capital Budgets**

At its meeting on October 27, 2021, the Regional Municipality of York Police Services Board received the attached report of the Chief of Police entitled "2022 Operating and Capital Budgets" and adopted the following recommendations:

1. That the the Board approve the 2022 Operating Budget with a tax levy impact of $376,831,236;

2. That the Board approve the proposed 2022 Capital Budget totalling $32,774,000;

3. That the Board approve for financial planning purposes the 10-year 2022-2031 Capital Forecast totalling $214,390,000; and

4. That the Board forward the 2022 Budget information for the Treasurer's tabling of The Regional Municipality of York's Budget at Regional Council on November 25, 2021.

I am forwarding the 2022 Police Budget for the Treasurer's tabling of the Regional Municipality of York's Budget at Regional Council in accordance with the Board's resolution.

Sincerely,

Mafalda Avellino
Executive Director

/Attach. (1)

Copy to: Chris Raynor, Regional Clerk
Jeff Channell, Manager, Financial Services, YRP

**The Regional Municipality of York**
**Police Services Board**

Public Board Meeting
October 27, 2021

Report of the Chief of Police

# 2022 Operating and Capital Budgets

## 1. Recommendations

1. That the Board approve the 2022 Operating Budget with a tax levy impact of $376,831,236;

2. That the Board approve the proposed 2022 Capital Budget totalling $32,774,000;

3. That the Board approve for financial planning purposes the 10 year 2022-2031 Capital Forecast totalling $214,390,000; and

4. That the Board forward the 2022 Budget information for the Treasurer's tabling of The Regional Municipality of York's Budget at Regional Council on November 25, 2021.

## 2. Summary

This report requests the Board's approval of the proposed 2022 Operating and Capital budgets and Capital outlook to 2031. Key highlights of the proposals include:

- Meeting the preliminary planning allocation with a net Operating request of $376,831,236, a $16.2 million or 4.49 percent increase over 2021
- Incremental costs include the addition of 27 additional staff, wage increments in accordance with collectively bargained working agreements, partial return of

pandemic related temporary common expenditure reductions and additional operating costs for the new #1 District facility

- A 2022 Capital budget and outlook to 2031 of $214.4 million consisting of major facility, vehicle, information technology, communication and specialized equipment requirements

# 3. Background

At its May 26, 2021 meeting, the Board received correspondence from Treasurer Laura Mirabella calling for an Operating Budget reduction from the prior year outlook by ($2.0) million in order to meet budget direction received from Council. The request required a review to develop more efficient ways of delivering existing programs and services, adjusting some service levels and scaling back planned increases in certain areas. The proposed 2022 Operating budget was edited for compliance with the Treasurer's request, as follows:

1. Efficiencies $0.722 million - A reduction of additional staff from 34 to 27 as a result of a reallocation representing a savings of $0.2 million. A $0.48 million reduction from operating expenditures for software maintenance, vehicle maintenance and fuel, cell phones and miscellaneous allowances as an outcome of the collective bargaining process.

2. Service level adjustments $0.44 million – A reduction to pandemic related temporary common expenditures and training for Project Breakthrough.

3. Risk tolerance $0.85 million - A new draw of $0.767 million from the Sick Bank Reserve to recover the costs of retiree sick bank payouts. By year end 2021, the reserve is expected to have a balance of $2.4 million and the 2022 draw begins a planned three year phase out of the reserve. A reduction to reserve contributions for asset replacement netted $0.09 million.

The proposed Capital budget and outlook to 2031 is $6.7 million above the preliminary planning allocation over ten years, due to $6.1 million rebudgeted from the 2021 capital budget, an increase of $14.0 million for Microsoft cloud computing, and partially offset by removing ($8.0) million for a land bank acquisition and deferring ($5.3) million to years beyond 2031.

# 4. Analysis

## BUDGETING TO MEET THE NEEDS OF OUR COMMUNITIES

The 2020 to 2022 Business Plan was developed to address objectives, core business and functions of the police service, including how it will provide adequate and effective police services. The plan serves to connect the overarching goals of the organization with the community's needs and to ensure that residents continue to receive quality policing services in an equitable, fair and inclusive way. Between 2017 to 2019, York Regional Police conducted workshops, focus groups and digital town hall events, in addition to community and business surveys, to allow community members and other stakeholders to provide input and inform the plan. A key deliverable of the annual budget is to allocate resources to allow the organization to achieve its priorities and objectives outlined in the Business Plan.

Table 1 and Table 2 highlights key initiatives from the Our Community and Our People pillars of the Business Plan funded in the 2022 Budget.

## Funding in the 2022 Budget for the Business Plan's Our Community Pillar

**Table 1**

| Our Community Pillar | Initiatives funded in the 2022 Budget |
|---|---|
| Community Engagement: To maintain public trust and confidence through ongoing positive interaction and outreach with our community | • Virtual learning and Values Influence Peers presentations<br>• Vulnerable person registry<br>• Hosted community events<br>• Interactive learning at the new Human Rights Education classroom<br>• Seniors safety programs<br>• Recruiting strategies<br>• Crime prevention with our business community |
| Operational Service Delivery: To enhance and modernize operations that ensure the safety and security of our community | • Improve investigative partnerships<br>• Mental Health Call Diversion<br>• Road safety strategies<br>• Road and Rail workshop<br>• Mass casualty exercises |
| Collaborative Partnerships: To develop new and existing relationships with our partners to ensure programs and services meet the needs of our community | • Joint force operations<br>• Local Bylaw partnerships<br>• Mobile crisis response and mental health work groups<br>• Crisis intervention training |
| Equity & Inclusion: To strengthen positive practices that reduce barriers and foster belonging between police and community | • Engage with religious and cultural leaders<br>• Community engagement events<br>• YRP Inclusion Strategy<br>• Employment information sessions |

## Funding in the 2022 Budget for the Business Plan's Our People Pillar

**Table 2**

| Our People Pillar | Initiatives funded in the 2022 Budget |
|---|---|
| Professional Development: To encourage personal and professional growth to maximize the potential of all members | • People and Talent System<br>• Mastery Academy framework<br>• Field Development Program<br>• Classification Program<br>• Advanced Communicators courses |
| Member Support: To cultivate an environment of professionalism, respect and wellbeing | • New wellness centre<br>• Human Resources Review<br>• Professionalism Leadership and Inclusion office<br>• Inclusion Strategy<br>• Holistic wellness support<br>• Members' physical wellbeing<br>• Beyond Occupational Stress Training<br>• Trauma Informed Leadership Session |
| Technology & Innovation: To promote a culture that supports innovation to achieve strategic and operational objectives | • Replacement of In Car Camera Systems<br>• Remote Video Testimony<br>• Customer Service Enhancement System<br>• Business Intelligence tools to support evidence based policing<br>• Automate administrative process in Versadex<br>• Automate functionality of switchboard operations |
| Continuous Improvement: To identify opportunities to improve services and processes | • Next Generation 911<br>• Sector Model Policing review<br>• Workload analytics<br>• Implement online request process for MVCR and INSO<br>• Information Management Audit Unit<br>• Chat bots for correspondence workflow |

In 2020, the Board received feedback from the community including a recommendation for improvements to the budget process to better reflect community interests and for better engagement. Between October to November, Financial Services staff plan to meet with the Police Community Advisory Committee and York Region's Diversity and Inclusivity Committee to disseminate and receive feedback on the 2022 Budget proposals. Feedback received and lessons learned will be incorporated into the Chief's presentation to the Committee of the Whole in December and will be used to improve the 2023 budget process.

For reference purposes, additional information can be found on the Board's website for:

1. The 2020-2022 Business Plan at: https://pub-yrpsb.escribemeetings.com/filestream.ashx?DocumentId=733
2. Business Plan Year 1 status report at: https://pub-yrpsb.escribemeetings.com/filestream.ashx?DocumentId=733
3. Eradicating Racism and Strengthening Public Trust and Confidence in Policing at: https://pub-yrpsb.escribemeetings.com/Meeting.aspx?Id=a4ee1ba5-cae4-4647-a4df-31a06874ac01&Agenda=Merged&lang=English&Item=29&Tab=attachments

## CRIME RATES AND COST OF SERVICE DELIVERY CONTINUE TO BE LOW

On a national scale, when compared to the nine largest municipal police services in Canada (York, Durham, Peel, Toronto, Ottawa, Montreal, Winnipeg, Calgary and Edmonton), York ranks among the safest communities in almost every major crime category. York has the second lowest Crime Severity Index rating, a measure that takes into account not only the volume of crime but also the severity of crime. In addition, York's policing services are delivered at the lowest net cost per capita among municipalities serving populations greater than one million residents. Table 3 provides the national comparator crime statistics by category, as follows:

### National Crime Rate Comparison

**Table 3**

| National Rankings | 1st Lowest | 2nd | 3rd | 4th | 5th |
|---|---|---|---|---|---|
| Crimes Against Property | Peel | **York** | Durham | Montreal | Ottawa |
| Crimes Against Persons | Peel | Durham | **York** | Ottawa | Calgary |
| Total Criminal Code | Peel | **York** | Durham | Montreal | Ottawa |
| Crime Severity Index – Total | Peel | **York** | Durham | Ottawa | Toronto |
| 2020 Net Tax Levy Per Capita | **York** | Montreal | Durham | Calgary | Ottawa |

In addition, Appendix 1 provides police indicators from the 2019 Municipal Benchmarking Network Canada report.

## 2022 OPERATING BUDGET OVERVIEW

Each year, the budget provides the opportunity to optimize often competing factors of cost, risk, performance and, again this year, to meet financial challenges of the pandemic. Similar to recent years, the 2022 proposals take a long term view or incremental investment approach that we feel is the best way to balance the needs of the community and improve public safety, while maintaining financial affordability.

## Wage Costs Represent 90% of the Request

The incremental request for the 2022 Operating budget is $16.179 million of which $14.61 million is for wage related costs. These include costs to meet contractual obligations for existing staff, reclassifications, annualization of 2021 hires and additional staff in 2022. The requested 27 additional staff includes 11 members to combat serious and organized crime, five officers to advance learning and development and 11 members for organizational effectiveness and transformation initiatives.

The proposed net Operating budget request of $376.8 million represents a 4.49 percent increase from 2021 shown in Table 4, as follows:

## 2022 Operating Budget Overview

**Table 4**

| | Proposed |
|---|---|
| **In 000's** | |
| Base Budget | $360,652 |
| **Salaries and Benefits** | |
| Increases for Wages & Reclassification | $11,821 |
| Annualization of 2021 Additional Staff | $1,356 |
| 2022 Additional Staff | $1,431 |
| **Expenditures** | |
| Increase to Operating Expenses | $1,293 |
| Principal Interest and Reserve | $73 |
| **Revenues, Grants and Recoveries** | $205 |
| **Net Operating Budget** | **$376,831** |
| Incremental Budget Increase ($) | $16,179 |
| Incremental Budget Increase (%) | 4.49% |

Expenditure details to the 2022 proposal include:

1. $1.293 million for operating expenditures to partially reinstate last years' pandemic related temporary reductions and to fund facility costs of the new #1 District;

2. $0.073 million for debt principal, interest and reserve contributions or a very modest impact to fund the Capital plan; and

3. $0.205 million decrease to revenues reflecting modestly lower provincial revenues and fewer alarm monitoring fees.

## Risks to the 2022 Operating Budget

In any budget year, there are a number of assumptions that represent financial risks to the Board. York Region holds reserves to hedge against exceptional risks including a pandemic management reserve to assist any future tax supported expenditure or revenue shortfall due to COVID-19, a fiscal stabilization reserve to fund temporary revenue shortfalls and a tax stabilization reserve for unforeseeable one time expenditures. Key risks to the 2022 operating budget include uncertainty on revenue volumes due to the pandemic, provincial funding and legislative impacts of Bill C-22.

## Future Efficiency Initiatives for the 2023 Operating Budget

Prior experience has shown improvement initiatives typically take more than one budget year to materialize to allow for thorough research, preparation, deliberation, implementation and evaluation. Upcoming initiatives currently underway affecting future budget years include:

1. A pilot project at #2 District and #5 District to test flexible day shift start times;

2. A virtual bail hearing and prisoner management team operating out of #1 District to find efficiencies interacting with the criminal justice system; and,

3. Community Support Officers to assist with canvassing for witnesses and video, providing security at insecure premises, assisting with road closures and other low risk calls for service, as well as being a visual presence in the community.

# CAPITAL BUDGET

The capital plan has been developed to provide the infrastructure necessary to deliver quality policing services for the protection of all its citizens. Appendix 2 provides a summary of the 2022 to 2031 ten year Capital budget of $214.4 million including:

1. $71.0 million in information technology to refresh and modernize service delivery, including the police in car modernizations and digital evidence management system.

2. $61.5 million in fleet replacements, including a helicopter replacement, vehicles, and boats.

3. $52.9 million for specialized and communications equipment.

4. $29.0 million in facilities includes a new facility to consolidate leased premises, the final stage of #1 District Headquarters construction, and renovation of existing facilities.

The proposed Capital budget is $6.7 million above 2022-2031 capital preliminary planning allocations (PPA), consisting of $6.1 million of rebudgeted funds from 2021 and $0.6 million for net new requests. The net new request amount relates to Microsoft costs of $14.0 million over the 10 year capital proposal.

## $6.1 million rebudgeted from the 2021 capital budget

During development of the annual budget, Budget Unit staff review forecasts with project managers to identify budget impacts from project delivery. Rebudgeting is the process to move funding to future years. In 2022, a total of $6.1 million is requested from 2021 Capital Budget to 2022, primarily due to a final holdback payment on the new #1 District facility and delivery timelines of Digital Evidence Management & In Car Camera and other projects. A full list of the proposed rebudgeted projects has been provided in Appendix 3.

## $14.0 million transferred to capital for software as a service over ten years

In 2019, the procurement of the Digital Evidence Management and In Car Camera project included a review of accounting treatments for software as a service. A review of the Public Sector Accounting Board guidelines found that guidance on this matter has not yet been issued. With the assistance of York Region's Controllership Office, the costs were capitalized for consistency with the treatment used at York Region for software as a service. In 2022, the transfer of Microsoft costs is intended to be fully funded from the police infrastructure reserve in order to avoid pressure on regional capital financing reserves.

## $10.0 million project for a facility to consolidate leasing costs

At its March 24, 2021 meeting, the Board approved a three year extension to the lease for Property and Evidence Management and requested a review for alternatives to leased facilities. After 240 Prospect is repurposed in 2022, it is expected the Operating budget will include $0.91 million for remaining leased premises. A review is currently underway on options to consolidate these leased sites. For capital outlook purposes in 2023-2025, a new project was added for $10.0 million to build or purchase a new premise. Funding was repurposed from 2029-2030 previously included for a planned #6 District, which is no longer being considered within the next ten years.

Appendix 4 provides details of the projects proposed in 2022.

## Reporting Requirements

Section 39 of the *Police Services Act, 1990* requires budget estimates to be provided in the timelines and formats as established by Council. In recent months, Budget Unit staff have completed a series of submissions to York Region's Office of the Budget to meet legislative requirements and for efficient communication of the budget estimates. Using prior years' budget deliberations as possible timing, approval on October 27, 2021 would allow for consolidation of the estimates for inclusion in the Treasurer's tabling of York Region's Budget at Regional Council on November 25, 2021.

## 5. Financial

The total 2022 tax levy requirements of $376,831,236 results in an increase of $16,179,155 or 4.49 percent over 2021 funding. The budget figures presented exclude assessment growth and regionally allocated costs, in accordance with budget guidelines provided annually from York Region's Office of the Budget.  Funding sources for the 2022 Operating Budget are shown in Table 5, as follows:

### FUNDING SOURCES FOR THE 2022 OPERATING BUDGET

**Table 5**

| | Tax levy | Grants and Subsidies | Service Fees and Charges | Other | Gross Expenditures |
|---|---|---|---|---|---|
| Operating Budget (Gross) | $376,831,236 | $14,042,200 | $13,359,680 | $11,466,204 | $415,699,320 |
| Percentage | 91% | 3% | 3% | 3% | 100% |

Financing for the 2022 Capital Budget and Forecast to 2031 is a combination of contributions from reserves (operating tax levy), debenture proceeds repaid from development charges, debt reduction reserve funding, development charge collections, police infrastructure reserves and external funding – proceeds from sale of equipment and from Fire Partners. Funding sources for the 2022 Capital Budget is shown in Appendix 5.

## 6. Conclusion

It is therefore recommended that the Board approve the 2022 Operating Budget, the 2022 Capital Budget and the 10 Year 2022 to 2031 Capital Forecast. Also, that the Board's recommendations be forwarded for inclusion in the Treasurer's tabling of The Regional Municipality of York's Budget at Regional Council on November 25 , 2021.

Accessible formats or communication supports are available upon request.

Jim MacSween, B.A.A.
Chief of Police

JMS/jc
Attachments(5)-Appendix 1 – Municipal Benchmarking Network Canada
-Appendix 2 – 2022 Capital Budget and Outlook to 2031
-Appendix 3 – Proposed Rebudgeting of $6,124,000 from 2021 Capital
-Appendix 4 – Proposed 2022 Capital Budget Project Details
-Appendix 5 – 2022 Capital Funding Sources

## APPENDIX 1: MUNICIPAL BENCHMARKING NETWORK CANADA

York Region maintains a longstanding partnership with the Municipal Benchmarking Network Canada with a goal that measurement will, "… inspire continuous improvement in the delivery of services to our communities." Shown below are MBNCanada's nine police indicators from the *2019 MBNCanada Performance Measurement Report* available online at:

http://mbncanada.ca/app/uploads/2021/03/2019-Performance-Report-full-mar-19-2021.pdf

The municipalities listed below are sorted left to right by population size and filtered for the five municipalities with population greater than 700,000, as follows:

**Table 1**
**Municipal Benchmarking Network Canada Policing Performance Indicators**

| Indicator | Toronto | Montreal | Calgary | York | Winnipeg |
|---|---|---|---|---|---|
| Police staff per 100,000 population | 226 | 267 | 224 | 196 | 251 |
| Total cost for police services per capita | $402 | $360 | $410 | $320 | $398 |
| Number of reported criminal code incidents (non traffic) per police officer | 24 | 19 | 44 | 20 | 52 |
| Reported number of criminal code incidents (non traffic) per 100,000 population | 4,456 | 4,121 | 7,044 | 2,740 | 9,018 |
| Reported number of violent criminal code incidents per 100,000 population | 1,121 | 1,159 | 1,107 | 640 | 1,466 |
| Total crime severity index | 68 | 76 | 95 | 44 | 138 |
| Violent crime severity index | 107 | 98 | 88 | 50 | 186 |
| Weighted total clearance rate | 32.9% | 32.0% | 26.4% | 39.6% | 32.8% |
| Weighted violence clearance rate | 47.5% | 54.8% | 42.5% | 61.4% | 49.7% |

Many comparator police services across Canada are represented, however, participation is optional. The municipalities of Peel, Ottawa and Edmonton with population sizes closer to York’s chose not to participate. A total of fifteen municipalities reported in 2019.

## Appendix 2: 2022 Capital Budget and Outlook to 2031

| Description | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | Total 2022-2031 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Vehicles** | | | | | | | | | | | |
| Vehicles | 4,470 | 4,550 | 4,650 | 4,740 | 4,830 | 4,930 | 5,030 | 5,130 | 5,230 | 5,340 | 48,900 |
| Air Operations | 7,190 | 100 | 100 | 100 | 1,218 | 718 | 578 | 919 | 100 | 152 | 11,175 |
| Marine Patrol Boat | | | | | | | | 250 | 1,220 | | 1,470 |
| **Sub Total Vehicles** | **11,660** | **4,650** | **4,750** | **4,840** | **6,048** | **5,648** | **5,608** | **6,299** | **6,550** | **5,492** | **61,545** |
| **Facilities** | | | | | | | | | | | |
| Renovations to Existing Facilities | 1,515 | 1,060 | 1,080 | 1,100 | 1,120 | 1,140 | 1,160 | 1,180 | 1,200 | 1,220 | 11,775 |
| Consolidate Leased Premises | | 100 | 2,500 | 7,400 | | | | | | | 10,000 |
| #1 District Headquarters | 4,280 | | | | | | | | | | 4,280 |
| 240 Prospect Renovation | 2,050 | | | | | | | | | | 2,050 |
| Peer Support Leasehold Improvements | 860 | | | | | | | | | | 860 |
| **Sub Total Facilities** | **8,705** | **1,160** | **3,580** | **8,500** | **1,120** | **1,140** | **1,160** | **1,180** | **1,200** | **1,220** | **28,965** |
| **Communication Equipment** | | | | | | | | | | | |
| Radio System | 190 | 190 | | | | | | 14,000 | 13,500 | | 27,880 |
| Portable Radio Replacement | 1,152 | 2,352 | | | | | | | | | 3,504 |
| **Sub Total Communication Equipment** | **1,342** | **2,542** | **0** | **0** | **0** | **0** | **0** | **14,000** | **13,500** | **0** | **31,384** |
| **Information Technology** | | | | | | | | | | | |
| IT Hardware and Software | 2,550 | 2,640 | 2,590 | 2,610 | 2,780 | 2,900 | 2,680 | 2,710 | 2,740 | 2,920 | 27,120 |
| Digital Evidence Mgmt & In Car Cam | 2,144 | 1,046 | 1069 | 1,033 | 1030 | 1,030 | 1,030 | 1030 | 1,075 | 1,074 | 11,561 |
| Connected Officer | 1,429 | 1,030 | 770 | 1,024 | 1,024 | 970 | 965 | 947 | 931 | 1,289 | 10,379 |
| IT Infrastructure | 1,119 | 1,549 | 969 | 969 | 969 | 969 | 969 | 969 | 969 | 969 | 10,420 |
| Computer Aided Dispatch/ Records Mgmt | | | | | 3,700 | | | | | | 3,700 |
| Talent Management | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 3,000 |
| Business Intelligence | 560 | 170 | 170 | 170 | 170 | 170 | 170 | 100 | 100 | 100 | 1,880 |
| Data Governance | | | | | 1000 | | | | | | 1,000 |
| Closed-Circuit / Witness Rooms | 100 | | | | | | | 716 | | | 816 |
| Disaster Recovery Plan | 370 | | | 58 | | | | | 308 | | 736 |
| YRPNet Re-write | | | 150 | | | | | 150 | | | 300 |
| Employee Scheduling | | | 110 | | | | | | | | 110 |
| **Sub Total Information Technology** | **8,572** | **6,735** | **6,128** | **6,164** | **10,973** | **6,339** | **6,114** | **6,922** | **6,423** | **6,652** | **71,022** |
| **Specialized Equipment** | | | | | | | | | | | |
| Furniture/ Body Armour/ Use of Force | 1,218 | 1,643 | 1237 | 1,268 | 1301 | 1,499 | 1,319 | 1523 | 1,524 | 1,526 | 14,058 |
| Technical Investigations Equipment | 220 | 220 | 220 | 220 | 220 | 220 | 220 | 220 | 220 | 220 | 2,200 |
| Forensic Equipment | 562 | 204 | 264 | | | | | 247 | | 616 | 1,893 |
| Support Services Equipment | 239 | 548 | | 106 | | | 552 | 106 | | | 1,551 |
| Road Safety Equipment | 256 | | | | | | | | 816 | | 1,072 |
| Telephone | | | | | | | | | | 700 | 700 |
| **Sub Total Specialized Equipment** | **2,495** | **2,615** | **1,721** | **1,594** | **1,521** | **1,719** | **2,091** | **2,096** | **2,560** | **3,062** | **21,474** |
| **Total Gross Expenditures** | **32,774** | **17,702** | **16,179** | **21,098** | **19,662** | **14,846** | **14,973** | **30,497** | **30,233** | **16,426** | **214,390** |
| Envelope | 24,547 | 16,814 | 14,501 | 11,406 | 17,204 | 12,660 | 13,028 | 36,681 | 37,442 | 23,364 | 207,647 |
| Over / (under) envelope | 8,227 | 888 | 1,678 | 9,692 | 2,458 | 2,186 | 1,945 | -6,184 | -7,209 | -6,938 | 6,743 |

## Appendix 2: 2022 Capital Budget and Outlook to 2031

| Description | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | Total 2022-2031 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Vehicles** | | | | | | | | | | | |
| Vehicles | 4,470 | 4,550 | 4,650 | 4,740 | 4,830 | 4,930 | 5,030 | 5,130 | 5,230 | 5,340 | 48,900 |
| Air Operations | 7,190 | 100 | 100 | 100 | 1,218 | 718 | 578 | 919 | 100 | 152 | 11,175 |
| Marine Patrol Boat | | | | | | | | 250 | 1,220 | | 1,470 |
| **Sub Total Vehicles** | **11,660** | **4,650** | **4,750** | **4,840** | **6,048** | **5,648** | **5,608** | **6,299** | **6,550** | **5,492** | **61,545** |
| **Facilities** | | | | | | | | | | | |
| Renovations to Existing Facilities | 1,515 | 1,060 | 1,080 | 1,100 | 1,120 | 1,140 | 1,160 | 1,180 | 1,200 | 1,220 | 11,775 |
| Consolidate Leased Premises | | 100 | 2,500 | 7,400 | | | | | | | 10,000 |
| #1 District Headquarters | 4,280 | | | | | | | | | | 4,280 |
| 240 Prospect Renovation | 2,050 | | | | | | | | | | 2,050 |
| Peer Support Leasehold Improvements | 860 | | | | | | | | | | 860 |
| **Sub Total Facilities** | **8,705** | **1,160** | **3,580** | **8,500** | **1,120** | **1,140** | **1,160** | **1,180** | **1,200** | **1,220** | **28,965** |
| **Communication Equipment** | | | | | | | | | | | |
| Radio System | 190 | 190 | | | | | | 14,000 | 13,500 | | 27,880 |
| Portable Radio Replacement | 1,152 | 2,352 | | | | | | | | | 3,504 |
| **Sub Total Communication Equipment** | **1,342** | **2,542** | **0** | **0** | **0** | **0** | **0** | **14,000** | **13,500** | **0** | **31,384** |
| **Information Technology** | | | | | | | | | | | |
| IT Hardware and Software | 2,550 | 2,640 | 2,590 | 2,610 | 2,780 | 2,900 | 2,680 | 2,710 | 2,740 | 2,920 | 27,120 |
| Digital Evidence Mgmt & In Car Cam | 2,144 | 1,046 | 1069 | 1,033 | 1030 | 1,030 | 1,030 | 1030 | 1,075 | 1,074 | 11,561 |
| Connected Officer | 1,429 | 1,030 | 770 | 1,024 | 1,024 | 970 | 965 | 947 | 931 | 1,289 | 10,379 |
| IT Infrastructure | 1,119 | 1,549 | 969 | 969 | 969 | 969 | 969 | 969 | 969 | 969 | 10,420 |
| Computer Aided Dispatch/ Records Mgmt | | | | | 3,700 | | | | | | 3,700 |
| Talent Management | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 3,000 |
| Business Intelligence | 560 | 170 | 170 | 170 | 170 | 170 | 170 | 100 | 100 | 100 | 1,880 |
| Data Governance | | | | | 1000 | | | | | | 1,000 |
| Closed-Circuit / Witness Rooms | 100 | | | | | | | 716 | | | 816 |
| Disaster Recovery Plan | 370 | | | 58 | | | | | 308 | | 736 |
| YRPNet Re-write | | | 150 | | | | | 150 | | | 300 |
| Employee Scheduling | | | 110 | | | | | | | | 110 |
| **Sub Total Information Technology** | **8,572** | **6,735** | **6,128** | **6,164** | **10,973** | **6,339** | **6,114** | **6,922** | **6,423** | **6,652** | **71,022** |
| **Specialized Equipment** | | | | | | | | | | | |
| Furniture/ Body Armour/ Use of Force | 1,218 | 1,643 | 1237 | 1,268 | 1301 | 1,499 | 1,319 | 1523 | 1,524 | 1,526 | 14,058 |
| Technical Investigations Equipment | 220 | 220 | 220 | 220 | 220 | 220 | 220 | 220 | 220 | 220 | 2,200 |
| Forensic Equipment | 562 | 204 | 264 | | | | | 247 | | 616 | 1,893 |
| Support Services Equipment | 239 | 548 | | 106 | | | 552 | 106 | | | 1,551 |
| Road Safety Equipment | 256 | | | | | | | | 816 | | 1,072 |
| Telephone | | | | | | | | | | 700 | 700 |
| **Sub Total Specialized Equipment** | **2,495** | **2,615** | **1,721** | **1,594** | **1,521** | **1,719** | **2,091** | **2,096** | **2,560** | **3,062** | **21,474** |
| **Total Gross Expenditures** | **32,774** | **17,702** | **16,179** | **21,098** | **19,662** | **14,846** | **14,973** | **30,497** | **30,233** | **16,426** | **214,390** |
| Envelope | 24,547 | 16,814 | 14,501 | 11,406 | 17,204 | 12,660 | 13,028 | 36,681 | 37,442 | 23,364 | 207,647 |
| Over / (under) envelope | 8,227 | 888 | 1,678 | 9,692 | 2,458 | 2,186 | 1,945 | -6,184 | -7,209 | -6,938 | 6,743 |

# APPENDIX 3: PROPOSED REBUDGETING OF $6,124,000 FROM 2021 CAPITAL

This appendix outlines the proposed for rebudgeting from 2021 to 2022, as follows:

**Table 1**

**Proposed Rebudgeting from 2021**

| Capital Projects | Rebudget Amount | Comments |
|---|---|---|
| #1 District Headquarters | $1,780,000 | To accommodate the timing of construction holdback payment timeline. |
| Specialized Equipment - Forensic Equipment | $1,314,000 | Forensic lab equipment deferred to research latest technologies. |
| Digital Evidence Management & In Car Camera | $1,115,000 | In car camera system delayed due to pandemic related component shortages. |
| Renovations to Existing Facilities | $475,000 | Project delay due to paving permit. |
| Connected Officer | $470,000 | Deferred for additional installation lead time. |
| Business Intelligence | $190,000 | Pandemic related travel delays with United States based consultants. |
| Peer Support Leasehold Improvements | $160,000 | Project delay due to renovation timelines. |
| 240 Prospect Renovation | $150,000 | Modest delay for architect design |
| IT Infrastructure & Applications | $150,000 | Procurement delay due to global chip supply shortage. |
| Disaster Recovery Plan | $120,000 | Implementation delay in integration components |
| Closed Circuit / Witness Rooms | $100,000 | Deferral for interview room installation. |
| Specialized Equipment - Firearms & CEW | $100,000 | Deferred to accommodate conductive energy weapon qualified users training schedule. |
| **Total** | **$6,124,000** | |

# APPENDIX 4: PROPOSED 2022 CAPITAL BUDGET PROJECT DETAILS

## Vehicles - $11,660,000

This category includes annual projects for the addition and replacement of marked, unmarked, and vehicles for special purposes such as air operations and vessels. The 2022 plan includes the replacement of the AIR2 helicopter for $7,190,000 and replacement and changeover of vehicles for $4,470,000. Front line vehicles replaced at approximately 180,000 kilometres. The replacement Ford Utility Hybrid vehicles generate fuel efficiency of approximately $1,600 per vehicle per year. The replacement methodology was set to maximize residual value for the vehicles at auction, minimize major component repair cost and to meet reliability expectations of police specification vehicles.

## Facilities - $8,705,000

The following four facilities projects are proposed for the 2022 Budget:

1. #1 District Headquarters $4,280,000 – The 2022 portion is for the hold back payment after the completion of the construction and expenditures for finishing materials, furniture, signage, and equipment. The Capital Spend Authority for this project remains unchanged at $25.7 million over five years.

2. 240 Prospect Renovation $2,050,000 – The 2022 portion is for architect fees and construction to support major renovations of the existing #1 District Headquarters. The Capital Spend Authority for this project is $2.15 million over two years.

3. Renovations to Existing Facilities $1,515,000 – As identified through building condition assessments, this project will replace paving and curbing at #2 and #5 Districts and Community Safety Village.

4. Peer Support Leasehold Improvements $860,000 – The project is for renovation of an additional suit for the Wellness Bureau at the York Regional Police Association location.

## Information Technology - $8,572,000

The information technology projects reflect the ongoing replacement and growth of technology needs, including:

1. Hardware and Software $2,550,000- This annual project replaces end of useful life desktop computers, laptops and printers in accordance with the evergreening replacement strategy. Microsoft costs have been reallocated to this capital project from the operating budget.

2. Digital Evidence Management and In-car Cameras $2,144,000 – This modernization initiative will streamline the evidence management process, increase operational efficiencies, and reduce server storage.

3. Connected Officer and in car modernization $1,429,000 – The project delivers modernization and connectivity to officers and vehicles, implementing efficiencies including in car tablets, mobile equipment and e-notes.

4. Infrastructure and Applications $1,119,000 - This project targets the expanding records retention needs of the organization and new information technology initiatives.

5. Business Intelligence $560,000 – This annual project for business intelligence systems build additional dashboards tailored to police operations by providing accurate and timely key performance indicator information that enables management to make effective decisions.

6. Disaster Recovery Plan $370,000 - The project will deliver a backup data centre to ensure business continuity in the event of failure at the primary data centre.

7. Talent Management System $300,000 – The project improves the recruitment, promotion, and staff development process.

8. Closed Circuit / Witness Rooms $100,000- The 2022 portion of the project will continue replacement of witness room equipment.

## Specialized Equipment - $2,495,000

The following three specialized equipment projects are being proposed:

1. Specialized equipment $1,218,000 – Projects include furniture, uniform equipment, firearms and conductive energy weapons.

2. Specialized Equipment- Forensic $562,000 - The budget includes forensic lab equipment replacement for microscope, alternate lighting sources, lab oven, and printer plotters.

3. Remaining specialized equipment $715,000 – Projects include the replacement of emergency response unit equipment, remote piloted aircraft, road safety equipment, and system for the interception rooms

## Communication Equipment - $1,342,000

The communication equipment projects reflect the ongoing replacement and betterment of communication technologies, including:

1. Portable and Mobile Radio Replacement $1,152,000- This project will replace portable and mobile radios.  The total budget of this project is $4.6 million over three years representing replacement of all existing radios.

2. Radio system $190,000 – The project is for annual betterments of the Motorola radio system.

## APPENDIX 5: 2022 CAPITAL FUNDING SOURCES

This appendix shows funding sources for the 2022 and 10 year Capital Budget. Financing for the capital plan is a combination of contributions from tax levy funded reserves including assets replacement reserves and debt reduction reserve, from development charges for growth related projects and external funding from auction proceeds and shared services partners.

### Table 1

### 2022 Capital Funding Sources

| Category | Reserves – Operating Tax levy | Debt Reduction Reserve | Development Charges | Police Infrastructure Reserve | External Funding | Total |
|---|---|---|---|---|---|---|
| Vehicles | $3,468,000 | $5,274,000 | $2,613,000 | $0 | $305,000 | $11,660,000 |
| Facilities | $1,351,000 | $2,238,000 | $5,116,000 | $0 | $0 | $8,705,000 |
| Information Technology | $4,477,000 | $1,751,000 | $694,000 | $1,650,000 | $0 | $8,572,000 |
| Specialized Equipment | $0 | $1,048,000 | $1,447,000 | $0 | $0 | $2,495,000 |
| Communication Equipment | $0 | $980,000 | $283,000 | $0 | $79,000 | $1,342,000 |
| **2022 Total** | **$9,296,000** | **$11,291,000** | **$10,153,000** | **$1,650,000** | **$384,000** | **$32,774,000** |
| Percentage | 28% | 35% | 31% | 5% | 1% | 100% |
| **Ten year Total** | **$79,377,000** | **$62,660,000** | **$55,390,000** | **$16,500,000** | **$463,000** | **$214,390,000** |
| Percentage | 37% | 29% | 26% | 8% | 0.22% | 100% |

# The Regional Municipality of York

Committee of the Whole
Finance and Administration
December 9, 2021

Report of the Commissioner of Finance

# 2022 Budget - York Regional Police

## 1. Recommendations

1. Committee of the Whole recommends the budget to Council as submitted for York Regional Police as follows:

    a. The 2022 operating budget as summarized in Attachment 1.

    b. The 2022 capital expenditures and the 2022 Capital Spending Authority, as summarized in Attachment 2.

2. The recommended budget be consolidated by the Commissioner of Finance and Regional Treasurer for consideration by Council on December 16, 2021.

## 2. Summary

This report provides a summary of the 2022 Operating and Capital Budget for York Regional Police for consideration by Committee of the Whole. Details of the budget can be found on page 213 of the 2022 Budget Book.

Key Points:

- The proposed budget includes 27 additional staff to support the following drivers for growth: 11 members to combat serious and organized crime, five officers to advance learning and development and 11 members for organizational effectiveness and transformation initiatives
- The 2022 proposed gross operating expenditures for York Regional Police are $414.6 million, which is 15.5% of total Regional operating expenditures
- After non-tax revenues of $37.8 million, the proposed net operating budget is $376.8 million, or 29.5% of the Region's net expenditures
- The proposed capital budget is $32.8 million in 2022, or 3.3% of the proposed Regional capital budget, and proposed Capital Spending Authority is $32.8 million

# 3. Background

The goal of York Regional Police is to provide superior quality service to the citizens it serves, while responding to new demands and challenges.

The service is governed by the provincial *Police Services Act*, which sets out principles designed to ensure the safety and security of people and property, the safeguarding of fundamental rights, cooperation with local communities, respect for and understanding of the needs of the victims of crime, and being sensitive to diversity.

## Council directed staff to reduce the tax levy increase for 2022 and on May 27, 2021 endorsed a target tax levy increase of 1.96%

The 2021-22 Budget approved on March 25, 2021 included a 2022 outlook tax levy increase of 2.96%. This outlook reflected budget amounts for Regional departments and key service areas.

As part of budget approval, Council directed staff to "undertake strategies and processes to reduce the 2022 operating outlook as tabled on February 25, 2021."

The 2022 Budget Direction report, adopted by Council on May 27, 2021, set out a target tax levy increase of 1.96% for 2022, in response to Council's direction.

Building on Council's direction, a comprehensive savings exercise was undertaken to achieve a proposed 2022 tax levy increase that is 1% below the outlook, while also ensuring that contributions to reserves are maintained at levels that safeguard the Region's financial sustainability.

## The 2022 budget was tabled with Council in November with a proposed 2022 tax levy increase of 1.96% and a Rapid Transit Infrastructure Levy of 1%

The budget as tabled on November 25, 2021 included a proposed tax levy increase of 1.96% which is consistent with the 2022 Budget Direction report. The tabled budget also includes a Rapid Transit Infrastructure Levy of 1% to help fund the Yonge North Subway Extension.

The proposed 2022 Operating and Capital Budget was tabled with Council on November 25, 2021, in accordance with the timelines established in the 2022 Budget Direction report. It was received and referred to the December meetings of Committee of the Whole for consideration and recommendation.

## The 2022 Budget is the fourth year of the 2019-2022 Multi-year Budget cycle

The operating budget presented is a one-year budget for the remaining year of Council's term. Council is asked to approve the budget for 2022.

### Multi-year commitments for capital projects are proposed as part of the budget process

Many capital projects span several years of planning, design and construction, requiring spending authority beyond the current budget year.

Capital Spending Authority is requested for 2022 capital expenditures and for projects with contractual and other clear or certain multi-year commitments. As in previous years, Council is asked to approve the proposed capital expenditures and funding for 2022 and the multi-year Capital Spending Authority.

## 4. Analysis

### OPERATING BUDGET

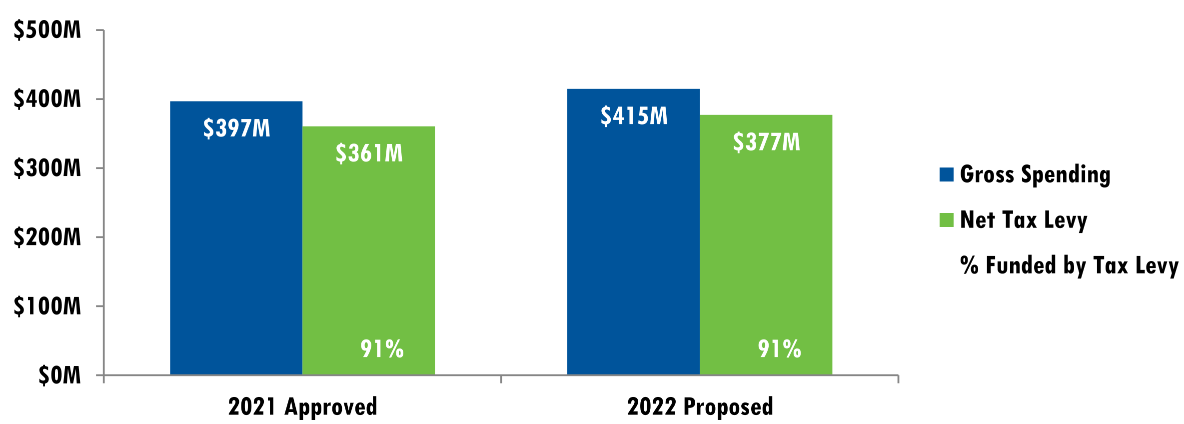
### Approval of 2022 gross expenditures of $414.6 million and net expenditures of $376.8 million is requested

The budget includes gross operating expenditures (i.e., total budget) and net expenditures, which correspond to the portion of the budget paid by the tax levy. Non-tax revenues fund the difference. For York Regional Police, non-tax revenues come from grants and subsidies, fees and charges, development charges, third party recoveries, and reserves.

The 2022 proposed gross operating expenditures for York Regional Police are $414.6 million, or 15.5% of total Regional expenditures. The proposed 2022 net expenditures of $376.8 million are 29.5% of the total. The tax levy funds 90.9 % of York Regional Police's 2022 gross expenditures, as shown in Figure 1 below.

**Figure 1**

**2022 Gross and Net Operating Expenditures**



## Impacts of COVID-19 pandemic and mitigation strategies are reflected in the proposed operating budget

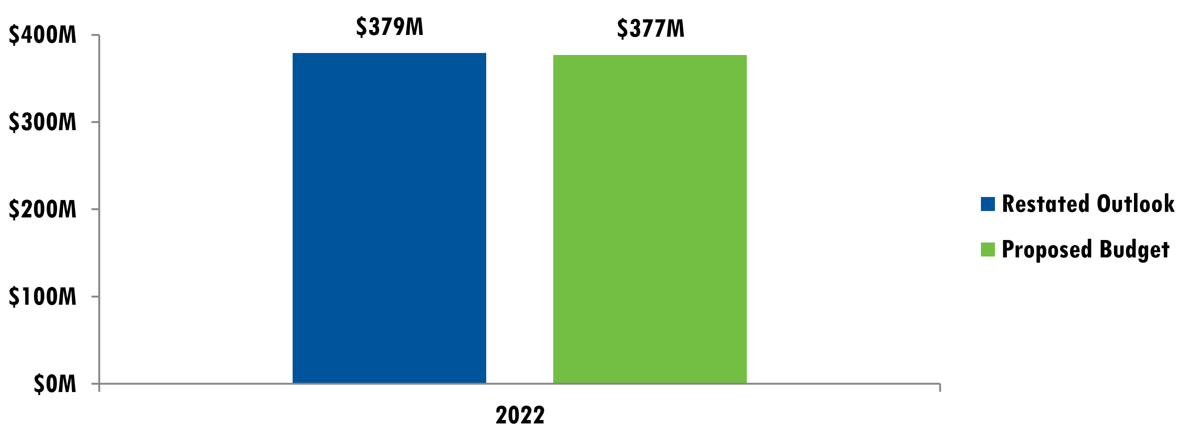
The COVID-19 pandemic had major impacts on York Region in 2020 and 2021, and many of these are expected to continue to some extent in 2022. Significant ongoing impacts for York Regional Police include reduced fee revenues for services provided through the Community Resource Center and costs of personal protective equipment and other expenses. These are managed through reductions to administrative spending and other savings.

## York Regional Police' proposed 2022 operating budget is lower than the previous outlook

As illustrated in Figure 2 below, York Regional Police' proposed 2022 net budget is $2.0 million lower than the previous outlook.

**Figure 2**

**2022 Proposed Net Budget Compared to Outlook**




The department's proposed 2022 net budget is below the outlook due to reductions to help meet the 1.96% tax levy increase included in the 2022 Budget Direction report. Savings initiatives include reducing planned growth in staffing, draws from the Police Sick Leave reserve to help fund retiree sick bank payouts and including lower than planned capital reserve contributions.

# CAPITAL BUDGET

## Approval of 2022 capital expenditures of $32.8 million and Capital Spending Authority of $32.8 million is requested

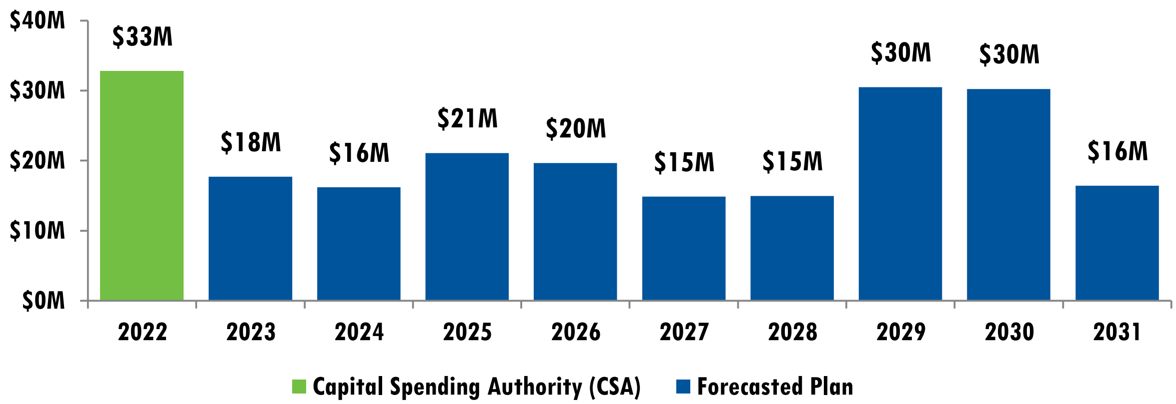
The York Regional Police capital budget enables infrastructure projects in support of growth, and renewal of police vehicles, facilities, technology, and specialized and communication equipment.

The 2022 proposed capital expenditures are $32.8 million, or 3.3% of the total Regional capital expenditures. The proposed Capital Spending Authority for York Regional Police is

$32.8 million as shown below in Figure 3, or 0.7% of the Region's total Capital Spending Authority.

Figure 3

Ten-Year Capital Plan and Capital Spending Authority (CSA)




Attachment 2 summarizes the Capital Spending Authority by program and shows the associated funding sources for York Regional Police. Details on the individual projects are available in the 2022 Budget Book starting on page 333.

On October 27, 2021, the Police Services Board approved the commitment of 50 percent of the proposed 2022 Capital Spending Authority for project *P29010: Vehicles – Replacement and Additional*. This will enable an order to be placed in 2021 for vehicles to be delivered in in 2022 in light of automotive supply chain shortages as a result of the pandemic, at a total not to exceed $1.9 million excluding taxes. This exception was approved by the Police Services Board to ensure that York Regional Police Fleet can operate effectively, and replace frontline vehicles as scheduled in 2022.

### The proposed budget supports the 2019 to 2023 Strategic Plan

The budget for York Regional Police supports the community result area of Healthy Communities in the 2019 to 2023 Strategic Plan. The service is also guided by its own business plan, available at [https://businessplan.yrp.ca/](https://businessplan.yrp.ca/). More information is provided in the 2022 Budget Book.

## 5. Financial

The proposed 2022 net operating budget for York Regional Police totals $376.8 million, as summarized in Attachment 1.

The proposed 2022 capital budget of $32.8 million and 2022 Capital Spending Authority with an associated multi-year commitment of $32.8 million are summarized in Attachment 2. Expenditures not identified as part of Capital Spending Authority but contained within the

Ten-Year Capital Plan are provided in the Budget Book for planning purposes and may be brought forward for formal approval in subsequent budget years.

## 6. Local Impact

The Region's budget supports a wide range of public services that benefit residents and local economies. The Region works with its local municipal partners to develop many Regional programs and services. Local needs and impacts are an important consideration in delivering effective and efficient services for a growing population.

## 7. Conclusion

This report sets out the proposed 2022 operating and capital budgets for York Regional Police. To facilitate completion of the budget process, it is recommended that the Committee's recommendations be forwarded to Council for consideration on December 16, 2021.

---

For more information on this report, please contact Kelly Strueby, Director, Office of the Budget at 1-877-464-9675 ext. 71611. Accessible formats or communication supports are available upon request.

Recommended by: **Jason Li, CPA, CA**
Acting Commissioner of Finance and Regional Treasurer

Approved for Submission: **Bruce Macgregor**
Chief Administrative Officer

November 17, 2021
Attachments (2)
eDOCS# 13369486

**Attachment 1**

# 2022 Operating Budget for York Regional Police

| (in $000s) | Page No. | 2022 Proposed | |
|---|---|---|---|
| | | Gross | Net |
| York Regional Police | 220 | 414,619 | 376,831 |
| **Total** | | **414,619** | **376,831** |

# 2022 Capital Expenditures and Capital Spending Authority (CSA) for York Regional Police

| York Regional Police | Page No. | 2022 $000s | 2022 CSA $000s |
|---|---|---|---|
| **Program Expenditures:** | | | |
| York Regional Police | 222 | 32,774 | 32,774 |
| **Funding Sources:** | | | |
| Development Charge Reserve | 222 | 10,153 | 10,153 |
| Asset Replacement Reserve | 222 | 9,296 | 9,296 |
| Debt Reduction Reserve | 222 | 11,291 | 11,291 |
| Program Specific Reserves | 222 | 1,650 | 1,650 |
| Other Recoveries | 222 | 384 | 384 |
| **Total Funding Sources** | | **32,774** | **32,774** |

# The Regional Municipality of York

Committee of the Whole
Finance and Administration
December 9, 2021

Report of the Commissioner of Finance

# 2022 Budget - YorkNet

## 1. Recommendations

1. Committee of the Whole recommends to Council the budget as submitted for YorkNet as follows:

    a. The 2022 operating budget as summarized in Attachment 1.

    b. The 2022 capital expenditures and the 2022 Capital Spending Authority, as summarized in Attachment 2.

2. The recommended budget be consolidated by the Commissioner of Finance and Regional Treasurer for consideration by Council on December 16, 2021.

## 2. Summary

This report provides a summary of the 2022 Operating and Capital Budget for YorkNet for consideration by Committee of the Whole. Details of the budget can be found on page 203 of the 2022 Budget Book.

Key Points:

- The proposed budget for YorkNet enables the Region to build connectivity equity across the entire Region, to support a digital world.
- The 2022 proposed gross operating expenditures for YorkNet are $3.18 million, which is 0.1% of total Regional operating expenditures
- After non-tax revenues of $0.74 million, the proposed net operating budget is $2.44 million, or 0.2% of the Region's net expenditures
- The proposed capital budget is $26.5 million in 2022, or 2.7% of the proposed Regional capital budget, and proposed Capital Spending Authority is $130.5 million

## 3. Background

YorkNet is the day-to-day business name of the YTN Telecom Network Inc., a wholly-owned Regional corporation that operates and manages expansion of the Region's fibre optic network.

YorkNet's mandate is to grow the Region's fibre network to improve the delivery of Regional services, work with municipalities, schools, hospitals and other public-sector organizations in the Region to leverage the network, and provide private-sector open access to the network to drive economic and/or social benefits, particularly in rural areas of the Region.

### Council directed staff to reduce the tax levy increase for 2022 and on May 27, 2021 endorsed a target tax levy increase of 1.96%

The 2021-22 Budget approved on March 25, 2021 included a 2022 outlook tax levy increase of 2.96%. This outlook reflected budget amounts for Regional departments and key service areas.

As part of budget approval, Council directed staff to "undertake strategies and processes to reduce the 2022 operating outlook as tabled on February 25, 2021."

The 2022 Budget Direction report, adopted by Council on May 27, 2021, set out a target tax levy increase of 1.96% for 2022, in response to Council's direction.

Building on Council's direction, a comprehensive savings exercise was undertaken to achieve a proposed 2022 tax levy increase that is 1% below the outlook, while also ensuring that contributions to reserves are maintained at levels that safeguard the Region's financial sustainability.

### The 2022 budget was tabled with Council in November with a proposed 2022 tax levy increase of 1.96% and a Rapid Transit Infrastructure Levy of 1%

The budget as tabled on November 25, 2021 included a proposed tax levy increase of 1.96% which is consistent with the 2022 Budget Direction report. The tabled budget also includes a Rapid Transit Infrastructure Levy of 1% to help fund the Yonge North Subway Extension.

The proposed 2022 Operating and Capital Budget was tabled with Council on November 25, 2021, in accordance with the timelines established in the 2022 Budget Direction report. It was received and referred to the December meetings of Committee of the Whole for consideration and recommendation.

### The 2022 Budget is the fourth year of the 2019-2022 Multi-year Budget cycle

The operating budget presented is a one-year budget for the remaining year of Council's term. Council is asked to approve the budget for 2022.

### Multi-year commitments for capital projects are proposed as part of the budget process

Many capital projects span several years of planning, design and construction, requiring spending authority beyond the current budget year.

Capital Spending Authority is requested for 2022 capital expenditures and for projects with contractual and other clear or certain multi-year commitments. As in previous years, Council is asked to approve the proposed capital expenditures and funding for 2022 and the multi-year Capital Spending Authority.

## 4. Analysis

### OPERATING BUDGET

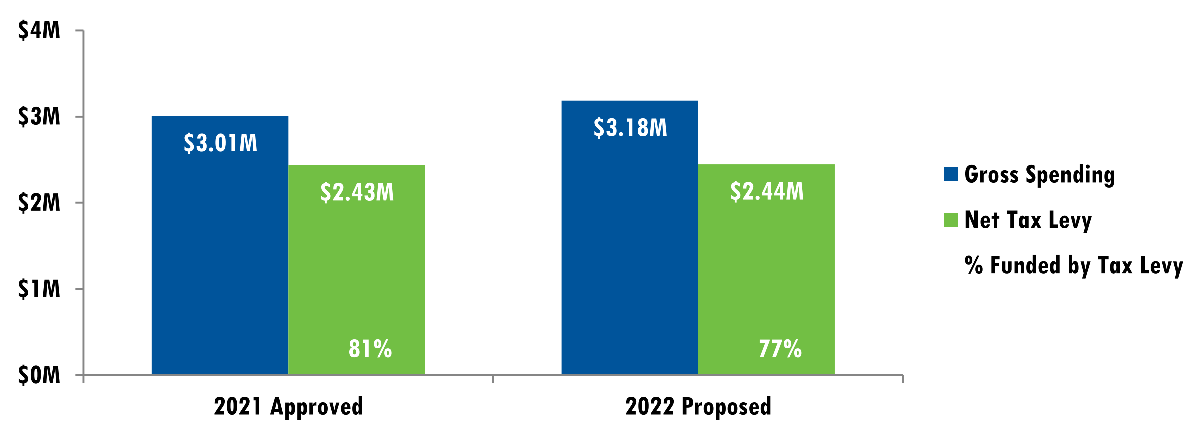
### Approval of 2022 gross expenditures of $3.18 million and net expenditures of $2.44 million is requested

The budget includes gross operating expenditures (i.e., total budget) and net expenditures, which correspond to the portion of the budget paid by the tax levy. Non-tax revenues fund the difference. For YorkNet, non-tax revenues come from fees and charges, grants and subsidies, and third-party recoveries.

The 2022 proposed gross operating expenditures for YorkNet are $3.18 million, or 0.1% of total Regional expenditures. The proposed 2022 net expenditures of $2.44 million are 0.2% of the total. The tax levy funds 76.8% of YorkNet's 2022 gross expenditures, as shown in Figure 1 below.

**Figure 1**

**2022 Gross and Net Operating Expenditures**

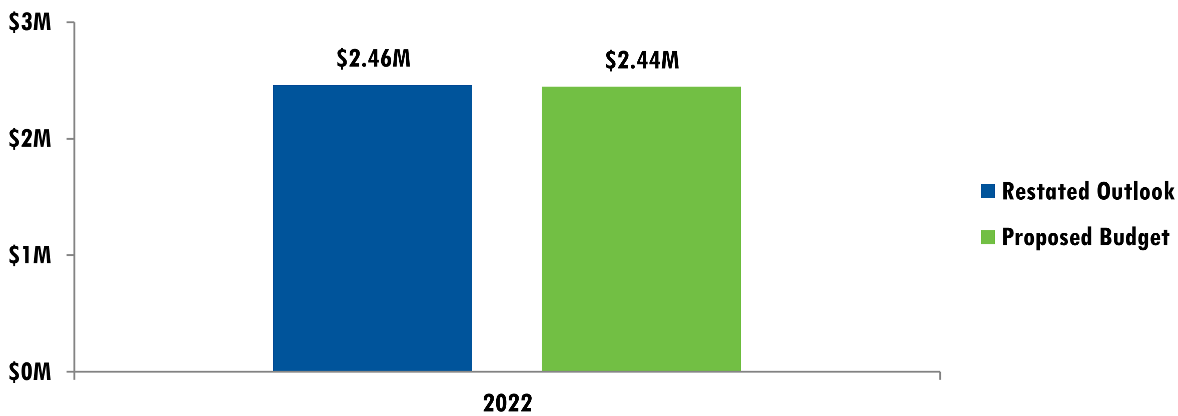


### YorkNet's proposed 2022 operating budget is lower than the previous outlook

As illustrated in Figure 2 below, YorkNet's proposed 2022 net budget is slightly below the previous outlook by $0.02 million.

**Figure 2**

**2022 Proposed Net Budget Compared to Outlook**




The department's proposed 2022 net budget is slightly below the outlook due to departmental savings, including lower than planned reserve contributions, to help meet the 1.96% tax levy increase included in the 2022 Budget Direction report.

## CAPITAL BUDGET

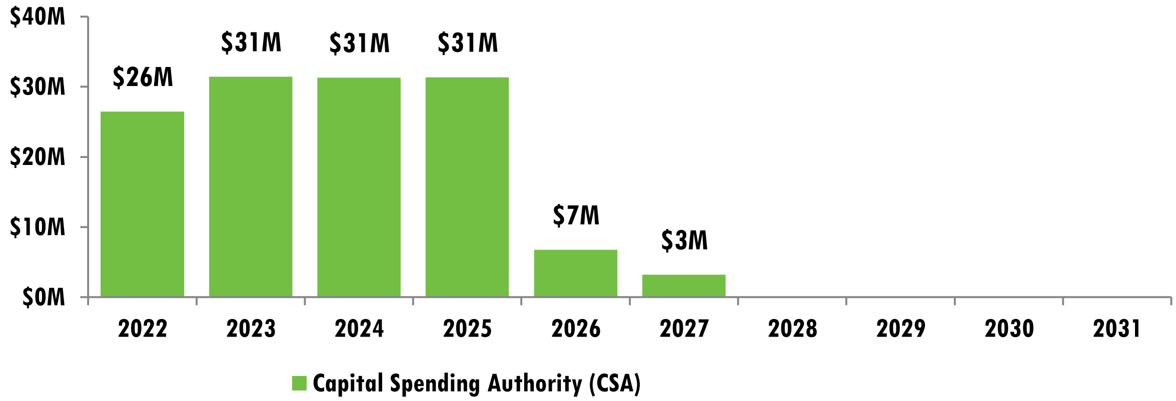
### Approval of 2022 capital expenditures of $26.5 million and Capital Spending Authority of $130.5 million is requested

YorkNet's capital budget includes fibre network infrastructure projects in support of increased demand for better Region-wide connectivity. Increased demand is also driving the network build timeline with full buildout expected by 2028, several years earlier than initially planned.

The 2022 proposed capital expenditures are $26.5 million, or 2.7% of the total Regional capital expenditures. The proposed Capital Spending Authority for YorkNet is $130.5 million as shown on the next page in Figure 3, or 2.7% of the Region's total Capital Spending Authority.

Figure 3

Ten-Year Capital Plan and Capital Spending Authority (CSA)




Attachment 2 summarizes the Capital Spending Authority by program and shows the associated funding sources for YorkNet. Details on the individual projects are available in the 2022 Budget Book starting on page 329.

### The proposed budget includes $63.4 million in external capital funding

In August 2021, the Federal and Provincial Governments conditionally approved funding for YorkNet's Rural Broadband project. The capital plan includes $94.5 million for the project, with up to $63.4 million expected to be funded by external partners. YorkNet is working with the Provincial and Federal Governments, and a selected Internet Service Provider (ISP) to finalize the funding and contribution agreement over the next six months.

With an expected completion date of December 2025, the project will build approximately 550 kilometers of fibre, and significantly improve connectivity for unserved and underserved residents in the rural areas of York Region.

### The proposed budget supports the 2019 to 2023 Strategic Plan

The budget for YorkNet supports the community result areas of Economic Vitality, Healthy Communities, Sustainable Environment, and Good Government in the 2019 to 2023 Strategic Plan. More information is provided in the 2022 Budget Book.

## 5. Financial

The proposed 2022 net operating budget for YorkNet totals $2.44 million, as summarized in Attachment 1.

The proposed 2022 capital budget of $26.5 million and 2022 Capital Spending Authority with an associated multi-year commitment of $130.5 million are summarized in Attachment 2.

## 6. Local Impact

The Region's budget supports a wide range of public services that benefit residents and local economies. The Region works with its local municipal partners to develop many Regional programs and services. Local needs and impacts are an important consideration in delivering effective and efficient services for a growing population.

## 7. Conclusion

This report sets out the proposed 2022 operating and capital budgets for YorkNet. To facilitate completion of the budget process, it is recommended that the Committee's recommendations be forwarded to Council for consideration on December 16, 2021.

---

For more information on this report, please contact Kelly Strueby, Director, Office of the Budget at 1-877-464-9675 ext. 71611. Accessible formats or communication supports are available upon request.

Recommended by: **Jason Li, CPA, CA**
Acting Commissioner of Finance and Regional Treasurer

**Dino Basso**
Commissioner of Corporate Services

Approved for Submission: **Bruce Macgregor**
Chief Administrative Officer

November 17, 2021
Attachments (2)
eDOCS# 13369760

## 2022 Operating Budget for YorkNet

| (in $000s) | Page No. | 2022 Proposed | |
|---|---|---|---|
| | | Gross | Net |
| YorkNet | 208 | 3,184 | 2,445 |
| **Total** | | **3,184** | **2,445** |

## 2022 Capital Expenditures and Capital Spending Authority (CSA) for YorkNet

| YorkNet | Page No. | 2022 $000s | 2022 CSA $000s |
|---|---|---|---|
| **Program Expenditures:** | | | |
| Connect To Innovate | 210 | 77 | 77 |
| Fibre Network Delivery | 210 | 6,338 | 35,955 |
| Rural Broadband Project | 210 | 20,051 | 94,462 |
| **Total Program Expenditures** | | **26,466** | **130,494** |
| | | | |
| **Funding Sources:** | | | |
| Debt Reduction Reserve | 210 | 6,595 | 31,071 |
| General Capital Reserve | 210 | 999 | 6,204 |
| Federal Gas Tax Reserve | 210 | 5,339 | 29,751 |
| Other Recoveries | 210 | 13,533 | 63,468 |
| **Total Funding Sources** | | **26,466** | **130,494** |

# The Regional Municipality of York

Committee of the Whole
Finance and Administration
December 9, 2021

Report of the Commissioner of Finance

# 2022 Budget - Corporate Management and Governance, Financial Initiatives, External Partners, Court Services and Yonge North Subway Extension

## 1. Recommendations

1. Committee of the Whole recommends to Council the budget as submitted for Corporate Management and Governance, Financial Initiatives, External Partners, Court Services and Yonge North Subway Extension as follows:

    a. The 2022 operating budget as summarized in Attachment 1.

    b. The 2022 capital expenditures and the 2022 Capital Spending Authority, as summarized in Attachment 2.

2. The recommended budget be consolidated by the Commissioner of Finance and Regional Treasurer for consideration by Council on December 16, 2021.

## 2. Summary

This report provides a summary of the 2022 Operating and Capital Budget for Corporate Management and Governance, Financial Initiatives, External Partners, Court Services and Yonge North Subway Extension for consideration by Committee of the Whole. Details of the budget can be found on pages 163, 191, 197, 179 and 225 of the 2022 Budget Book.

Key Points:

- The proposed budget for Corporate Management and Governance, Financial Initiatives, External Partners, Court Services and Yonge North Subway Extension helps to advance shared corporate commitments and enable effective and responsible program and service delivery across the organization and to our residents and businesses. The proposed budget for Yonge North Subway Extension would establish dedicated funds towards the Region's commitment to the Yonge North Subway Extension project.
- The 2022 proposed gross operating expenditures are $289.4 million, which is 10.8% of total Regional operating expenditures

- After non-tax revenues of $112.3 million, the proposed net operating budget is $177.2 million, or 13.9% of the Region's net expenditures
- The proposed capital budget is $143.7 million in 2022, or 14.7% of the proposed Regional capital budget, and proposed Capital Spending Authority is $1.3 billion

## 3. Background

This report covers the 2022 budget for the following areas:

- Corporate Management and Governance, including Corporate Services, Financial Management and Information Technology Services, Legal Services and the Office of the Chief Administrative Officer. These program areas provide professional services and advice to Council and help make the organization more strategic, responsive and efficient.
- Court Services administers the provincial offences court program in York Region, which deals with a range of non-criminal matters, and provides related prosecution services.
- Financial Initiatives include contributions to Regional reserves, funding to manage risk, and organization-wide expenses.
- External Partners comprise several public sector entities and organizations to which the Region provides funding, generally with the aim of providing direct benefits to Regional residents. The 2022 budgets for Conservation Authorities are considered separately.
- The Yonge North Subway Extension, the Region's top rapid transit priority.

### Council directed staff to reduce the tax levy increase for 2022 and on May 27, 2021 endorsed a target tax levy increase of 1.96%

The 2021-22 Budget approved on March 25, 2021 included a 2022 outlook tax levy increase of 2.96%. This outlook reflected budget amounts for Regional departments and key service areas.

As part of budget approval, Council directed staff to "undertake strategies and processes to reduce the 2022 operating outlook as tabled on February 25, 2021."

The 2022 Budget Direction report, adopted by Council on May 27, 2021, set out a target tax levy increase of 1.96% for 2022, in response to Council's direction.

Building on Council's direction, a comprehensive savings exercise was undertaken to achieve a proposed 2022 tax levy increase that is 1% below the outlook, while also ensuring that contributions to reserves are maintained at levels that safeguard the Region's financial sustainability.

### The 2022 budget was tabled with Council in November with a proposed 2022 tax levy increase of 1.96% and a Rapid Transit Infrastructure Levy of 1%

The budget as tabled on November 25, 2021 included a proposed tax levy increase of 1.96% which is consistent with the 2022 Budget Direction report. The tabled budget also includes a Rapid Transit Infrastructure Levy of 1% to help fund the Yonge North Subway Extension.

The proposed 2022 Operating and Capital Budget was tabled with Council on November 25, 2021, in accordance with the timelines established in the 2022 Budget Direction report. It was received and referred to the December meetings of Committee of the Whole for consideration and recommendation.

### The 2022 Budget is the fourth year of the 2019-2022 Multi-year Budget cycle

The operating budget presented is a one-year budget for the remaining year of Council's term. Council is asked to approve the budget for 2022.

### Multi-year commitments for capital projects are proposed as part of the budget process

Many capital projects span several years of planning, design and construction, requiring spending authority beyond the current budget year.

Capital Spending Authority is requested for 2022 capital expenditures and for projects with contractual and other clear or certain multi-year commitments. As in previous years, Council is asked to approve the proposed capital expenditures and funding for 2022 and the multi-year Capital Spending Authority.

## 4. Analysis

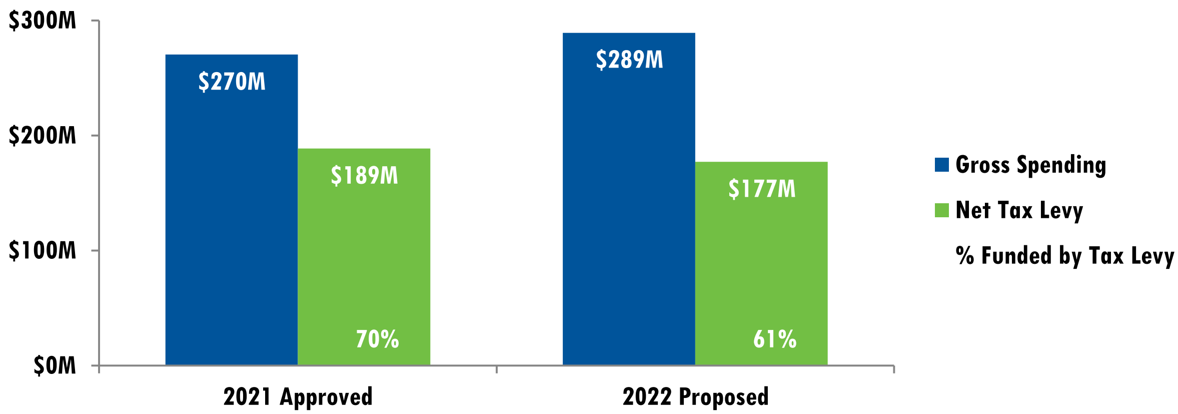
### OPERATING BUDGET

### Approval of 2022 gross expenditures of $289.4 million and net expenditures of $177.2 million is requested

The Corporate Management and Governance, Financial Initiatives, External Partners, Court Services and Yonge North Subway Extension budget includes gross operating expenditures (i.e., total budget) and net expenditures, which correspond to the portion of the budget paid by the tax levy. Non-tax revenues fund the difference. Revenues include fine revenues, fees, supplementary taxes, and draws from reserves. A portion of Corporate Management and Governance costs are also recovered from the water and wastewater user rate.

The 2022 proposed gross operating expenditures are $289.4 million, or 10.8% of total Regional expenditures. The proposed 2022 net expenditures of $ 177.2 million are 13.9% of the total. The tax levy funds 61.2 % of 2022 gross expenditures, as shown in Figure 1 on the next page.

## Figure 1
## 2022 Gross and Net Operating Expenditures




## Impacts of COVID-19 pandemic and mitigation strategies are reflected in the proposed operating budget

The COVID-19 pandemic significantly impacted York Region in 2020 and 2021, and many of these impacts are expected to continue in 2022. Examples of operating pressures in Corporate Management and Court Services include:

- Increased IT expenses in technology asset support, and data and cyber security support for continued remote work environment

- Reduced fine revenues driven by court closures, a decline in ticket issuance, and extension of fine payment deadlines.

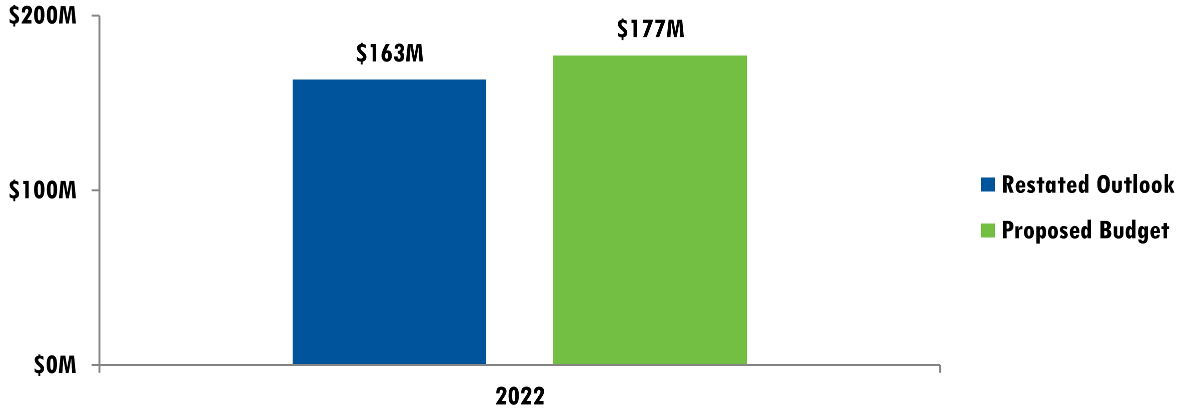
Some of these pressures were mitigated through departmental savings. The Financial Initiatives budget also includes draws from the Pandemic Management Reserve of and $56.6 million in 2022.

## The proposed budget is higher than the previous outlook due to the Rapid Transit Infrastructure Levy

As illustrated in Figure 2 on the next page, the proposed 2022 net budget for Corporate Management and Governance, Financial Initiatives, External Partners, Court Services and Yonge North Subway Extension is $14.0 million higher than the previous outlook.

**Figure 2**

**2022 Proposed Net Budget Compared to Outlook**




The proposed 2022 net budget is higher than the outlook due to the new 1% Rapid Transit Infrastructure Levy, equivalent to $12.2 million. Excluding this item, the proposed budget for all other areas described in this report is about $1.7 million higher than the outlook to help address ongoing risks. This was partially offset by departmental savings, including lower than planned reserve contributions, to help meet the 1.96% tax levy increase included in the 2022 Budget Direction report.

## CAPITAL BUDGET

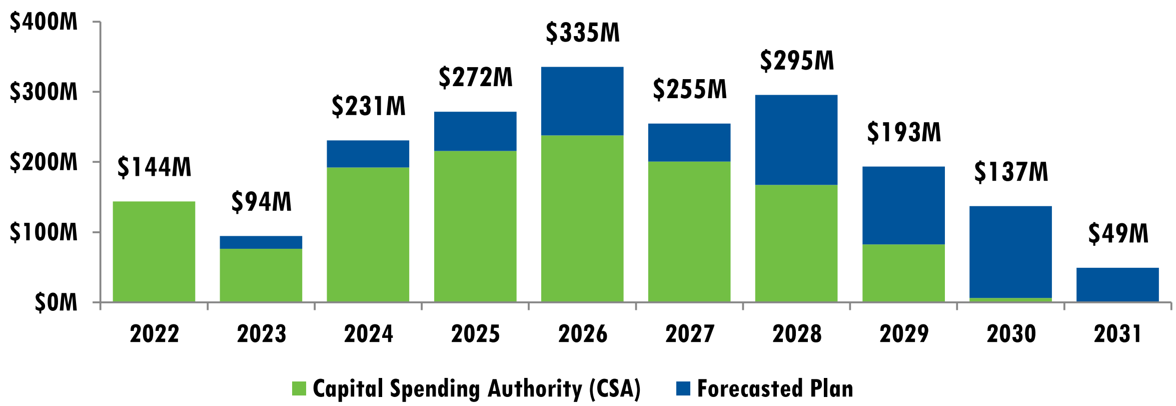
### Approval of 2022 capital expenditures of $143.7 million and Capital Spending Authority of $1.3 billion is requested

The capital budget for Corporate Management and Governance, Financial Initiatives, Court Services and Yonge North Subway Extension enables infrastructure projects in support of growth, and renewal of Information Technology, Court Services, and Property Services infrastructure. This includes end-user devices, technology systems, network and data infrastructure, IT security, equipment and technology at Regional court locations, and rehabilitation, replacement and renovation at Regional facilities, long-term care centres, and paramedic response stations, as well as the Region's capital contribution towards construction of the Yonge North Subway Extension.

The 2022 proposed capital expenditures are $143.7 million, or 14.7% of the total Regional capital expenditures. The proposed Capital Spending Authority is $1.3 billion as shown on the next page in Figure 3, or 27.7% of the total Capital Spending Authority. More than 84% (or $1.12 billion) of this proposed Capital Spending Authority will support the Region's capital contribution towards construction of the Yonge North Subway Extension.

**Figure 3**

**Ten-Year Capital Plan and Capital Spending Authority (CSA)**




Attachment 2 summarizes the Capital Spending Authority by program and shows the associated funding sources. Details on the individual projects are available in the 2022 Budget Book starting on pages 313, 321, 325, and 339.

### The proposed budget supports the 2019 to 2023 Strategic Plan

The budget for Corporate Management and Governance, Financial Initiatives, External Partners, Court Services and Yonge North Subway Extension supports the Good Government, Economic Vitality, Healthy Communities and Sustainable Environment community result areas of the 2019 to 2023 Strategic Plan. More information is provided in the 2022 Budget Book.

## 5. Financial

The proposed 2022 net operating budget for Corporate Management and Governance, Financial Initiatives, External Partners, Court Services and Yonge North Subway Extension totals $177.2 million, as summarized in Attachment 1.

The proposed 2022 capital budget of $143.7 million and 2022 Capital Spending Authority with an associated multi-year commitment of $1.3 billion are summarized in Attachment 2. Expenditures not identified as part of Capital Spending Authority but contained within the Ten-Year Capital Plan are provided in the Budget Book for planning purposes and may be brought forward for formal approval in subsequent budget years.

## 6. Local Impact

The Region’s budget supports a wide range of public services that benefit residents and local economies. The Region works with its local municipal partners to develop many Regional programs and services. Local needs and impacts are an important consideration in delivering effective and efficient services for a growing population.

## 7. Conclusion

This report sets out the proposed 2022 operating and capital budgets for Corporate Management and Governance, Financial Initiatives, External Partners, Court Services and Yonge North Subway Extension. To facilitate completion of the budget process, it is recommended that the Committee's recommendations be forwarded to Council for consideration on December 16, 2021.

---

For more information on this report, please contact Kelly Strueby, Director, Office of the Budget at 1-877-464-9675 ext. 71611. Accessible formats or communication supports are available upon request.

Recommended by: **Jason Li, CPA, CA**
Acting Commissioner of Finance and Regional Treasurer

**Dino Basso**
Commissioner of Corporate Services

**Dan Kuzmyk**
Regional Solicitor

Approved for Submission: **Bruce Macgregor**
Chief Administrative Officer

November 17, 2021
Attachments (2)
eDOCS# 13371751

# 2022 Operating Budget for Corporate Management and Governance, Financial Initiatives, External Partners, Court Services and Yonge North Subway Extension

| (in $000s) | Page No. | 2022 Proposed Gross | 2022 Proposed Net |
|---|---|---|---|
| **Corporate Management and Governance** | | | |
| Chair & Council | 171 | 2,576 | 2,576 |
| Office of the CAO | 171 | 7,659 | 7,317 |
| Legal Services | 172 | 8,304 | 7,758 |
| Financial Management | 173 | 23,865 | 21,052 |
| Information Technology Services | 173 | 33,265 | 33,265 |
| Communications, Information and Data | 175 | 16,956 | 16,767 |
| Human Resource | 175 | 10,757 | 10,456 |
| Property Services | 175 | 5,826 | 4,357 |
| Planning and Economic Development | 175 | 13,873 | 8,775 |
| Recovery from User Rate[1] | 171 | - | (5,300) |
| | | **123,082** | **107,024** |
| **Financial Initiatives[2]** | 193 | **104,368** | **27,911** |
| **External Partners** | | | |
| Property Assessment (MPAC) | 201 | 21,800 | 21,800 |
| Hospital Funding | 201 | 7,041 | 7,041 |
| Innovation Investment Fund | 201 | 1,621 | 1,621 |
| GO Transit | 201 | 2,500 | - |
| | | **32,962** | **30,462** |
| **Court Services** | 186 | **16,770** | **(474)** |
| **Total[3]** | | **277,181** | **164,923** |
| **Rapid Transit Infrastructure Levy** | 227 | **12,231** | **12,231** |
| **Total after Rapid Transit Infrastructure Levy** | | **289,412** | **177,154** |

[1] Recovery from User Rate reflects the portion of corporate management and governance costs allocated to water and wastewater and funded from the user rate

[2] Financial Initiatives includes Fiscal Strategy and non-program financial items

[3] Numbers may not add due to rounding

# 2022 Capital Expenditures and Capital Spending Authority (CSA) for Corporate Management and Governance, Financial Initiatives, Court Services and Yonge North Subway Extension

| Finance | Page No. | 2022 $000s | 2022 CSA $000s |
|---|---|---|---|
| **Program Expenditures:** | | | |
| Finance | 173 | 31,794 | 144,517 |
| **Funding Sources:** | | | |
| Asset Replacement Reserve | 173 | 20,555 | 97,095 |
| Program Specific Reserves | 173 | 11,239 | 47,422 |
| **Total Funding Sources** | | **31,794** | **144,517** |

| Property Services | Page No. | 2022 $000s | 2022 CSA $000s |
|---|---|---|---|
| **Program Expenditures:** | | | |
| Property Services | | | |
| Business Initiatives | 175 | 14,591 | 32,095 |
| Rehabilitation and Replacement | 175 | 8,626 | 11,576 |
| **Total Program Expenditures** | | **23,217** | **43,671** |
| **Funding Sources:** | | | |
| Development Charge Reserve | 175 | 70 | 70 |
| Asset Replacement Reserve | 175 | 21,366 | 41,770 |
| Debt Reduction Reserve | 175 | 916 | 916 |
| Grants & Subsidies | 175 | 615 | 615 |
| Other Recoveries | 175 | 250 | 300 |
| **Total Funding Sources** | | **23,217** | **43,671** |

## 2022 Capital Expenditures and Capital Spending Authority (CSA) for Corporate Management and Governance, Financial Initiatives, Court Services and Yonge North Subway Extension (Continued)

| Court Services | Page No. | 2022 $000s | 2022 CSA $000s |
|---|---|---|---|
| **Program Expenditures:** | | | |
| Court Services | 188 | 123 | 123 |
| **Funding Sources:** | | | |
| Asset Replacement Reserve | 188 | 123 | 123 |
| **Total Funding Sources** | | **123** | **123** |

| Financial Initiatives | Page No. | 2022 $000s | 2022 CSA $000s |
|---|---|---|---|
| **Program Expenditures:** | | | |
| Financial Initiatives | 195 | 13,426 | 13,426 |
| **Funding Sources:** | | | |
| Development Charge Reserve | 195 | 9,398 | 9,398 |
| Program Specific Reserves | 195 | 4,028 | 4,028 |
| **Total Funding Sources** | | **13,426** | **13,426** |

| Yonge North Subway Extension | Page No. | 2022 $000s | 2022 CSA $000s |
|---|---|---|---|
| **Program Expenditures:** | | | |
| Yonge North Subway Extension | 227 | 75,183 | 1,120,000 |
| **Funding Sources:** | | | |
| Development Charge Reserve | 227 | 52,628 | 80,535 |
| Program Specific Reserves | 227 | 22,555 | 336,000 |
| Planned Debenture Proceeds | 227 | - | 703,465 |
| **Total Funding Sources** | | **75,183** | **1,120,000** |

| | | | |
|---|---|---|---|
| **Total Program Expenditures:** | | **143,742** | **1,321,737** |
| **Total Funding Sources** | | **143,742** | **1,321,737** |

Office of the CAO

# MEMORANDUM

To: Regional Chair Emmerson and Members of Regional Council

From: Bruce Macgregor
Chief Administrative Officer

Date: November 24, 2021

Re: Greater Toronto Hamilton Area Regional Prosperity Alliance & COVID Recovery

---

This memo outlines York Region's participation in the Greater Toronto Hamilton Area Regional Prosperity Alliance (GTHA-RPA) as it relates to COVID recovery and rebuild and provides an update on the City of Toronto's Regional Procurement Integration Review.

## GTHA-RPA created to advance shared municipal interests related to COVID-19 recovery and rebuild

The GTHA-RPA was created in 2021 to provide an opportunity for municipalities to come together to identify and advance shared municipal interests in the context of recovery and rebuild from COVID-19. GTHA-RPA membership includes the City Managers or Chief Administrative Officers from the municipalities list in Table 1.

**Table 1**

**GTHA-RPA Membership**

| Single-Tier Municipalities | Regional Municipalities |
|---|---|
| • Brampton | • Durham Region |
| • Burlington | • Halton Region |
| • Hamilton | • Peel Region |
| • Mississauga | • York Region |
| • Oakville | |
| • Toronto | |

The GTHA-RPA explores opportunities to improve the effectiveness and efficiency of service delivery, reduce costs and bring innovation through enhanced collaboration and cooperation in five areas of mutual interest: Transit, Housing, Digital Infrastructure, Municipal Procurement and Sustainable Finance.

## City of Toronto GTHA-RPA Regional Procurement Collaboration Assessment

On October 5, 2021, the City of Toronto reported on a Regional Procurement Integration Review they sponsored under the Provincial Audit and Accountability Fund. The review explored potential benefits of additional cooperation in procurement for all participating GTHA-RPA municipalities.

The project activities were completed between June and September of 2021 and included representation from City of Brampton, Durham Region, Halton Region, City of Hamilton, City of Mississauga, City of Toronto, and York Region.

Municipalities in the Greater Toronto and Hamilton Area (GTHA) currently collaborate on procurement activities primarily through joint-solicitation and local cooperative purchasing groups. York Region will review and assess the Ernst & Young recommendations provided to the City of Toronto to inform future opportunities for modernization and additional collaboration.

## Conclusion

York Region will continue to collaborate via the GTHA-RPA and other opportunities to facilitate recovery from COVID-19. Municipal partnerships and collaboration have been instrumental in strengthening relationships amongst municipalities and regions by identifying shared challenges and working collectively to advance strategic outcomes and innovative solutions.

This type of continued co-ordination will support effective engagement with federal and provincial governments to identify shared objectives and outcomes, key investments and regional approaches to stimulate economic recovery.

For more information on this memo, please contact Bruce Macgregor, Chief Administrative Officer, at 1-877-464-9675 ext. 71200. Accessible formats or communication supports are available upon request.

Bruce Macgregor
Chief Administrative Officer

eDOCS #13426435

# The Regional Municipality of York

Committee of the Whole
Finance and Administration
December 9, 2021

Report of the Commissioner of Finance

# 2022 Regional Fiscal Strategy

## 1. Recommendations

1. Council adopt the updated fiscal strategy outlined in this report

2. Council affirm the 2022 Long-Term Debt Management Plan, shown as Attachment 1

3. Council approve the amendment of the Capital Financing and Debt Policy to limit the access to the growth-related cost supplement to the Annual Repayment Limit only to the Yonge North Subway Extension (YNSE), as shown in Attachment 2

4. Council approve the reinstatement of the Surplus Management Policy that was temporarily suspended last year due to COVID-19

5. Council approve an amendment to the Rapid Transit Reserve Fund to include contributions from the Rapid Transit Infrastructure Levy as a funding source

6. Council approve the renaming of the Federal Gas Tax Reserve Fund to Canada Community-Building Fund Reserve Fund to align with the federal renaming of this program, as shown in Attachments 2

7. Council authorize the transfers of funds between the following reserves:

    a. $31.5 million from the Debt Reduction Reserve to the Rapid Transit Reserve Fund

    b. Up to $508,724 of contributions that will be made by YorkNet to the Region's General Capital Reserve in 2022, to YorkNet's Capital Asset Replacement Reserve

    c. Up to $113,105 of contributions that will be made by YorkNet to the Region's Tax Stabilization Reserve in 2022, to YorkNet's Stabilization Reserve

8. Council approve a technical amendment to Appendix 3 of the Investment Policy to designate the short-term interest earning rate for the Pandemic Management Reserve Fund, as shown in Attachment 2

9. Council authorize the Regional Solicitor to prepare and amend the necessary bylaws

## 2. Summary

This report seeks Council's adoption of the updated fiscal strategy, whose principles were used to guide the preparation of the 2022 Regional Budget.

It also seeks the affirmation of the 2022 Long-Term Debt Management Plan to allow the Region to access a growth-related cost supplement for its Annual Repayment Limit (ARL).

Finally, this report recommends the amendment of several Council policies and reserve bylaws, as well as seeks approval to transfer funds between reserves.

Key Points:

- The 2022 fiscal strategy builds on past achievements from successive fiscal strategies and continues to target long-term financial sustainability through the careful management of the capital plan, reserves and debt
- In 2021, S&P Global Rating upgraded the Region's credit rating from AA+ to AAA and Moody's Investors Service affirmed its Aaa rating, owing to Council's commitment to prudent financial management
- The Region's financial contribution to the YNSE will need to be carefully managed to avoid negatively impacting its long-term financial sustainability

## 3. Background

### Council has adopted an updated fiscal strategy each year since 2014

As part of the 2014 Budget, Council adopted its first fiscal strategy, which has been updated annually as part of the budget process. The last fiscal strategy was adopted by Council on March 25, 2021 which can be found as item I.1 on the Committee of the Whole Agenda.

The fiscal strategy strives to achieve long-term financial sustainability while maintaining a balance between the current and future needs of the Region. This has been done through the prudent management of its capital plan, reserves and debt. These elements are shown as Figure 1.

**Figure 1**

**Elements of the Fiscal Strategy**


## Successive fiscal strategies have strengthened the Region's financial position

Past fiscal strategies have helped strengthen the Region's financial position.

Prior to the 2014 fiscal strategy, the Region's outstanding debt was expected to exceed $5.0 billion by 2020. However, because of the actions taken by Council through past fiscal strategies, total outstanding debt peaked at $2.9 billion in 2017 and is estimated to drop to $2.6 billion by the end of 2021.

Also, by the end of 2021, the Region is expected to have over $3.8 billion in 60 reserves and has held more in reserves than it has outstanding net debt since 2019.

The higher reserve balances and lower debt levels have been key contributors to its superior credit rating.

## YNSE Funding considerations were presented to Council in November 2021

The Yonge North Subway Extension (YNSE) represents a major financial commitment for the Region. On November 11, 2021, staff reported to Council on some of the financial considerations of this project. These include:

- The Region's share of the project is expected to be funded through development charges and property taxes
- The financial contribution to the YNSE will need to be managed carefully to ensure the Region's long-term financial sustainability

- York Region Rapid Transit Board has recommended that Council establish a 1 per cent annual tax levy surcharge commencing in 2022 for the next three years to help fund rapid transit priorities aligned with the Region's growth plan

# 4. Analysis

## Achieving long-term financial sustainability and intergenerational equity are the two guiding principles when developing the fiscal strategy

The first principle is to ensure that decisions result in the long-term financial sustainability of York Region. Being financially sustainable means that the Region can keep the cost of growth affordable while maintaining its existing infrastructure in a state of good repair. It also means preserving fiscal flexibility in the face of changing needs and being able to effectively respond to unforeseeable events, such as the COVID-19 pandemic. The Region’s credit ratings are also key independent indicators of financial sustainability, and both S&P Global and Moody’s Investors Service rate the Region’s debt Triple A, the highest grade possible.

The second principle, intergenerational equity, is achieved when current and future tax and ratepayers are treated fairly, which means that no generation is left worse off through the actions of another. This is particularly important when planning for the replacement and rehabilitation of capital assets, some of which could have a very long useful life and their cost could be significant.

Applying the principles of long-term financial sustainability and intergenerational equity to the Region’s operating and capital programs require the careful balancing of three separate streams of activities: managing the timing and magnitude of capital programs, using debt judicially to ensure the delivery of projects at appropriate time and at lowest cost, and saving up adequate reserves.

The next section of the report discusses the elements of the fiscal strategy in more detail.

## FIRST ELEMENT OF THE FISCAL STRATEGY - MANAGING THE CAPITAL PLAN

## The Region continues to make significant investments in growth-related capital

The Region continues to make significant investments in growth-related capital to accommodate what is envisioned in the Growth Plan.

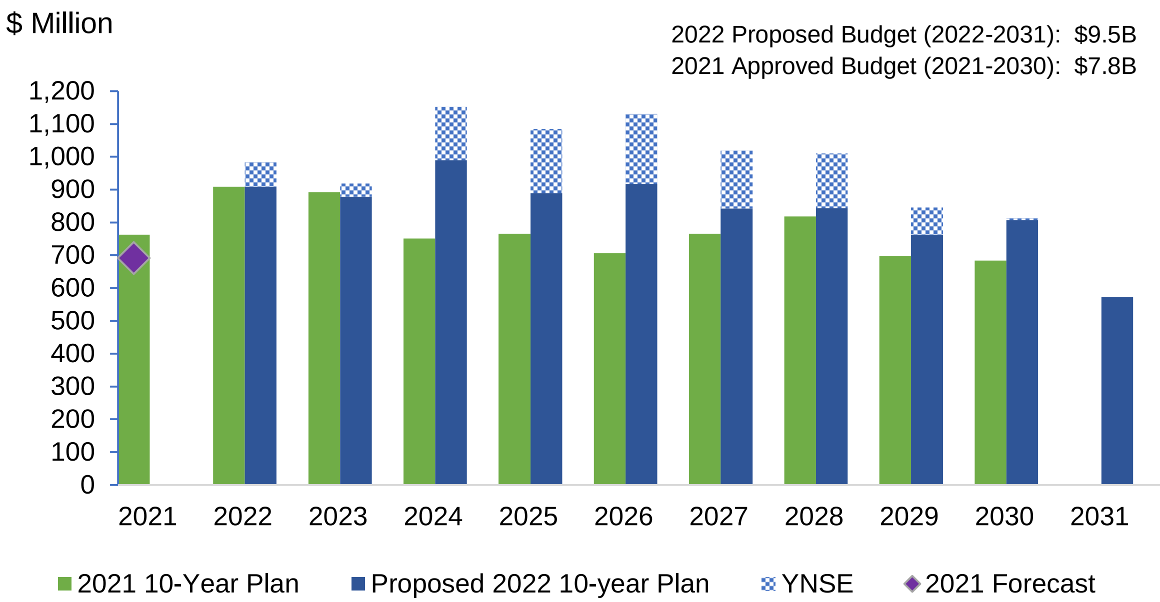
The 2022 ten-year capital plan is $9.5 billion. This includes approximately $6 billion in new growth-related investment, including the YNSE, as well as a further $3.5 billion of asset rehabilitation and replacement spending.

The proposed 10-year capital plan is $1.7 billion higher than last year, as shown in Figure 2. This increase includes the addition of the YNSE as well as an additional $345 million in other growth projects and an increase of $311 million in asset management spending.

As shown in Figure 3, the 10-year capital plan includes $6 billion of growth-related infrastructure, which is an increase of over $345 million compared with last years' plan excluding the subway addition. Growth accounts for approximately 63 per cent of total planned expenditure.

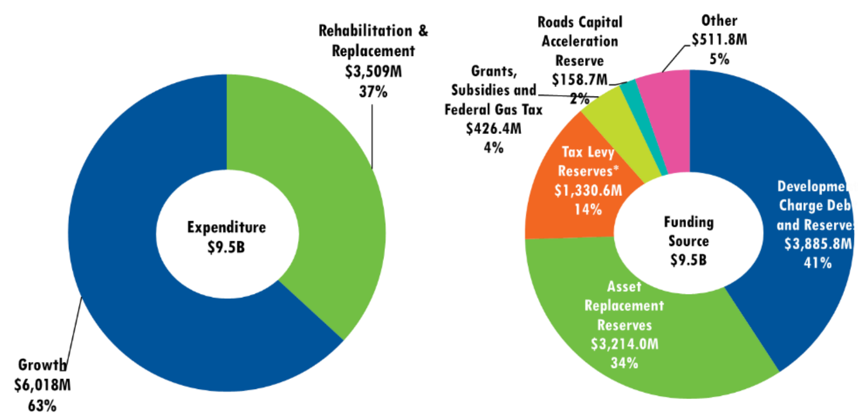
Development charges are the main sources of funding for growth-related projects. However, the portion of projects that benefits existing residents cannot be paid for by development charges. Approximately $3.8 billion of the $6 billion of growth-related spending is expected to be funded from development charges while the remaining $2.2 billion is expected to be funded from the tax levy and other sources.

## Figure 2
## 10-Year Capital Plan Comparison




Source: York Region Finance Department

## Figure 3
## 10-Year Capital Plan Expenditure and Funding Sources




Source: York Region Finance Department

## The Region is mandated to plan for the level of growth envisaged by the Province's Growth Plan

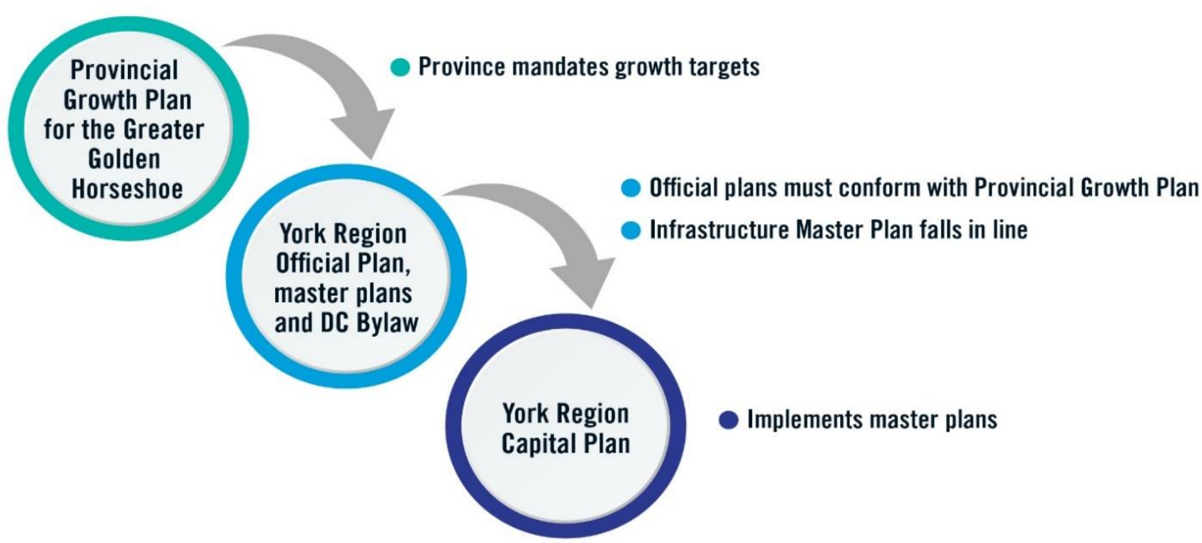
Municipalities within the Greater Golden Horseshoe are required to conform to the targets set out by the provincial Growth Plan. In August 2020, the Province amended its Growth Plan to extend its planning horizon from 2041 to 2051. Due to this legislative regime, there is a cascading effect that has financial implications for the Region (Figure 4). Under the amended Growth Plan, the Region is mandated to plan to accommodate 2.02 million residents and 990 thousand jobs by 2051.

York Region's Official Plan must conform to the provincial Growth Plan, while its infrastructure master plans must also include what is needed to create complete communities that will meet the expectations of residents and Council. Master Plans are implemented through successive 10-year capital plans. If the population contemplated by the Growth Plan varies significantly from what is experienced in the near term, the timing of spending in the capital plan may need to be adjusted to reflect the expected rate of population growth or the municipality could face the risk of having an unmanageable level of debt as well as excess infrastructure capacity which could create operating budget pressures.

Through the Municipal Comprehensive Review process, staff are working to ensure that infrastructure capacity and timing to meet the growth targets are fully considered and aligned.

**Figure 4**

**How the Growth Plan informs the 10-year Capital Plan**




Source: York Region Finance Department

### The Region's estimated contribution to YNSE has been included in the capital plan

Although project details will be refined over the next few years, the YNSE represents a major financial commitment and is the Region's largest project in its capital plan. Based on currently available information, it is estimated that the YNSE will have a construction cost of approximately $5.6 billion, of which the Region's share of $1.12 billion has been included in the 2022 Budget. This allows staff to better integrate the impact of this project with the Region's other capital priorities.

### Asset management spending is informed by departmental approved asset management plans

All departments have completed asset management plans that informed their long-term capital plans. Over the next 10 years, asset management spending is $311 million higher than last year's budget, mostly due to updated asset condition information provided as part of ongoing asset management assessments.

As was shown in Figure 3, most of the asset management spending, or $3.2 billion, will be funded from asset replacement reserves, while the remaining $300 million will be funded from recoveries, grants and other reserves.

## SECOND ELEMENT OF THE FISCAL STRATEGY – RESERVE MANAGEMENT

Reserve management is an important element of the fiscal strategy and a key component to achieve financial sustainability and intergenerational equity.

Reserves help fund capital investments, smooth tax levy and user rate contribution requirements, and promote financial stability and flexibility.

Before the implementation of the fiscal strategy, the Region borrowed to initially pay for some asset management requirements. This debt was later repaid by residents through the tax levy or user rates. However, as financing debt is ultimately more expensive to residents than the use of reserves, the Region's Reserve and Reserve Fund policy sets out the principle to contribute enough to reserves so that no new tax levy or user rate debt will be needed.

Also underpinning the reserve contribution is planning for long-term asset replacement. To ensure there is enough in the reserves, a long-term horizon is used to calculate the annual contributions required. When the assets are relatively young, as is the case today, reserve contributions may exceed draws and reserve balances will grow. Over time, reserve balances will decline as they are drawn down to rehabilitate and replace assets. To ensure that an appropriate amount is contributed, asset management needs are reviewed and updated annually to incorporate the latest information on asset condition.

Reserves also provide financial flexibility in the event of unanticipated expenditures or drops in revenue. Several stabilization reserves, such as the Tax Stabilization and Fiscal Stabilization reserves, as well as the Pandemic Management Reserve, are maintained for this purpose.

In addition, because reserves include both cash and cash equivalent assets, they also promote investor confidence and help to preserve the Region's credit ratings.

## The Region's reserves are forecast to be almost $3.8 billion by the end of 2021 and contributions are largely on target

By the end of 2021 the Region is expected to have accumulated approximately $3.8 billion in reserves, which are grouped into the five categories as shown in Figure 5. These reserve contributions are on target, except for a small gap for the asset replacement reserves.

**Figure 5**

**Estimated Reserves at December 31, 2021**

| Reserve Balance ($Millions) | 2021 Forecasted Balance | 2022 Contribution Target |
|---|---|---|
| Asset Replacement Tax Levy | 1,321 | Under Target |
| Asset Replacement User Rate | 675 | On Target |
| Growth Capital | 758 | On Target |
| Development Charges | 471 | On Target |
| Corporate Reserves | 533 | On Target |
| **Total** | **3,758** | |

## Asset replacement represents the largest category of reserves

At approximately $2.0 billion, asset replacement reserves represent the largest category of reserves by the end of 2021. Approximately $1.3 billion of these reserves are for tax levy-supported assets while the remaining $0.7 billion is set aside for user-rate supported assets. Contribution targets have been set to ensure that new tax or rate supported debt will not need to be issued. The contribution targets use the estimated replacement value of the Region's assets, which now stands at over $16 billion. In addition, there is a further $4.9 billion of assets that is forecasted to be added over the next ten years. Eventually, nearly $21 billion of assets will need to be rehabilitated or replaced and the $2.0 billion in the asset replacement reserves will need to grow to fund this.

In 2021, Council approved updated User Rates that will achieve full-cost recovery in the water and wastewater sector and provides for full asset management contributions into the future.

Tax levy asset replacement reserve contributions are currently slightly below their target in 2022, and several pressures may challenge the ability to achieve targeted reserve balances in future years, including rising spending needs for asset management, growth capital, and the YNSE.

## The growth capital reserve contributions are on target

The growth capital reserves, which are used to fund the tax levy portion of growth not covered by development charges, are estimated to have a combined balance of $758 million by the end of 2021.

The proposed 1% Rapid Transit Infrastructure Levy would generate approximately $12.2 million in 2022, and be contributed to a growth capital reserve . This proposed levy is included in 2022 Budget and if passed, would fall into the annual tax base in subsequent years to be used to fund the YNSE cost and possibly other rapid transit priorities in time.

## A further Rapid Transit Infrastructure levy of 1% in 2023 and 2024 could help fund the YNSE

In addition to the 2022 levy, a further incremental levy of 1% in 2023 and in 2024 would generate, in total, approximately $350 million in tax levy revenue over 10 years. This is the estimated amount that will be needed to help pay for the tax levy portion of the expected YNSE costs without having to issue any tax levy supported debt.

## Corporate reserves are in place to promote financial stability and flexibility

In addition to the capital reserves discussed above, the Region also contributes to corporate reserves, such as stabilization reserves and Human Resources reserves that helps ensure sufficient financial stability and flexibility.

The stabilization reserves include the Tax Stabilization, Fiscal Stabilization, User Rate Stabilization, Fuel Cost Stabilization and Waste Management Stabilization reserves. They provide funding for unexpected expenditure or revenue shortfalls. The Pandemic Management Reserve is also included in this category. This reserve was created in 2020 to help fund COVID-19 related emergency costs. All the stabilization reserves are currently on target.

Other corporate reserves include operating and human resource reserves to provide funding for their respective operating programs, and their targets are reviewed annually.

## With expected future contributions, total reserves are expected to grow

Total reserves are expected to grow by $1.8 billion to approximately $5.6 billion by 2031 when factoring in the level of contribution increases, consistent with recent experience, over the next 10 years.

The fastest growing category is the user rate asset management reserves, which are expected to grow from about $675 million in 2021, to approximately $2.0 billion in 2031. Council’s commitment to full cost recovery of water and wastewater costs guides the user rate reserves forecast. The current approved water rate includes 3.3% annual user-rate increases for 2022 to 2027. Annual rate increases of 2.9% were assumed after 2027.

The tax levy asset replacement reserves are expected to grow by about $870 million. The forecasted reserve balances assume annual tax-levy increases of approximately 3 per cent plus assessment growth, which is in line with recent experience.

The tax levy growth reserves will be drawn down to fund the tax levy portion of the YNSE. After including the 1% surcharge for 3 years, the growth capital reserve balances will shrink from $758 million to approximately $480 million by 2031.

All reserves assumptions are reviewed annually and are based on Council decisions.

## THIRD ELEMENT OF FISCAL STRATEGY – DEBT MANAGEMENT

The Region uses debt to finance capital infrastructure investment when the revenues to pay for the investment come later. It allows growth-related infrastructure, such as water facilities, to be built before growth and the development charges that pay for this growth are collected.

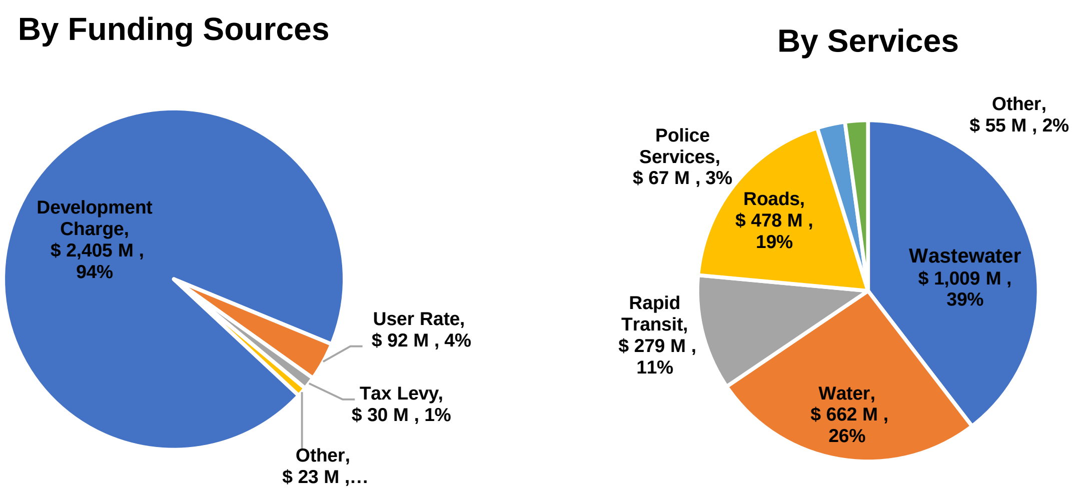
The principle of financial sustainability requires that debt be maintained at an affordable level. Debt is a financing tool which is repaid over time by an identified source, which, for the Region is primarily development charges. It also carries risk; shortfalls in development charges need to be covered by other funding sources. To reduce the financial risk, growth infrastructure may need to be phased at a pace that more closely matches the observed rate of growth. Spending too far ahead of growth could leave the Region with too much debt and an asset base that needs to be maintained, while too little spending could slow the rate of growth. Carefully managing new debt requirements is the best way to mitigate the risk that growth could be slower than needed to service outstanding debt.

### 94% of the Region's outstanding debt is for growth-related infrastructure

Approximately 94% of the outstanding debt at the end of 2021 is growth-related and will be funded through future development charge collections, as shown in Figure 6 below.

As a result of using the Debt Reduction Reserve in lieu of issuing tax levy debt, as well as the funding of asset management investments from the asset replacement reserves, no new tax levy or user-rate supported debt is planned over the next 10 years.

## Figure 6
## Outstanding Net Debt as at December 31, 2021
## $2.6 Billion




### 87% of the Region's projected Development Charge collections over the next 10 years would be required to service debt

Development charges are the main source of funding for growth-related infrastructure, and they are the sole source of funding for the repayment of principal and interest on existing and new debt issued for that purpose.

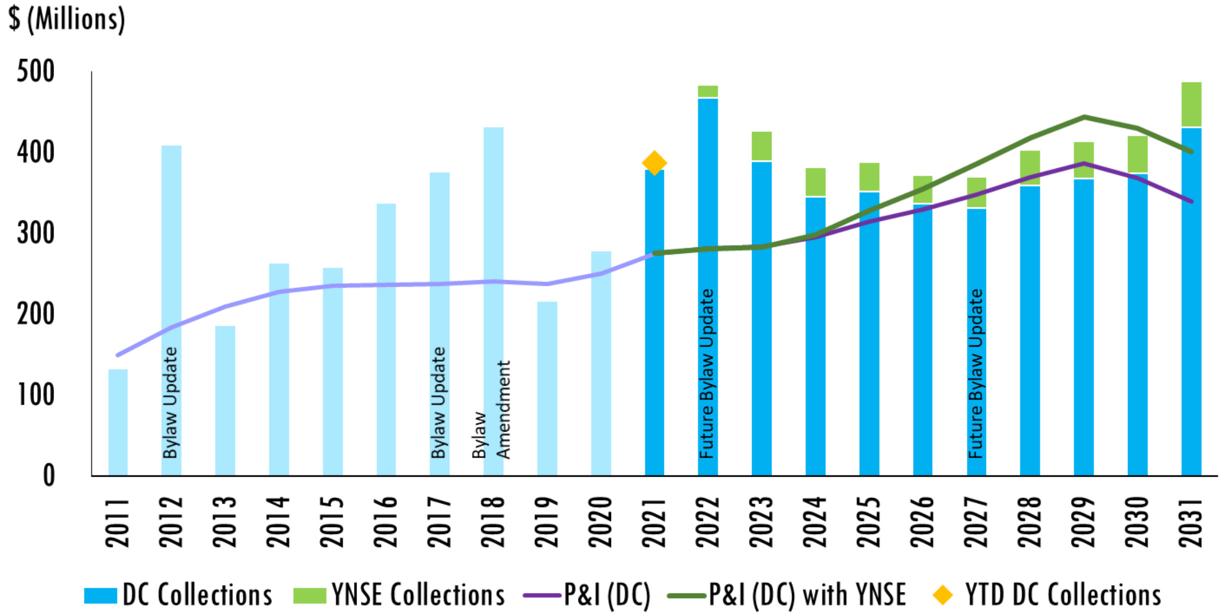
Figure 7 shows the comparison of forecasted development charges collections against the anticipated principal and interest payments for the proposed 10-year capital plan.

Over the next ten years, annual average development charge collections are forecasted to be approximately $415 million. This forecast is predicated on continued robust levels of housing construction similar to the levels achieved over the past 10 years. The average annual principal and interest payments are expected to be approximately $360 million per year.

This means that approximately 87% of forecasted collections are needed to service debt. It is anticipated that there will continue to be significant year-over-year fluctuation with collections, due to fluctuation in construction activities, changes in the economic cycle, and changes in DC rates. In years where collections are expected to fall short of the principal and interest payments needed, development charge reserves would need to be drawn down in those year to bridge the gap. If prolonged and consistent lower-than-expected collections occur, capital deferral may be required while DC collections "catch up" to annual principal and interest payments.

## Figure 7

## Historic and Forecasted Development Charge Collections and P&I




Note: YTD DC cash collections as of October 31st, 2021

### The YNSE cost could add debt pressure and increase financial risk

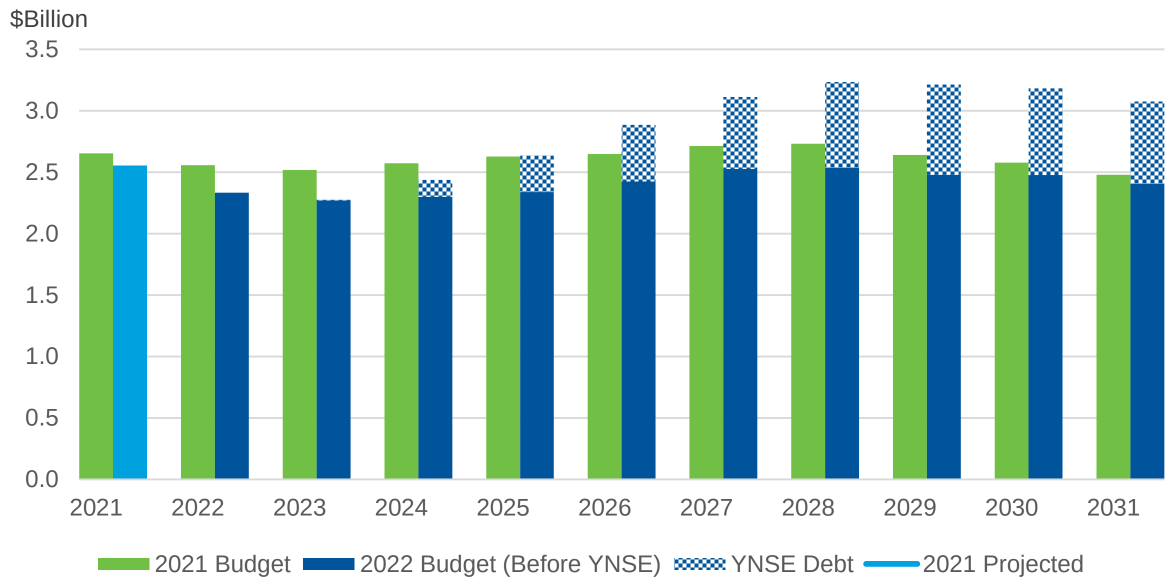
The 10-year capital plan includes approximately $4.9 billion for new growth-related infrastructure, and $1.12 billion for YNSE construction. Excluding the YNSE impact, the Region could maintain a debt profile similar to last year's forecast with the debt level declining to $2.5 billion in 2031 (Figure 8). While the growth components of the 10-year capital plan (before YNSE) increased slightly, the improvements in projected development charges collections help to offset the debt impact.

Financing the growth-related contribution to the YNSE would require additional debt issuance to bridge the gap between when the contributions are needed, and the associated revenues received. Peak net debt is now expected to be approximately $3.2 billion in 2028, $300 million higher than the previous peak net debt level of $2.9 billion in 2017.

With the cost and timing of the YNSE becoming more certain in the next few years, a refined funding strategy, which involves a careful balancing of available revenues and timing of spending on the YNSE and other Regional capital priorities, could help fund the Region's capital in a more financially sustainable manner.

**Figure 8**

**Outstanding Net Debt projection**




A further analysis of the risks associated with debt, as well as the mitigation strategies used by the Region, are discussed in Section 3 of the 2022 Long-Term Debt Management Plan that is attached to this report.

## York Region continues to be a net investor

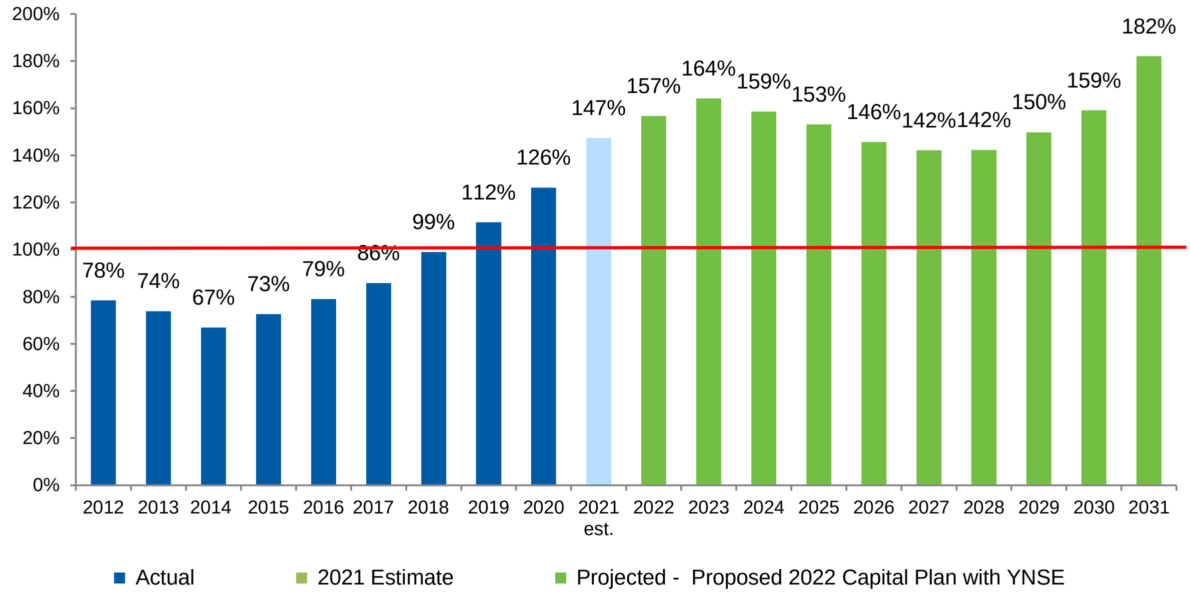
Since 2019, the Region held more in reserves than it has in outstanding net debt. A reserves to net debt ratio greater than 100% indicates that the Region is a net investor. High reserve balances and low debt levels are key considerations for rating agencies when evaluating the Region's credit worthiness.

Figure 9 shows the reserves to debt ratio. After the impacts of the YNSE are included, the reserves to debt ratio falls. The Region is still expected to be a net investor, but to a lesser extent.

**Figure 9**

**Reserves-to-Debt Ratios**

**(including contributions towards YNSE)**




## CREDIT RATINGS

### S&P upgraded York Region's credit rating from AA+ to AAA, with a stable outlook

On July 29, 2021, S&P Global Ratings (S&P) upgraded their credit rating for the Region from AA+ to AAA, with a stable outlook. S&P cited the Region's exceptionally strong finances, steady debt levels, and falling interest burden.

This achievement was made possible through Council decisions to limit capital spending, reduce the reliance on debt and increase reserve balances. Prior to 2014, the Region's peak outstanding debt was forecasted to reach over $5 billion by 2020. However, because of the measures taken as part of the Regional Fiscal Strategy, the total net outstanding debt peaked at $2.9 billion in 2017 and is forecasted to continue to decline in the coming years.

## Moody's re-affirmed its Aaa rating for York Region

In September 2021, Moody's Investors Service (Moody's) re-affirmed its Aaa credit rating for the debt issued by the Region. This was supported by York's:

- Excellent liquidity profile with growing levels of cash and reserves
- Prudent and far-sighted fiscal management
- Continued strong fiscal outcomes
- Diversified and expanding economy

Moody's has issued its highest credit rating for the Region for the 21st consecutive year.

## Both Moody's and S&P remain concerned about the Region's high level of debt

Both rating agencies have expressed concern about the Region's elevated debt burden, especially relative to other rated Canadian municipalities.

In particular, Moody's and S&P identified three factors that could lead to a future downgrade:

- a sustained increase in the debt burden
- a material decline in liquidity
- weak operating results

## Financing YNSE contributions may put the Region's AAA rating at risk

Credit rating agencies base their opinions on known strengths and risks over the near to mid term. As the YNSE has not been a part of the Region's capital plan at the time of credit rating assessment, they have not factored in the financial impact of this into their analysis.

As shown in Figure 10 above, when considering the contributions expected for the YNSE, the Region's peak debt would reach approximately $3.2 billion in 2028, which exceeds the debt limit of $2.9 billion expected by S&P to maintain a triple A rating. This could adversely impact the Region's credit rating. Careful management of the YNSE contributions and other Regional capital priorities could be considered in future fiscal strategies to avoid the negative rating impact.

# PROPOSED AMENDMENT TO CAPITAL FINANCING AND DEBT POLICY

## Staff recommend amending the Capital Financing and Debt Policy to limit the access to the growth-related cost supplement to only the YNSE

On April 15, 2021, the Province filed an amendment to renew York Region's growth-related cost supplement component of the Annual Repayment Limit (ARL) to another 10 years to December 31, 2031. This renewal is critical to enable the Region to contribute to the YNSE.

On March 11, 2021, Council directed staff to develop a policy limiting access to the growth-related cost supplement to the ARL for purposes related only to the YNSE and staff evaluate the potential implications of this policy in relation to the Region's overall fiscal strategy and other objectives.

An analysis was performed as shown in the next section and staff recommend inserting clause 1.e to the Capital Financing and Debt Policy, as shown in Attachment 2:

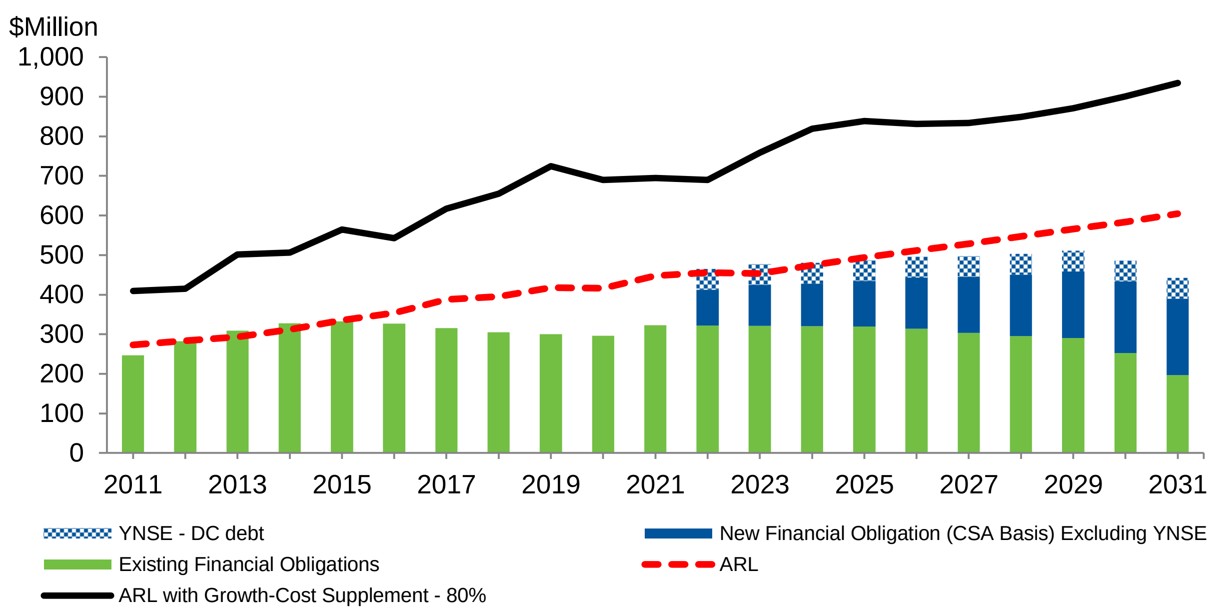
1.e. Access to the growth-related Cost Supplement to the Annual Repayment Limit is restricted for purposes related only to the Yonge North Subway Extension.

## Debt Charges related to non-YNSE projects are projected to be within the Annual Repayment Limit without the Growth Cost Supplement

As shown in Figure 10, total financing costs for new growth-related investment (excluding the YNSE) and existing outstanding debt are expected to be accommodated by the regular Annual Repayment Limit without the need to access to the Growth Cost supplement. The implication of this proposed policy may limit the addition of new growth projects above what is currently in the capital plan.

**Figure 10**

**Estimate Debt Charges vs. Annual Repayment Limit**




## Financing the YNSE contribution would require access to the Growth Cost Supplement

With an $1.12 billion contribution to YNSE, the debt charges are expected to exceed the regular Annual Repayment Limit and the Growth Cost Supplement will need to be accessed, possibly as early as 2022. Notwithstanding, the overall financial obligations are expected to be within the Annual Repayment Limit across the planning horizon.

## 2022 LONG-TERM DEBT MANAGEMENT PLAN

### Council affirmation of the 2021 Long-Term Debt Management Plan is required to access the growth-related borrowing capacity

Starting from 2011, the Province has provided a York-specific growth cost supplement that allows it to borrow a higher amount based on its development charges collections. In 2013 and 2014, the Region could have breached the annual repayment limit in the absence of the growth-related cost supplement. In 2021, the Province renewed the growth cost supplement that provides the Region the additional borrowing room needed to finance its contribution to YNSE.

To qualify for this additional growth-related borrowing capacity, Council is required to adopt a plan for the management of its long-term debt and financial obligations on an annual basis. This plan is provided as Attachment 1 to this report.

## THE SURPLUS MANAGEMENT POLICY

### It is recommended that the Surplus Management Policy be reinstated

In December 2020, Council established a Pandemic Management Reserve Fund to help fund any future tax-supported expenditure or revenue shortfall that may arise due to COVID-19. Council also approved the temporary suspension of the Region’s Surplus Management Policy and authorized that any potential surplus be contributed to the Pandemic Management Reserve Fund.

The Pandemic Management Reserve is forecasted to have a balance of $89 million at the end of 2021. With COVID-related costs better known, it is expected that the Pandemic Management Reserve, together with potential funding from senior governments, should be sufficient to address pandemic-related costs over the next few years. In addition, there are also the Tax and Fiscal Stabilization reserves that could be used, if needed, to fund further unexpected COVID-19-related pressures.

Surpluses from operating have provided funding for some of the Region’s reserves such as the Working Capital Reserve, the Human Resources Reserves and the Debt Reduction Reserve.

Staff recommend that the Surplus Management Policy be reinstated to allocate any annual operating surpluses to the Region’s reserve funds that are below target in the following order:

- First to the Working Capital Reserve
- Then to any contingent liability reserves held by the Region, which include the Long-Term Disability Reserve, Workers’ Compensation Reserve, Group Benefits and the Insurance Reserve
- Then to the General Capital Reserve

- Then to the Fuel Cost Stabilization Reserve, if there is a loss incurred during the year from hedging transactions
- Then any remaining funds to the Debt Reduction Reserve.

## PROPOSED CHANGES TO REGIONAL RESERVE FUNDS

### It is recommended that the proposed Rapid Transit Infrastructure Levy contribute to the Rapid Transit Reserve Fund

The Rapid Transit Reserve Fund was established in 2019 to fund rapid transit projects.

It is recommended that the Rapid Transit Infrastructure Levy, if approved by Council as part of the 2022 budget, be contributed to the Rapid Transit Reserve Fund. The Rapid Transit reserve could then be used to help fund the tax levy portion of the Region's contribution to the YNSE.

### It is recommended that the Federal Gas Tax reserve be renamed the Canada Community-Building Fund Reserve

On June 29, 2021, the Federal government renamed the Gas Tax Fund to the Canada Community-Building Fund (CCBF) to better reflect the program's evolution over time but will not alter or modify the objectives or requirements of the program.

The request for Council approval to rename of the Federal Gas Tax Reserve Fund to the Canada Community-Building Fund Reserve Fund would align the reserve name with the federal renaming of its program. It will require amendment to Appendix B of the Region's Reserve and Reserve Fund Policy (Attachment 2) and Appendix 3 of the Investment Policy (Attachment 2).

## PROPOSED TRANSFER OF FUNDS BETWEEN RESERVES

### It is recommended that $31.5 million be transferred from the Debt Reduction Reserve to the Rapid Transit Reserve Fund

Through the 2020 and 2021 budgets, Council approved contributions of $14.1 million and $17.4 million, respectively, toward the Debt Reduction Reserve to address future infrastructure projects. It is recommended that the combined $31.5 million be allocated towards the funding of the Region's share of the YNSE project.

Staff recommend that Council authorize the transfer of $31.5 million from the Debt Reduction Reserve to the Rapid Transit Reserve for this purpose.

There is an additional $17.6 million contribution to the Debt Reduction Reserve that could also be transferred to the Rapid Transit Reserve next year, should the 2022 proposed budget be approved by Council.

### It is recommended that YorkNet's contributions to the Region's reserves be transferred to YorkNet's own reserves

In May 2020, YorkNet's board approved its own reserve policy to set-up separate reserve accounts in the financial reporting system. In March 2021, Council approved the transfers of up to $1,203,570 of contributions that were previously made by YorkNet to the General Capital Reserve, to its Capital Asset Replacement Reserve and up to $459,976 of contributions that were previously made by YorkNet to the Tax Stabilization Reserve, to its Stabilization Reserve. These amounts were transferred to YorkNet's reserves in Q4 2021.

The 2022 Budget includes a proposed contribution of $508,724 to the General Capital Reserve and $113,105 to the Tax Stabilization Reserve for 2022, which was prior to the completion of the set-up of separate reserve accounts for YorkNet.

Council authority is required to transfer the 2022 reserve contributions that will be temporarily held in the Region's reserves to YorkNet's own reserves. It is proposed that up to an additional $508,724 of contributions from the General Capital Reserve and $113,105 contributions from the Tax Stabilization Reserve will be transferred to YorkNet's Capital Asset Replacement Reserve and Stabilization Reserve respectively.

## PROPOSED TECHNICAL AMENDMENT TO THE INVESTMENT POLICY

### A technical amendment to Appendix 3 of the Investment Policy is recommended

Appendix 3 of the Investment Policy provides details on the method of allocating investment income to the Region's reserves. It is proposed that a technical amendment be made to Appendix 3 to add the Pandemic Management Reserve Fund to the list of accounts that would earn a short-term rate, defined as the rate of return realized from the short-term money market portion of the General Fund portfolio. The Pandemic Management Reserve Fund was established in 2020 to fund any future tax-supported expenditure or revenue shortfall that may arise due to COVID-19. The changes to the Investment Policy can be found in Attachment 2 of this report.

# 5. Financial

Under the fiscal strategy framework, the Region manages its capital plan, reserves and debt towards the goal of achieving long-term financial sustainability. The proposed 2022 Budget plans to make a $1.12 billion contribution towards the YNSE. The 2022 Fiscal Strategy sees 10-year capital investments amount to $9.5 billion, net outstanding debt peak at $3.2 billion in 2028 and expected reserve balances increase by $1.8 billion over 10 years.

# 6. Local Impact

Local municipalities will benefit from the fiscal strategy as it manages the Region's debt level and supports a superior credit rating. The debt issued by the Region is direct, joint and several obligations of both the Region and local municipalities. As well, since local municipalities must issue all debenture through the Region, a good credit rating helps to ensure that both the Region and local municipalities obtain the lowest possible cost of financing.

## 7. Conclusion

The 2022 Fiscal Strategy updates Council on the capital plan, reserves, and debt, and make a number of recommendations, all intended to help the Region achieve financial sustainability.

The fiscal strategy is updated annually and evolves as circumstances change and as further analysis is incorporated.

---

For more information on this report, please contact Edward Hankins, Director, Treasury Office and Deputy Treasurer at 1-877-464-9675 ext. 71644. Accessible formats or communication supports are available upon request.

Recommended by: **Jason Li, CPA, CA**
Acting Commissioner of Finance and Regional Treasurer

Approved for Submission: **Bruce Macgregor**
Chief Administrative Officer

November 17, 2021
Attachments (2)
eDOCS#13324095

ATTACHMENT 1


The Regional Municipality of York

# 2022 Long-Term Debt Management Plan

York Region

# REGIONAL COUNCIL

Chairman & CEO
Wayne Emmerson

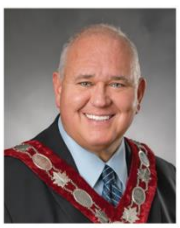
Mayor
Tom Mrakas
**Aurora**

Mayor
Virginia Hackson
**East Gwillimbury**

Mayor
Margaret Quirk
**Georgina**

Regional Councillor
Robert Grossi
**Georgina**

Mayor
Steve Pellegrini
**King**



Mayor
Frank Scarpitti
**Markham**

Regional Councillor
Don Hamilton
**Markham**

Regional Councillor
Jack Heath
**Markham**

Regional Councillor
Joe Li
**Markham**

Regional Councillor
Jim Jones
**Markham**

Mayor
John Taylor
**Newmarket**

Regional Councillor
Tom Vegh
**Newmarket**

Acting Mayor
Joe DiPaola
**Richmond Hill**

Regional Councillor
Carmine Perrelli
**Richmond Hill**

Acting Regional Councillor
Godwin Chan
**Richmond Hill**

Mayor
Maurizio Bevilacqua
**Vaughan**

Regional Councillor
Mario Ferri
**Vaughan**

Regional Councillor
Gino Rosati
**Vaughan**

Regional Councillor
Linda Jackson
**Vaughan**

Mayor
Iain Lovatt
**Whitchurch-Stouffville**

# TABLE OF CONTENTS

# 2022 Long-Term Debt Management Plan

## Executive Summary

Council's annual affirmation of the Long-Term Debt Management Plan (the Plan) is one of the two conditions required for York Region to access the growth-related cost supplement component of its Annual Repayment Limit (ARL). This supplement allows the Region, if required, to borrow more than it would otherwise be permitted under provincial regulations. In April 2021, the Province renewed the growth-related cost supplement for another ten years, which will now expire on December 31, 2031.

The second condition under the regulation requires that the Region maintains at least AA- credit rating. York Region exceeds this condition as it currently holds the highest ratings available with both Moody's Investors Service (Aaa) and S&P Global Ratings (AAA).

Since 2011, Council has annually affirmed the Long-Term Debt Management Plan (the Plan). The Region has remained well within its ARL with the growth-related cost supplement during this period and continues to improve its overall financial position. Through the annual implementation of the Plan and the Fiscal Strategy, the Region's net debt level has been reduced from its 2017 peak of $2.9 billion. Net outstanding debt is expected to be $2.6 billion at the end of 2021.

Based on the proposed 10-year capital plan, the growth-related cost supplement will only need to be used from 2022 to 2024 inclusive.

An amendment to the Capital Financing and Debt Policy has been proposed in the 2022 Regional Fiscal Strategy that will limit access to the growth-related cost supplement to only the debt associated with the Yonge North Subway Extension.

## Background

Municipalities in Ontario can only issue long-term debt for capital purposes. The Province regulates the amount of municipal debt and other financial obligations through the annual repayment limit regulation[1] (ARL) under the *Municipal Act, 2001*.

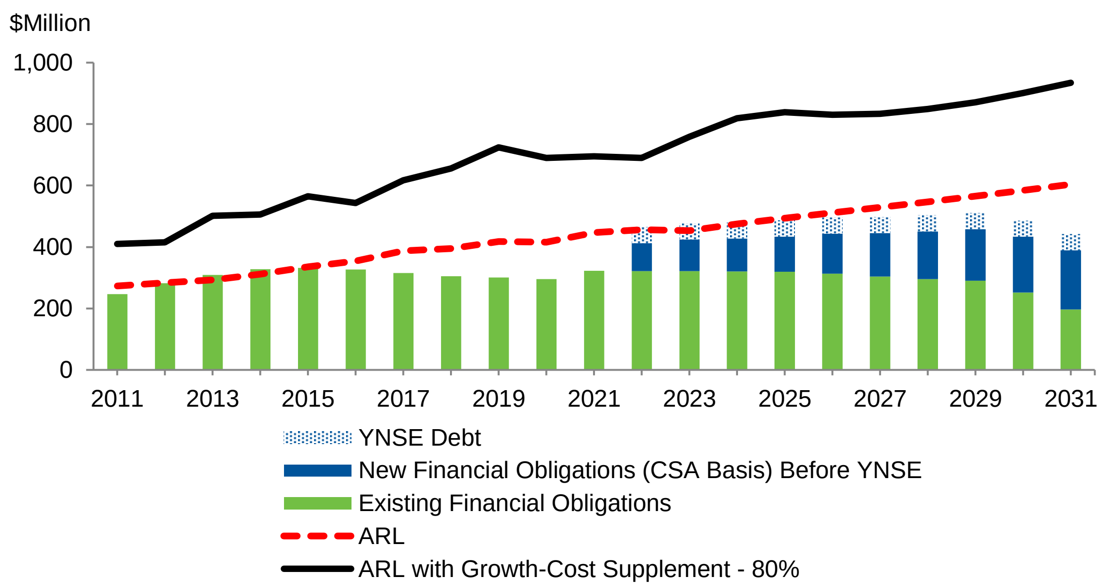
In 2011, the Province recognized York Region as a high growth municipality with unique debt requirements and passed a York-specific regulation[2] that allowed it to borrow a higher amount based on the amount of its development charge collections. The regulation was renewed by the Province in 2021 for another ten years and will now expire on December 31, 2031.

The annual repayment limit restricts the aggregate annual cost of servicing the anticipated long-term debt and other financial obligations of a municipality to 25 per cent of its own source revenue, plus, in the case of York Region alone, a growth cost supplement equal to 80 per cent of the average of the last three fiscal years of development charge collections. The combination of the annual repayment limit and the growth cost supplement is called the growth-related annual repayment limit but is referred to as the annual repayment limit in this Plan.

In the absence of the growth-related cost supplement, as illustrated by the red dotted line in Figure 1, the Region would have breached the annual repayment limit in 2013 and 2014 and would exceed the limit over 2022 to 2024.

### Figure 1

### Annual Repayment Limit Actual and Forecast




Source: York Region Finance Department. Actual amounts between 2011 and 2021. Forecast amounts between 2022 and 2031.

[1] Ontario Regulation 403/02 for Debt and Financial Obligation Limits.
[2] Regulation 289/11 amended Ontario Regulation 403/02 to add Section 4.1.

## The Region met both conditions to qualify for the growth-related cost supplement

To qualify for the growth-related cost supplement, the Region is required to meet two conditions on an annual basis:

1. Maintain at least an Aa3 credit rating from Moody's Investors Service or AA– from S&P Global Ratings (or equivalent)

2. As part of the preparation of its budget for the fiscal year, Council adopts or affirms a plan for the management of its long-term debt and financial obligations

In 2021, the Region met the first condition by maintaining its Aaa credit rating with Moody's Investors Service and having its credit rating upgraded to AAA by S&P Global Ratings.

To meet the second condition, the Province requires Regional Council to consider the following items as part of its Long-Term Debt Management Plan:

1. The long-term debt and financial obligations over a multi-year period

2. Projections of the annual repayment limit for each year of the multi-year period compared to its existing and proposed long-term debt and financial obligations payments

3. Risk and mitigation strategies associated with the long-term debt strategy

4. A long-term debt and financial obligations policy

5. Prudent and cost-effective management of existing and projected long-term debt and other financial obligations

6. Estimated temporary borrowing needs for 2022

7. Evaluation and comparison of 2021 projections and outcomes

# 1. The Long-Term Debt and Financial Obligations Needs Over a Multi-Year Period

## The fiscal strategy guided the preparation of the 2022 Budget

When preparing the 2022 Budget, staff followed the principles of an updated fiscal strategy to help better manage the Region's financial resources. A major tenet of this strategy is to use a balanced approach when funding long-term capital expenditures. To accomplish this, there is a detailed annual review of both the forecasted capital expenditures and the funding sources. Where necessary, the level of expenditures may be adjusted to better match available funding, while maintaining overall capital priorities.

The 10-year capital plan submitted to Council for the 2022 Budget is $1.7 billion higher than last year's 10-year capital plan (Figure 2). The key reason for the increase is the addition of the YNSE, resulting in increased new debt issuance and Rapid Transit Reserve draws. Furthermore, increased asset rehabilitation and replacement spending results in incremental asset replacement reserve draws of $307 million.

**Figure 2**

**Fiscal Impacts at a Glance**

| | 2021 Budget ($Billion) | 2022 Budget ($Billion) | Change ($Billion) |
|---|---|---|---|
| 10-year capital plan | 7.8 | 9.5 | 1.7 |
| New DC debt in the next 10 years | 2.3 | 3.2 | 0.9 |
| New housing related debt in the next 10 years | <0.1 | <0.1 | 0.0 |
| New tax-levy debt in the next 10 years | 0.0 | 0.0 | 0.0 |
| New rate-supported debt in the next 10 years | 0.0 | 0.0 | 0.0 |
| Debt repaid over next 10 years | 2.5 | 2.7 | 0.2 |
| Increase in reserves in next 10 years | 2.0 | 1.8 | (0.2) |
| DC collection in the next 10 years | 3.6 | 4.2 | 0.6 |

Source: York Region Finance Department
Numbers may not add due to rounding

Adding YNSE to the 10-year capital plan brings the Region's projected new debt issuance over 2022-2031 to $3.2 billion, which is $0.9 billion higher than last year's 10-year capital plan. The Region is expected to collect $4.2 billion in development charges over the next ten years for projects including YNSE which helps service the incremental debt along with funding some of the capital projects directly. The 2022 development charge collection forecast is discussed in more detail in section 3 of this plan.

The use of the tax levy-supported Debt Reduction Reserve will avoid approximately $398 million of new tax levy debt over the next 10 years.

The phase-in of full cost recovery for water and wastewater services began in 2016. With the new rate increase adopted by Council, the user rate reserves are expected to be sufficient to pay for water and wastewater related infrastructure projects without the need to issue any new user rate debt over the next 10 years.

## YNSE will increase the new debt requirement to $3.2 billion

Capital spending authority is Council's authorization for departments to proceed with capital projects, including multi-year projects. The Region must have enough debt room when capital spending authority is approved to remain within its provincially-mandated annual repayment limit.

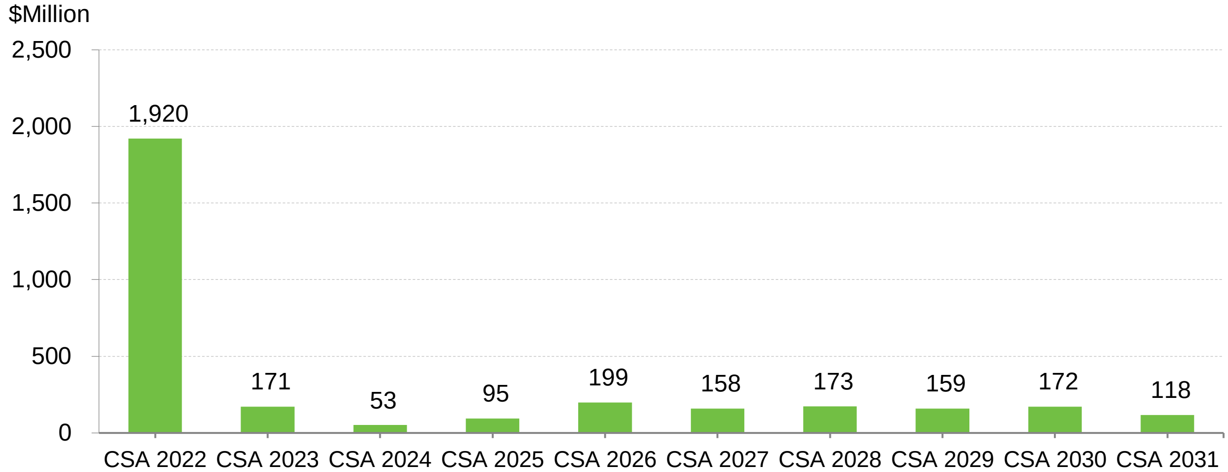
Approximately $1.9 billion (or 60 per cent) of the $3.2 billion in projected debenture requirements has been included within the capital spending authority for 2022, as illustrated in Figure 3. This is higher than the capital spending authority for 2021 of approximately $1.0 billion (or 43 per cent) of the $2.3 billion in the projected debenture requirements within the 2021 budget.

The capital plan also contains projects with an estimated debt of about $1.3 billion that are planned, but do not yet have capital spending authority. For the purposes of this Plan, Finance staff has estimated the future debt requirements for each year of the plan on a capital spending authority basis[3]. Figure 3 illustrates the amount of new debt to be issued on a capital spending authority (CSA) basis. For example, the Region will seek Council authorization to issue $1.9 billion of new debt to commit to capital projects within the capital spending authority for 2022, including $703 million for the YNSE.

Capital spending authority in the first budget year is required for the full amount of debt expected to be issued over the term of the project. This authority is needed for departments to be able to commit to capital projects and helps the Region manage debt projections on the long-term basis. As an example, $703 million is the total amount of debt currently projected to be issued for the YNSE over 10 years and is included in 2022 CSA. Actual debt issuance will be spread between 2023-2030.

[3] Capital Spending Authority (CSA) is the authority from Council to commit funding to a capital project. The authority may span several years for multi-year projects and is based on departmental spending estimates. The 2022 Budget will approve one year of multi-year capital spending authority for 2022.

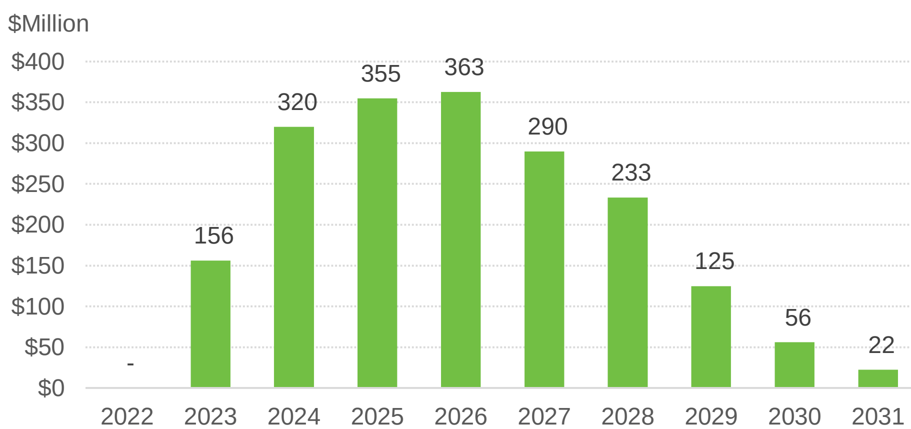
## Figure 3
## Multi-Year Forecast of New Debt on a CSA Basis




Source: York Region Finance Department

Actual capital expenditures associated with the $1.9 billion 2022 CSA debt are expected to be incurred over 10 years as shown in Figure 4.

## Figure 4
## Actual capital expenditures associated with 2022 CSA debt

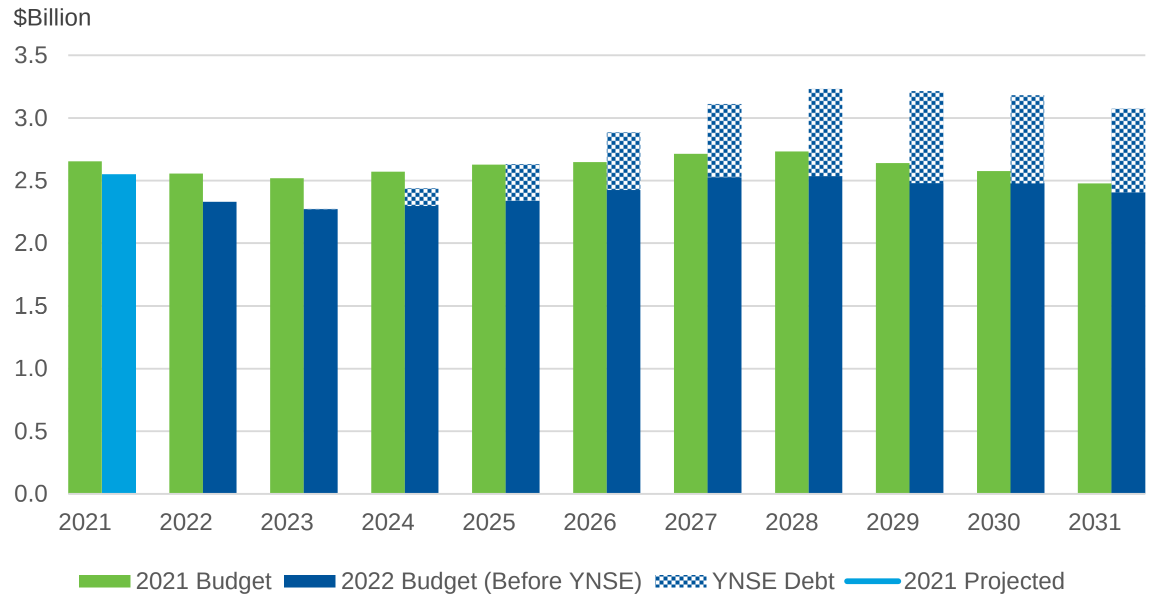



Source: York Region Finance Department

If the debt needs remain as shown in the 10-year capital budget and all future capital spending authority debt occurs as planned, the Region's net outstanding debt will gradually increase and reach $3.2 billion in 2028 as illustrated in Figure 5.

**Figure 5**

**Net Outstanding Debt Projection**




Source: York Region Finance Department

The debt profile has improved a little from the 2021 budget in the early forecast years, before the inclusion of the YNSE. This is owing to a general shift in DC projects out into later years and an increase in DC collections forecast. Additionally, $19 million of user rate and tax levy net outstanding debt was paid out from reserves instead of refinancing in 2021. The level of net debt outstanding on projects other than YNSE reaches approximately the same level as in 2021 budget by 2031.

After factoring in the subway, the projected peak net debt rises to $3.2 billion in 2028 and stays above $3 billion through to 2031.

## 2. Projections of the Annual Repayment Limit for Each Year of the Multi-Year Period Compared to its Existing and Proposed Long-Term Debt-Related Payments

### How much debt room will we have?

The annual repayment limit is calculated by determining and projecting 25 per cent of own-source revenues and adding 80 per cent of the rolling average of the preceding three years' development charge collections (derived from actual development charge collections for the past years and from the development charge collection forecast for the current and future years). The existing and proposed annual financial obligations must be within this limit. These calculations are shown in Appendix 1.

Based on these calculations, the Region's annual repayment limit will increase from $690 million in 2022 to $934 million by 2031, as illustrated on the solid black line in Figure 1.

## What are our estimated debt and other financial obligation payments?

The existing debt payment and other financial obligations include the following components:

- Principal obligations
- Interest obligations
- Hospital funding
- Social housing mortgages
- Long-term leases
- University funding

The annual payments for existing debt and other financial obligations will total approximately $322 million in 2022 and are estimated to decrease to approximately $197 million by 2031. This estimate is for existing debt only and excludes any principal and interest costs associated with new debt that will be needed in the future. The annual payments on existing debt only are expected to reduce from $299 million in 2022 to $187 million by 2031 as debt is repaid. The hospital financing reserve contributions reflect committed projects and assume the Region's annual assessment growth rate of approximately 1.5 per cent per year, rising from $7 million per year in 2022 to approximately $8 million per year by 2031. The Region is also expected to contribute approximately $1 million annually to the Innovation Investment Reserve towards a commitment of $25 million for a new York University campus located in the City of Markham.

As noted earlier, the capital spending authority budgeting concept employed by the Region requires that there be enough debt room under the annual repayment limit at the time of project authorization. For example, to assign capital spending authority to projects as part of the 2022 budget process, the Region must have sufficient room under its 2022 annual repayment limit to recognize the full financial cost of the projects "as if" they were going to be incurred entirely in 2022, even if the actual costs are spread out over multiple years. This is the case for each year of the capital plan.

The 10-year capital plan in the proposed 2022 Budget is $9.5 billion, of which $3.2 billion will be debt financed. Assuming a weighted average annual interest rate of 3.3 per cent and a term of 20 years, the annual obligation arising from the $1.9 billion capital spending authority debt required in 2022 will be approximately $143 million.[4]

The annual debt payments related to each year's increment have been calculated on the same basis as the 2022 capital spending authority, except that the assumed weighted

---

[4] The 2022 repayment obligation of $143 million is based on the weighted average interest rate based on a review of current and historic rates as well as planned capital spending authority cash flow timing. The 20-year term is based on the anticipated average term of future debt issues. Debt repayment is calculated on a "full commitment basis", which allocates a full year's payment to the year of issuance rather than the partial (i.e., interest only) payment that usually occurs as a result of issuance timing.

average interest rate for new debt being issued is projected to increase slightly to 3.60 per cent by 2031 factored in the financial obligations associated with new debt-related capital spending authority increasing to $245 million by 2031.

### Will the Region be within its annual repayment limit?

As previously shown on Figure 1, the Region's financial obligations will remain within its annual repayment limit with the growth cost supplement for each of the next ten years. An illustration of the calculation of the 2022 annual repayment limit is shown in Figure 6 below.

**Figure 6**

**Region's 2022 Annual Repayment Limit Calculation** ($Millions)

| Component Description | Forecast 2022 |
|---|---|
| 25% of Own Source Revenues | 456 |
| Plus: Growth Cost Supplement[5] | 234 |
| Total Annual Repayment Limit | 690 |
| Less: Existing Debt Payment and Financial Obligations | 322 |
| Less: Anticipated New Debt Payment | 143 |
| Remaining Annual Repayment Limit | 225 |

Source: York Region Finance Department

After taking into account the new debt requirements, the Region's remaining annual repayment limit room lowers to $225 million in 2022 and $493 million in 2031. Excluding the growth-related cost supplement, the Region's remaining annual repayment limit lowers to negative $9 million in 2022 and $162 million in 2031.

## 3. Risk and Mitigation Strategies Associated with the Long-Term Debt Strategy, including Interest Rate Risk and Foreign Currency Exposure

### Anticipated development charge collections represent one of the most significant risks to debt management

The annual repayment limit is calculated by determining and projecting 25 per cent of own-source revenues and adding 80 per cent of the three-year rolling average of historic development charge collections (derived from the development charge collection forecast).

[5] Growth Cost Supplement in 2022 is calculated at 80 per cent of the 3-year rolling average of development charge collections (2019-2021 inclusive).

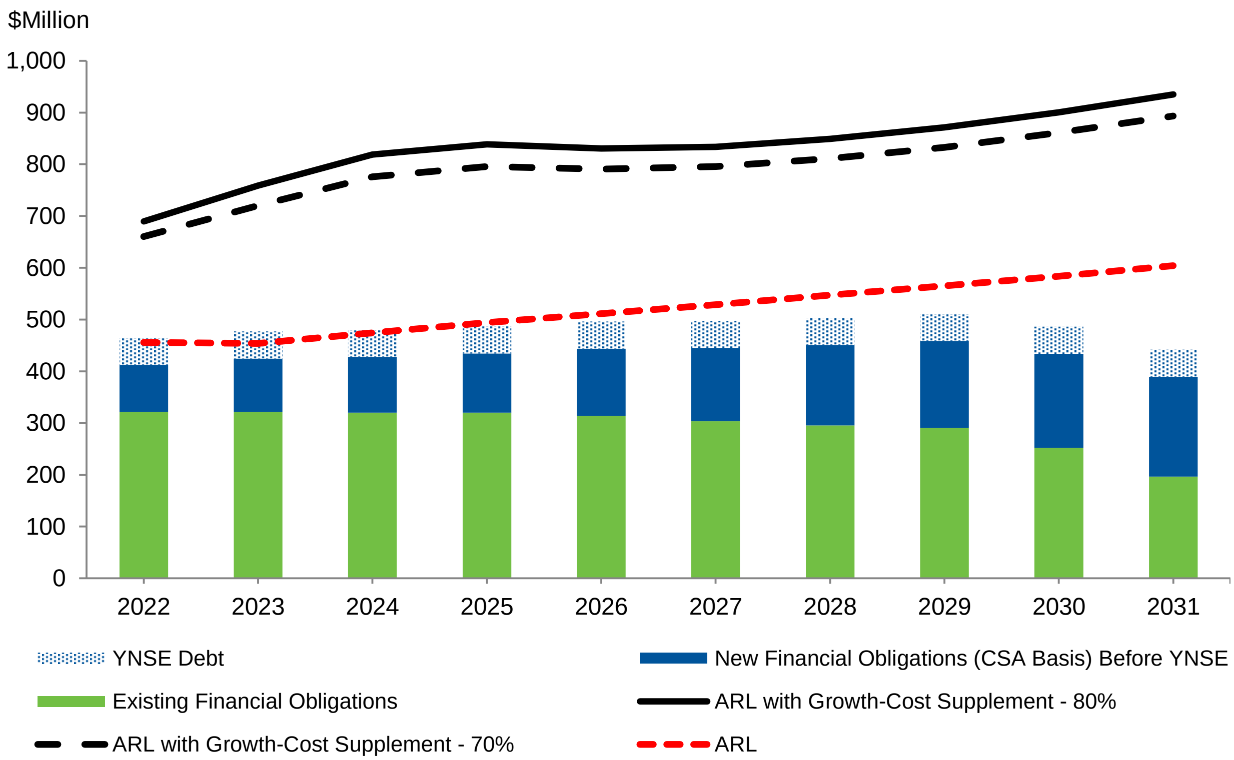
Development charge collections are difficult to predict and can vary significantly from one year to the next as economic conditions and legislations change. Lower than expected collections could limit the Region's debt borrowing ability to levels below what has been indicated in this plan and require changes in the phasing of the capital plan if the overall debt level is to be maintained as planned. Staff review development charge collection trends continually and update forecasts to incorporate necessary changes before finalization of the capital plan during the budget process.

## The capital plan is measured against an adjusted annual repayment limit

As a matter of normal practice, the capital plan is measured against an adjusted annual repayment limit that uses only 70 per cent of the three-year rolling average of historic development charge collections as a cost supplement, versus the 80 per cent permitted, unless specific Council approval is obtained to do otherwise. This would have the effect of partially mitigating the impact of lower than expected development charge collections. The impact on the annual repayment limit calculations of the adjusted annual repayment limit that uses only 70 per cent of the three-year rolling average of historic development charge collections as a cost supplement is illustrated on Figure 7, which shows that the Region's obligations would still be well within its annual repayment limit even if only 70 per cent of forecast development charge collections are considered as a cost supplement.

**Figure 7**

**Adjusted Annual Repayment Limit**




Source: York Region Finance Department

## The Region's development charge collection forecast assumes that the residential development activity will recover to pre-pandemic levels by 2022

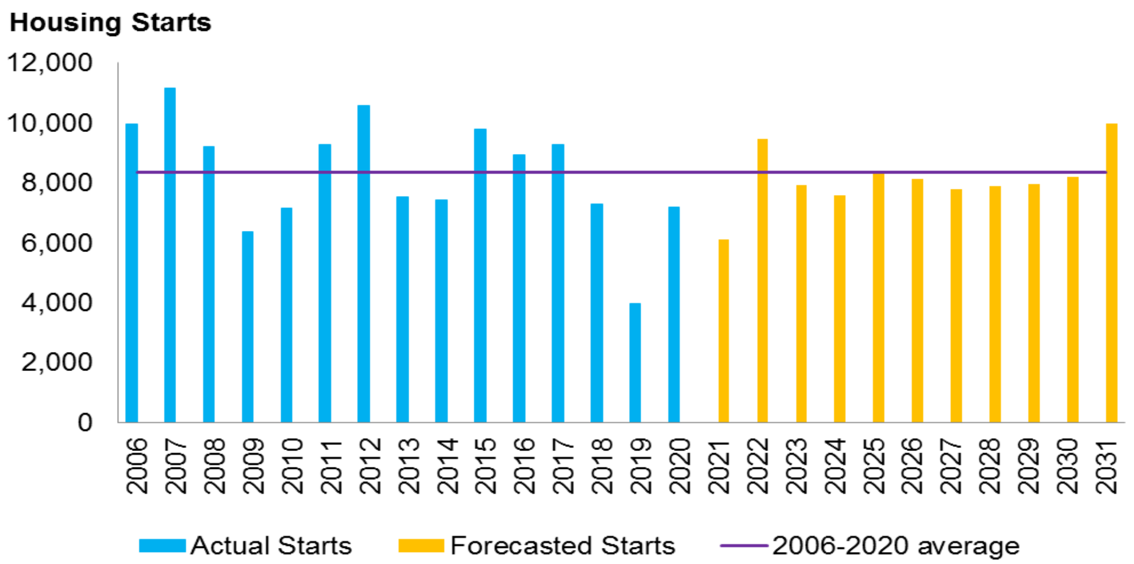
Development charge collections are highly dependent on the pace of growth and development. The development charges collections forecast supporting this Plan is predicated on the assumption that residential development activity will return to pre-pandemic levels by 2022, and that overall growth is robust beyond 2022.

As with previous forecasts, the Region's financial models are built on the assumption of a conservative level of development activity. This trajectory of projected development is informed by recent market data as well as longer term population and housing activity trends. The models assume that from 2022 to 2031, the average annual level of development will be approximately 8,300 residential units per year (Figure 8). That level of development activity is similar to the average annual number of units developed in the Region for the last 10 years.

Staff assumed that COVID-19 would slow new non-residential development, in particular for office and retail space. To reflect these considerations, staff revised the office and retail development forecast downward in the medium term. Over the longer term, the retail development forecast has been revised downward to reflect persistent trends of lower retail development and a move to e-commerce. The office development forecast has also been revised downward to reflect lower floor space per worker (FSW) trends. Overall, the model assumes that from 2022 to 2031, there will be 2.7 million square feet of non-residential development annually. This is below historic averages.

### Figure 8

### Actual and Forecasted Starts



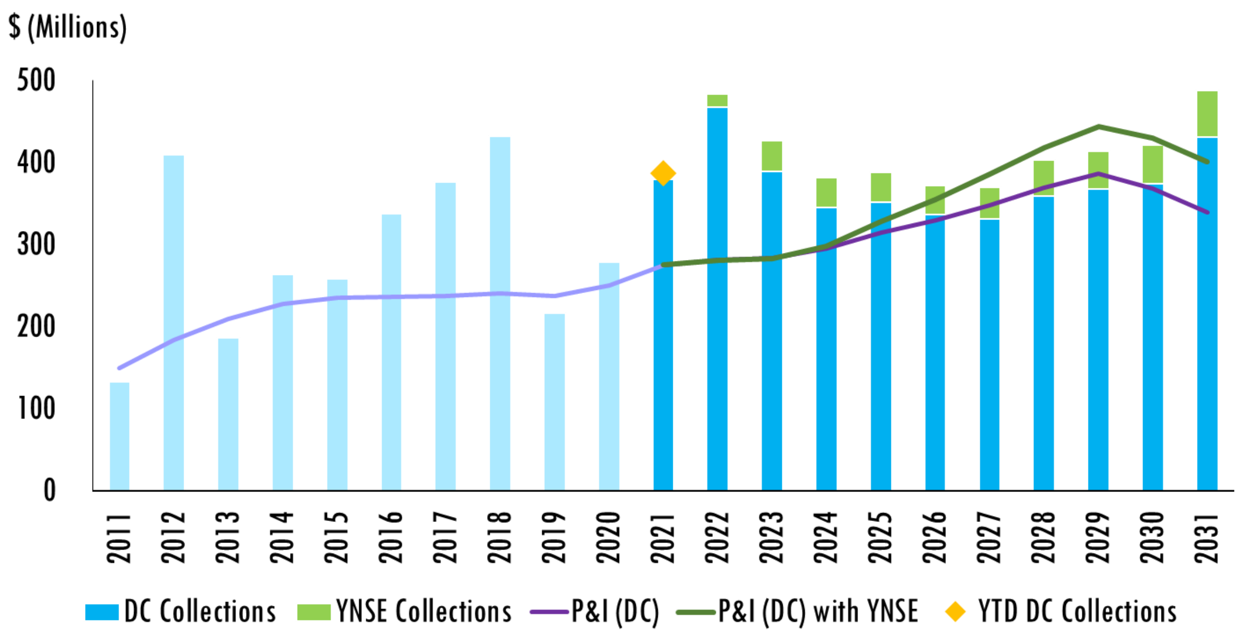

Source: CMHC, York Region Finance Department

## On average, development charge collections are expected to exceed principal and interest payments over the next ten years

As of October 31st, the Region has collected $388 million in development charge collections (cash basis) exceeding the forecast of $380 million for the year. Looking ahead, with the subway, the Region anticipates to collect, on average, $415 million in development charges annually (Figure 9) to pay for growth infrastructure and servicing development charges supported debt.

Over the same period, the principal and interest debt payments are expected to average $363 million. This includes subway related debt.

### Figure 9
### Historic and Forecasted Development Charge Collections and P&I




Source: York Region Finance Department
Note: YTD DC cash collections as of October 31st, 2021

It is anticipated that there will continue to be significant year-over-year fluctuation with collections, due to fluctuation on construction activities, changes in the economic cycle, and changes in DC rates. Some years collections are expected to fall short of the principal and interest payments needed, and development charges reserves would need to be drawn down in those year to bridge the gap. In the event that prolonged and consistent lower-than-expected collections occur, capital deferral may be required while DC collections "catch up" to annual principal and interest payments.

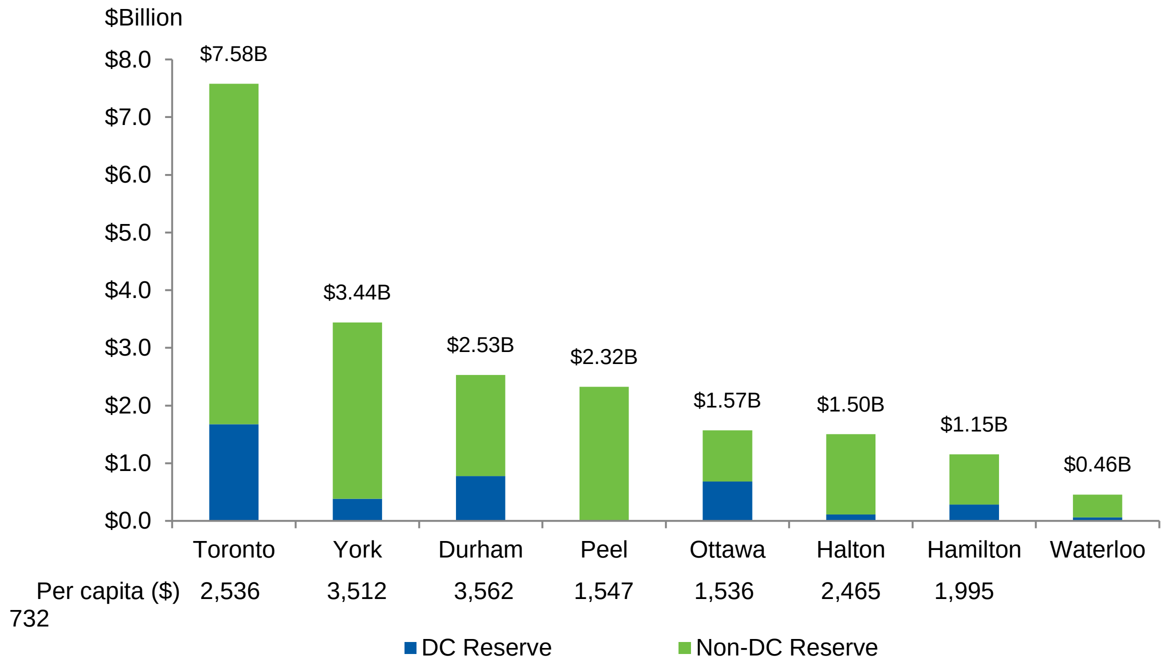
Capital planning will continue to focus on aligning growth with infrastructure and avoiding undertaking capital projects prematurely. This will include taking into account the need to phase projects carefully to better match expected funding and avoid over-burdening the Region with debt.

## Reserves are critical to the Region's debt management plan

In assessing the Region's risk profile, credit rating agencies evaluate liquidity and consider reserves an indicator of fiscal prudence. Reserves provide funding for infrastructure investments, help fulfill non-capital long-term liabilities and protect against external shocks. The Region has been successful in building up a level of reserves that is above the weighted per capita average of comparable municipalities, as shown on Figure 10.

### Figure 10

### Comparison of 2020 Reserves and Reserves per Capita




Source: 2020 Financial Information Returns (FIR)

The Region has 60 reserves, which have been broadly categorized into six categories as shown in Figure 11. These reserves are estimated to be approximately $3.8 billion by the end of 2021.

## Figure 11

## Estimated Reserves at December 31, 2021 ($Million)

| Reserve Balance ($Millions) | 2021 Forecasted Balance | 2022 Contribution Target |
|---|---|---|
| Asset Replacement Tax Levy | 1,321 | Under Target |
| Asset Replacement User Rate | 675 | On Target |
| Growth Capital | 758 | On Target |
| Development Charges | 471 | On Target |
| Corporate Reserves | 533 | On Target |
| **Total** | **3,758** | |

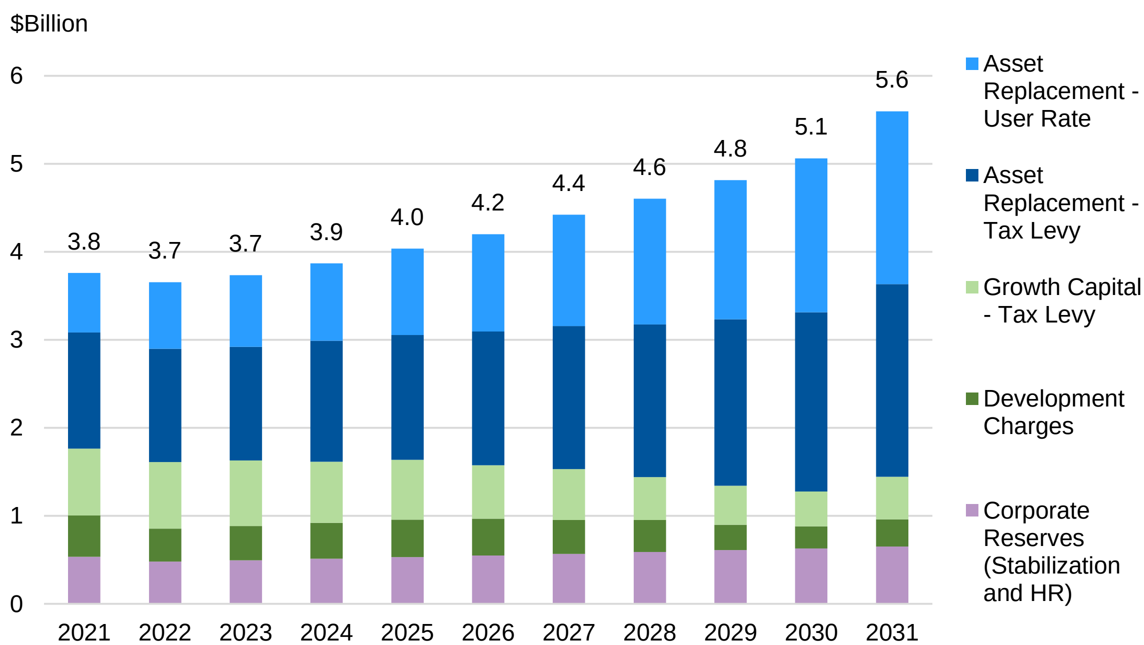
Source: York Region Finance Department

## Total reserves could reach $5.6 billion by 2031

As part of its fiscal strategy, York Region continues to maintain and build reserves. Figure 12 shows the reserve projection in which total reserves could grow to approximately $5.6 billion by 2031 based on current and planned contributions increases occurring during this period.

## Figure 12

## Total Reserves (2021 – 2031)




Source: York Region Finance Department

## York Region remains a “net investor”

Since 2019, York Region holds more in reserves than it has in outstanding net debt. A ratio greater than 100 per cent indicates the Region is a net “investor” while a ratio of less than 100 indicates a net “borrower.” The respective levels of debt and reserves are among the key considerations for rating agencies when evaluating the Region’s credit worthiness. York’s net investor status is favourably looked upon by both rating agencies.

With projected debt forecast in the 10-year capital plan and the forecasted reserves balances, the ratio could increase from 147% in 2021 to 182% by 2031.

## The forecast includes an increase in expected costs of debt financing over time

Average interest rates are weighted to incorporate the actual cash flow timing of a given year’s capital spending authority commitment given there are multi-year projects. Interest rate assumptions are summarized in Figure 13.

**Figure 13**

**Interest Rate Forecast**

| Interest Rate | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 |
|---|---|---|---|---|---|---|---|---|---|---|
| Annual Estimate (%) | 3.30 | 3.40 | 3.45 | 3.45 | 3.45 | 3.50 | 3.50 | 3.50 | 3.60 | 3.60 |
| Weighted Average (%)* | 3.47 | 3.47 | 3.45 | 3.47 | 3.48 | 3.51 | 3.52 | 3.52 | 3.60 | 3.60 |

* The weighted average interest rates apply to new debenture requirements in the 2022 capital plan.

Interest rate fluctuations will also affect debt with refunding provisions. Refunding provisions occur where the debt amortization period (e.g., 20 years) is longer than the contractual terms (e.g., 10 years), requiring part of the debt to be refinanced for an additional term. The concept is like a mortgage whereby the mortgage amortization period (e.g., 20 years) is longer than the mortgage contractual term (e.g., 5 years), requiring the borrower to refinance the mortgage upon expiration of the contractual term (e.g., obtain another mortgage contract after 5 years). For existing debt, this risk has been accounted for by calculating the annual repayment on the amount outstanding after the contract term expires using an additional 10-year term with a re-forecasted future interest rate. For new debt, forecast annual repayments have been calculated at the rates noted in Figure 13 using a twenty-year term.

## The Region has the ability to offset market risk through a variety of mechanisms

Given the volatility of financial markets in recent years, there is a risk that borrowing costs will be higher than expected and/or the market may not be able to absorb the issuance of new debt at the specific time when it is needed.

Interest/market risk mitigation strategies that are being employed to deal with this possibility include:

- Conservative interest rate forecasts
- Use of bond forward agreements to hedge interest costs on new debt issues when appropriate
- Pre-financing of capital projects where it is financially beneficial to do so
- Borrowing applications to government agencies such as Infrastructure Ontario
- Use of variable rate debt/lines of credit or short-term borrowing from reserves in the event of market disruption or in anticipation of significantly lower interest rates
- Use of underwriting syndicates
- An active Investor Relations program
- Structuring new debt to better meet the needs of potential investors.

### The debt management plan has other risks

Other risks relate to the forecast of capital infrastructure costs. Factors such as change orders, inflation, the addition of new projects or projects being moved forward in the capital plan, could result in higher debt requirements than are anticipated in this Plan. To address this risk, phase-in strategies for large capital projects will be considered when appropriate.

## 4. Long-Term Debt and Financial Obligations Policy

Council has approved a Capital Financing and Debt Policy that guides the overall management of the Region's current and expected financing needs and underpins this long-term debt management plan. This policy, last updated and approved by Council in February 2019, is reviewed annually to identify and incorporate best practices.

The policy covers all long-term financial obligations entered into by the Region. It establishes objectives, standards of care, authorized financing instruments and reporting requirements and responsibilities so as to ensure that the Region's infrastructure needs are financed as effectively as possible.

## 5. Prudent and Cost-Effective Management of Existing and Projected Long-Term Debt and Other Financial Obligations

The Capital Financing and Debt Policy sets out provisions to manage existing and projected long-term debt and other financial obligations in the most prudent and cost-effective manner possible.

These provisions include:

- Parameters and risk considerations for financing leases, which can be used in certain circumstances where long-term debt financing is neither feasible nor appropriate (i.e., lease versus buy)
- Diversification and optimization of the term structure of debentures through a review of interest rate curves
- Limiting the term of financing to the lesser of the anticipated useful life of the underlying asset or the period over which repayment will occur
- Ensuring a high standard of care by ensuring that staff are sufficiently knowledgeable with respect to standard financing transactions and/or the use of outside advice when necessary
- Maintaining an investor relations program to increase market awareness and boost demand for Regional debentures
- Maintaining at least an AA- credit rating to minimize interest costs and maximize access to capital markets
- Use of an underwriting syndicate to facilitate the marketing and selling of debenture issues.

## 6. Estimated Temporary Borrowing Needs for 2022

Temporary borrowing needs arise from the need to finance operational expenditures pending receipt of taxes and other revenues and the need to finance capital expenditures until long-term financing is in place.

The Region's temporary borrowing requirements are addressed in detail under a separate report to the Committee of the Whole on Nov 11, 2021. In 2022, it is estimated that approximately $545 million will be required for operating needs. Temporary borrowing can also result from the need to interim finance capital expenditures until long-term financing is in place. In 2022, it is estimated that approximately $300 million will be required for interim capital financing.

Similar to long-term debt and financial obligations, the Province limits the amount of funding used for temporary borrowing needs to 50 per cent of budgeted total revenue from January to September of the previous year and 25 per cent from October to December.[6] The Region's estimated temporary borrowing needs noted above are well within these limits. It is Regional policy to fund these short-term needs out of reserves and promissory notes when it is economically advantageous to do so in the event borrowing rate is lower than what the Region earns on its investment portfolio. Any funds borrowed from reserves are always paid

[6] Temporary borrowing provisions are set out in Sections 405 and 407 of the Municipal Act, 2001. Temporary borrowings are not part of the annual repayment limit calculations.

back during the year of borrowing with interest at the same rate that would have been earned on the corresponding reserves.

## 7. Evaluation and Comparison of 2021 Projections and Outcomes

As Figure 14 shows, the Region was in compliance with its annual repayment limit for 2021.

**Figure 14**

**Region's 2021 Annual Repayment Limit** ($Million)

| Component Description | Forecast | Actual | Difference |
|---|---|---|---|
| 25% of Own Source Revenues | 447 | 447 | 0 |
| Plus: Growth Cost Supplement[7] | 237 | 247 | 10 |
| **Total Annual Repayment Limit** | **684** | **694** | **10** |
| Less: Existing Debt Payment and Financial Obligations | 319 | 323 | 4 |
| Less: Anticipated New Debt Payment | 78 | 76 | (2) |
| **Remaining Annual Repayment Limit** | **287** | **295** | **8** |

Source: York Region Finance Department

The favourable difference of $10 million in growth cost supplement shown in Figure 14 above was due to higher than expected development charge collections in 2020. This was the main reason actual 2021 remaining ARL was $8 million higher than projected.

## 8. Conclusion

The Plan addresses the matters that Council is required to consider for the Region to qualify for the growth-related cost supplement. Financing what the Region requires to fund and manage its current capital plan including the YNSE is within its annual repayment limit with the growth-related cost supplement.

Staff will continue to assess the long-term implications of the annual repayment limit methodology as outlined in the regulation.

[7] Growth Cost Supplement in 2021 is calculated at 80 per cent of the 3-year rolling average of development charge collections (2018-2020 inclusive).

# APPENDIX 1

## Determination of Annual Repayment Limit (ARL)

### 1. Step 1: Calculate 25 per cent of Own Source Revenue

Own source revenue includes:

- Property tax revenue
- Water and wastewater revenues
- Transit fares
- Fees provided for police services, public housing rents, and fees from services provided to other municipalities.

Own source revenue does not include development charges, grants and subsidies from other levels of government, other deferred revenues (e.g., gas tax revenues), and contributions from reserves.

Figure A1 provides the 2022-2031 forecast of the Region's own source revenues. The calculation uses own source revenues from two years prior to the current year, corresponding to the Financial Information Return year as it is the most recent information submitted to the Ministry of Municipal Affairs at the time of the calculation. The annual repayment limit for 2022 is based on actual results of the 2020 Financial Information Return. The limit for 2023 is based on 2021 Operating Budget for 2021. The limit for 2024 is based on the 2022 Operating Budget for 2022.

**Figure A1**

**Calculate 25 per cent of Own Source Revenues** ($Millions)

| Annual Repayment Limit determination | 2022 | 2023 | 2024 | 2025 | 2026 |
|---|---|---|---|---|---|
| Property taxes/Payments in lieu[2] | 1,197 | 1,223 | 1,274 | 1,312 | 1,351 |
| User rates - sewage/water/solid waste[3] | 390 | 376 | 392 | 411 | 429 |
| Transportation user fees | 35 | 42 | 52 | 65 | 71 |
| Other user fees and charges[4] | 47 | 67 | 69 | 70 | 71 |
| Provincial fines | 9 | 16 | 16 | 17 | 17 |
| Other revenue[5] | 145 | 91 | 95 | 101 | 105 |
| Total - Net revenues | 1,824 | 1,815 | 1,899 | 1,975 | 2,046 |
| 25% of Net revenues | 456 | 454 | 475 | 494 | 511 |

Numbers may not add due to rounding

| Annual Repayment Limit determination[1] | 2027 | 2028 | 2029 | 2030 | 2031 |
|---|---|---|---|---|---|
| Property taxes/Payments in lieu[2] | 1,391 | 1,432 | 1,474 | 1,518 | 1,563 |
| User rates - sewage/water/solid waste[3] | 449 | 468 | 487 | 506 | 526 |
| Transportation user fees | 74 | 77 | 80 | 84 | 87 |
| Other user fees and charges[4] | 73 | 74 | 76 | 77 | 79 |
| Provincial fines | 17 | 18 | 18 | 18 | 19 |
| Other revenue[5] | 111 | 119 | 126 | 132 | 143 |
| Total - Net revenues | 2,115 | 2,189 | 2,261 | 2,335 | 2,417 |
| 25% of Net revenues | 529 | 547 | 565 | 584 | 604 |

Numbers may not add due to rounding

**Notes:**

1. Property taxes for the 2024 annual repayment limit calculation is based on expected results for 2022 and assume 1.5 per cent assessment growth plus 1.46 per cent net tax levy growth for a total of 2.96 per cent. Thereafter, property taxes are assumed to continue to increase 2.96 per cent annually.

2. Water and wastewater rates include a 3.3 percent increase from April 1, 2022 to March 31, 2027 and assumes an increase of 2.9 per cent annually from thereafter.

3. Other user fees and charges include revenues generated by: Environmental Services, Transportation, Social Housing, Police Services, Public Health, Paramedic Services and Planning. Based on the 2022 Operating Budget other user fees are assumed to increase by 5.1 percent in 2022. Thereafter, fees are assumed to increase by the annual average of 2.00 per cent.

4. Other revenue includes: Investment Income, Sale of Publications and recoveries. Investment income is based on reserve balance forecasts assuming a rate of return of approximately 2.48 per cent for 2022. Thereafter, rates of return range from 2.54 per cent to 2.83 per cent.

## 2. Step 2: Calculate Growth Cost Supplement

The growth cost supplement is based on development charge collections. The Regulation allows the Region to include an amount equal to 80 per cent of the average development charge collections for the previous three fiscal years. A forecast of development charge collections is also required as part of this plan.

A 10-year development charge collections forecast was prepared for the period 2022 to 2031. The 2022 to 2031 collections forecast is generated using econometric and financial models that differentiate between the short, medium and long terms. The development charge collection estimate for 2021 was based on the actual year-to-date collections as well as recent housing activity. Please see Figure 9 in the Plan.

The Region anticipates the collection of $4.2 billion in development charges from 2022 to 2031. This is $0.6 billion higher than what was forecast in the 2021 budget. Approximately $0.4 billion of the increase in the forecast is due to development charges collection associated with the Yonge North Subway Extension. The annual average collection is approximately $415 million for these 10 years, which exceeds the forecast of average annual principal and interest payment on development charge related debt.

## Step 3: Calculate Total Annual Repayment Limit

The final step is to calculate the total annual repayment limit by adding the revenues and collections calculated in Steps 1 and 2 above, as summarized in Figure A2.

**Figure A2**

**Total Annual Repayment Limit** ($Millions)

| Component Description | 2022 | 2023 | 2024 | 2025 | 2026 |
|---|---|---|---|---|---|
| Total own source revenues | 1,824 | 1,815 | 1,899 | 1,975 | 2,046 |
| 25% of Own source revenues (A) | 456 | 454 | 475 | 494 | 511 |
| Development charge collections (3-year rolling average) | 292 | 381 | 430 | 431 | 399 |
| Development charge cost supplement (%) | 70% | 70% | 70% | 70% | 70% |
| Development charge cost supplement ($) (B) | 204 | 267 | 301 | 302 | 279 |
| Growth related debt and financial obligation limit (Annual repayment limit) (A+B) | 660 | 721 | 776 | 796 | 791 |

| Component Description | 2027 | 2028 | 2029 | 2030 | 2031 |
|---|---|---|---|---|---|
| Total own source revenues | 2,115 | 2,189 | 2,261 | 2,335 | 2,417 |
| 25% of Own source revenues (A) | 529 | 547 | 565 | 584 | 604 |
| Development charge collections (3-year rolling average) | 381 | 377 | 382 | 396 | 413 |
| Development charge cost supplement (%) | 70% | 70% | 70% | 70% | 70% |
| Development charge cost supplement ($) (B) | 267 | 264 | 267 | 277 | 289 |
| Growth related debt and financial obligation limit (Annual repayment limit) (A+B) | 796 | 811 | 832 | 861 | 893 |

Numbers may not add due to rounding

**Note:**

1. While the Regulation allows the Region to include an amount equivalent to 80 per cent of the average development charge collections for the previous three fiscal years as a growth cost supplement, the 2022 to 2031 annual repayment limit is calculated based on a more conservative assumption of 70 per cent.

17250 Yonge Street,
Newmarket, ON Canada
L3Y 6Z1

# Capital Financing and Debt Policy

Approved By: Council

Approved On: February 28, 2019

Last Reviewed: February 28, 2019

## Policy Statement

A policy governing the use and administration of capital financing and debt.

## Application

All financial obligations including related agreements and capital financing leases that are entered into by the Corporation, its boards and subsidiaries as well as those employees responsible for the control, administration or management of capital financing and debt issuance activities.

## Purpose

This policy establishes objectives, standards of care, authorized financing instruments, reporting requirements and responsibilities for the prudent financing of the Corporation's operating and infrastructure needs.

## Definitions

**Amortizing Debentures**: Debentures for which the total annual payment (principal and interest) is approximately even throughout the life of the debenture issue.

**Annual Repayment Limit:** For the purpose of this Policy it has the same meaning as the Debt and Financial Obligation Limit

**Area Municipality:** Any municipality located within the Region of York.

**Banker's Acceptance:** A short-term credit obligation created by a non-financial firm such as the Corporation and guaranteed by a bank as to payment.

**Bond Forward Agreement:** A financial contract with an eligible Schedule I, II or III bank used to hedge future interest rates by short selling a particular Government of Canada or Province of Ontario bond and repurchasing the same bond at a predetermined future settlement date. A settlement payment may be required by either the issuer or the bank if there is a difference between the price at which the government debt instruments are sold and the price at which they are bought back on the settlement date.

**Bought Deal**: A financing transaction, such as a debenture issue, in which an individual underwriter or underwriting group purchases the entire amount in order to resell to investors.

**Capital Financing:** A generic term for the financing of capital assets using debt, financing leases, swaps and other derivatives.

**Construction Financing**: A form of debt financing in which the issuer does not pay any principal and/or interest for a period up to 5 years during the construction or rehabilitation of a capital asset.

**Corporation**: Refers to the Corporation of the Regional Municipality of York.

**Cross-Border Lease:** A lease in which the lessor and lessee are located in different countries, and where the holder of legal title to the asset can claim tax benefits in its home country, while the tax laws of the asset user treat it as owner for tax purposes in its own country.

**Debenture:** A formal written obligation to repay specific sums on certain dates. In the case of a municipality, debentures are typically unsecured.

**Debenture Committee:** A committee established by Regional Council on September 23, 2010 through enactment of Bylaw No. 2010-69 which has the authority to enact Debenture Bylaws under the Terms of Reference contained in that bylaw.

**Debt and Financial Obligation Limit**: A calculation provided annually to a municipality by the Ministry of Municipal Affairs and Housing that determines the maximum amount of new annual debt servicing costs that a municipality can undertake or guarantee without seeking the approval of the Ontario Municipal Board. **For purposes of this Policy, it has the same meaning as the Annual Repayment Limit.**

**Debt**: Any obligation for the payment of money. For Ontario municipalities, debt would normally consist of debentures as well as either notes or cash loans from financial institutions, but could also include loans from reserves. Debentures issued to Infrastructure Ontario are also considered as debt.

**Financial Guarantee:** An agreement whereby the Corporation will take responsibility for the payment of debt in the event that the primary obligator fails to perform.

**Foreign Currency Debentures**: Debentures that are denominated or payable in a foreign currency. In Ontario, a municipality is permitted to issue debentures denominated in United States dollars, Pound Sterling, Japanese Yen and Euros.

**Foreign Currency Exchange Agreements:** An agreement entered into with a financial institution to fix the rate of exchange for future payments made in a foreign currency.

**Growth-related Cost Supplement:** A Supplement to the Debt and Financial Obligation Limit equal to 80 per cent of the average of the previous three calendar years of development charge collections.

**Growth-related Debt and Financial Obligation Limit:** The limit imposed by the Province with respect to the Corporation's debt and financial obligation payments comprised of the total of the Debt and Financial Obligation Limit and the Growth- related Cost Supplement.

**Hedging**: A strategy used to offset or mitigate currency and/or interest rate risk.

**Infrastructure Ontario (IO) or its successor organization:** Any entity established by the Province of Ontario to provide Ontario municipalities, universities and hospitals access to alternative financing and procurement service and to longer-term fixed rate loans for the building and renewal of public infrastructure.

**Installment (Serial) Debentures:** Debentures of which a portion of the principal matures each year throughout the life of the debenture issue.

**Interest Rate Exchange Agreements:** An agreement entered into with a financial institution to fix the future rate of interest paid on a variable rate debenture or long-term bank loan.

**Joint and Several:** An obligation that may be enforced against all obligators jointly or against any one of them separately.

**Lease Financing Agreements:** A lease allowing for the provision of Municipal Capital Facilities if the lease may or will require payment by the Corporation beyond the current term of Council.

**Long-Term Bank Loan:** Long-term debt provided by a bank or a syndicate (group) of banks.

**Long-Term Debt:** Any debt for which the repayment of any portion of the principal is due beyond one year.

**Long-Term Debt and Financial Obligation Management Plan:** A plan to be adopted or affirmed by Regional Council as part of the Corporation's annual budget to comply with Ontario Regulation 403/02 to access the Growth-related Cost Supplement.

**Municipal Capital Facilities:** Includes land, as defined in the *Assessment Act*, works, equipment, machinery and related systems and infrastructures.

**Non-Material Leases**: A class of financing leases in which the annual payment for individual leases will be less than $250,000 and as a class does not exceed one percent (1%) of the Corporation's net tax levy; or the net present value of the annual payments is less than $2 million for the term of the lease agreement, including possible extensions or renewals for which approval to extend or renew has been delegated to an officer of the Corporation.

**Project Financing:** Financing in which principal and interest payments are structured so as to more closely match the revenues or cost savings of a specific project. Also includes financing for which the lender, in the case of default, would have no or limited recourse to the issuer beyond the assets purchased with the proceeds of the financing.

**Refunding:** As applied to debentures, describes the process of retiring existing debt by issuing new securities to either reduce the interest rate or extend the maturity date or both.

**Rent:** A payment made by the Region in respect of property which will be used for the Region's purposes and for which a formal ownership transaction does not take place. Rent includes all payments made to the owner of the property.

**Retirement Fund Debentures:** Debentures for which money is accumulated on a regular basis, commencing several years after the issuance of the debentures, in a separate custodial account that is used to redeem the debentures.

**Rolling Stock:** Equipment that moves on wheels used for transportation and/or transit purposes. Examples include subway cars, trucks, buses and tractor trailers.

**School Board:** Any school board which has jurisdiction within the Region of York.

**Short-Term Debt:** Any debt for which the repayment of all the principal is due within one year.

**Sinking Fund Committee**: A committee consisting of the Corporation's Commissioner of Finance and Treasurer and other persons appointed by Council who are responsible for the management of the sinking and/or retirement funds.

**Sinking Fund Debentures:** Debentures for which money is accumulated on a regular basis in a separate custodial account that when combined with interest earned is used to redeem the debentures.

**Syndicated Bank Loans:** A loan between the Corporation and a bank listed in Schedule I, II or III of the *Bank Act (Canada)*, a loan corporation registered under the *Loan and Trust Corporations Act* or a credit union to which the *Credit Unions and Liaison Populaires Act, 1994* applies where the loan is obtained through a financing agreement in which each of the institutions that is a party to the agreement contributes a portion of the loan.

**Tender:** A process whereby formal bids are submitted to acquire debt securities or to provide a lease.

**Term Debentures:** Debentures that are comprised of a combination of installment and sinking fund debentures.

**Tile Drainage Debentures:** Debentures issued to finance the construction of a tile drainage system for agricultural land.

**Underwriting Syndicate:** An individual or group of investment bankers appointed for the purpose of purchasing and reselling new debentures issued by the Corporation at a negotiated price.

**Variable Interest Rate Debentures:** Debentures that provide for one or more variations in the rate of interest payable on the principal during the term of the debenture.

# Description

## A. Philosophy for Capital Financing and Debt Issuance

Council may, where it is deemed to be in the best interest of its taxpayers, approve the issuance of debt for its own purposes, or those of its municipal business corporations, area municipalities and/or school boards.

"Best interest" will be consistent with the philosophy of the Corporation's Financial Mission Statement, adopted by Council in 1999, which includes the following key financial principle with respect to capital financing and debt practices:

"Capital financing and debenture practices will be responsive and fair to the needs of both current and future taxpayers and will be reflective of the underlying life cycle and the nature of the expenditure."

This philosophy will be met through the objectives outlined below.

## B. Primary Objectives of the Capital Financing and Debt Program

The primary objectives for the Corporation's capital financing and debt program, in priority order, shall be:

1. Adhere to statutory requirements
2. Maintain a superior credit rating
3. Ensure long term financial flexibility
4. Limit financial risk exposure
5. Minimize long-term cost of financing

6. Match the term of the capital financing to the lesser of the useful life of the related asset or the period over which third party funding for the retirement of the debt will be received

## 1. Adhere to Statutory Requirements

Capital financing may only be undertaken if and when it is in compliance with the relevant sections of the *Municipal Act*, the *Local Improvement Act*, or the *Tile Drainage Act*, and their related regulations. Requirements include but are not limited to the following:

a) The term of temporary or short-term debt for operating purposes will not exceed the current fiscal year;

b) The term of the capital financing will not exceed the lesser of 40 years or the useful life of the underlying asset;

c) Long-term debt will only be issued for capital projects;

d) The total annual financing charges cannot exceed the Growth-related Debt and Financial Obligation Limit or the Debt and Financial Obligation Limit, as applicable, for the municipality responsible for incurring the debt unless otherwise approved by the Ontario Municipal Board;

~~d)~~e) Access to the growth-related cost supplement to the Annual Repayment Limit is restricted to purposes related only to the Yong North Subway Extension.

~~e)~~f) Council has adopted or affirmed a Long-Term Debt and Financial Obligations Management Plan for each fiscal year that a Growth-related Cost Supplement is required;

~~f)~~g) Prior to entering into a lease financing agreement, an analysis will be prepared that assesses the costs as well as the financial and other risks associated with the proposed lease in relation to other methods of financing;

~~g)~~h) Prior to passing a debenture by-law which provides that installments of principal or interest, or both, are not payable during the period of construction of an undertaking, Council will have considered all financial and other risks related to the proposed construction financing;

~~h)~~i) A credit rating of AA - (or equivalent) will be maintained for the year and the prior year that a Growth-related Cost Supplement is required; and

~~i)~~j) Long-term debt will be the joint and several obligations of the Corporation and its area municipalities.

Furthermore, the awarding of any contract under this Policy, unless otherwise authorized by Council, will follow the procedures and authorities set out in the Corporation's Purchasing By-law.

## 2. Maintain a Superior Credit Rating

Maintaining a superior credit rating is a key factor in minimizing the cost of debt and accessing capital markets in an efficient manner**.** Also, as noted elsewhere, a credit rating of a least AA - (or equivalent) will be needed by the Corporation to meet the statutory requirements for entering into certain types of capital financing contemplated by this Policy.

However, some factors affecting the credit rating are beyond the Corporation's direct control, such as the performance of the economy. To partially mitigate this concern, the Corporation has a Reserve and Reserve Fund Policy that ensures its ability to pay operational and financial obligations even if the economy suffers setbacks or other contingencies arise.

Development charges, which are a major source of funding to repay growth-related debt, are particularly sensitive to underlying economic conditions. Having an adequate Development Charge Reserve balance demonstrates to the rating agencies an ability to meet growth-related debt obligations even during periods when collections may temporarily decline.

Therefore, it will be the Corporation's practice to maintain a cash balance in its Development Charge Reserves equal to a range of 75 to 100 per cent of the projected annual principal and interest payments during the fiscal year for growth-related debt.

## 3. Ensure Long-Term Financial Flexibility

The capital financing program will be managed in a manner consistent with other long-term planning, financial and management objectives.

Prior to the issuance of any new capital financing, consideration will be given to its impact on future ratepayers in order to achieve an appropriate balance between capital financing and other forms of funding.

To the extent practicable, regular and/or ongoing capital expenditures and the current portion of future rehabilitation and replacement costs will be recovered on a "pay as you go" basis through rates, tax levy, user fees and/or reserve fund monies. Adequate reserves must be developed and maintained for all capital assets owned by the Corporation to ensure long-term financial flexibility. However, where long-term financing is required, due consideration will be paid to all forms of financing including debentures, construction financing, long-term bank loans and lease financing agreements.

## 4. Limit Financial Risk Exposure

The capital financing program will be managed in a manner to limit, where practicable, financial risk exposure. As a result, it will be the Corporation's normal practice to issue debt that is only denominated in Canadian dollars with an interest rate that will be fixed over its term.

Notwithstanding, if a situation arises where there is a material financial advantage and/or it is deemed prudent for the Corporation to issue debt that is subject to fluctuations, in foreign currency and/or interest rates, a hedging strategy will be considered to either reduce or eliminate the risk.

This strategy would include the following:

a) For debentures that are not denominated in Canadian currency, the rate of exchange will be fixed for the term of the obligation (both principal and interest payments) on or before the date of issuance.

b) For variable interest rate debentures with a term exceeding one year, the interest rate will be fixed within six months of the issuance date.

However, long-term bank loans for which the interest rate may vary will not be fixed if prevailing market conditions are such that in the opinion of the Commissioner of Finance it is in the Corporation's best interests to allow the rate to float where such debt, in addition to any other outstanding variable rate loans or debentures, does not exceed fifteen percent (15%) of the total outstanding debt of the Corporation as authorized by O.Reg 276/02 s(2).

Finally, financing leases have different financial and other risks than traditional debt that must be considered and, where practicable, mitigated prior to its use, including; contingent payment obligations for items such as, lease termination provisions, equipment loss, equipment replacement options, guarantees and indemnities. These risks will be identified prior to entering into any material financing lease.

(Refer to Section E of this Policy – Financing Risk Identification and Mitigation Strategies.)

### 5. Minimize Long-Term Cost of Financing

The timing, type and term of financing for each capital asset will be determined with a view to minimize both its and the Corporation's overall long-term cost of financing.

Factors to be considered will include: current versus future interest rates; shape of the interest rate curve, the availability of related reserve fund monies; the pattern of anticipated revenues or cost savings attributable to the project or purpose; the applicability of using Bond Forward Agreements to hedge interest costs; and, all costs related to the financing of the project whether by debenture, construction financing or financing lease.

### 6. Match the Term of the Capital Financing to the Lesser of the Useful Life of the Underlying Asset or the Period over which Third Party Funding for the Retirement of the Debt will be Received

The Corporation's normal practice will be to issue long-term debt for contractual terms that will be well received in the financial market place, typically 10, 20 or 30 years. However, the amortization period over which the debt will be retired may be longer, necessitating that part of the debt will need to be refinanced for an additional term (i.e., debentures with a refinancing provision). Except as noted below, the maximum term over which a capital asset shall be financed will be as set out in Appendix 1 unless otherwise specifically approved by Council or by the Debenture Committee; or for such longer term up to 12 months that may be determined by the Commissioner of Finance and Treasurer and/or Director, Treasury Office where there is a perceived benefit to do so based on the prevailing financial market conditions. In no case shall the term of financing exceed the lesser of the anticipated useful life of the underlying asset or in the case of financing that will be repaid from third party funding (e.g., development charges), the period over which the funding will be received.

## C. Standard of Care

All officers and employees responsible for capital financing and debt activities will follow the standard of care identified in this Policy.

### 1. Ethics and Conflicts of Interest

Officers and employees involved in the capital financing process are expected to abide by the Corporation’s Code of Conduct.

In particular they shall:

a) Refrain from personal business activity that could conflict with the proper execution and management of the capital financing program, or that could impair their ability to make impartial decisions;

b) Disclose any material interests in financial institutions with which they conduct business;

c) Disclose any personal financial/investment positions that could be related to the performance of their capital financing duties; and

d) Not undertake personal financial transactions with the same individual with whom business is conducted on behalf of the Region.

### 2. Delegation of Authority

The Commissioner of Finance and Treasurer will have the overall responsibility for the capital financing program of the Corporation. The Director, Treasury Office normally will have responsibility for directing/implementing the activities of the capital financing program and the establishment of procedures consistent with this Policy. Such procedures shall include explicit delegation of authority to persons responsible for capital financing activities. No person shall be permitted to engage in a capital financing activity except as provided for under the terms of this Policy. The Director shall establish a system of controls to regulate the activities of subordinate officials and exercise control over the staff.

Notwithstanding, the Chief Administrative Officer, as authorized by the Purchasing By-law, may approve non-material financing leases as previously defined.

**3. Requirement for Outside Advice**

The Corporation's staff will be expected to have sufficient knowledge to prudently evaluate standard financing transactions. However, should in their opinion the appropriate level of knowledge not exist for instances such as capital financing transactions that are unusually complicated or non-standard, or as otherwise directed, outside financial and/or legal advice will be obtained.

## D. Suitable and Authorized Financing Instruments

The form of financing that meets the objectives listed above will be dependent in part upon its term and the type of asset to be financed.

**1. Short-Term – Under One (1) Year**

Financing of operational needs for a period of less than one (1) year pending the receipt of taxes and other revenues, or interim financing for capital assets pending long-term capital financing may be from one or more of the following sources:

a) Reserves and reserve funds. (This may be used as the primary source of short-term financing provided that interest is paid at the prevailing market rate);

b) Bank line of credit;

c) Short-term promissory notes issued to aforementioned institutions;

d) Bankers' Acceptances; and

e) IO (or its successor organizations) short-term advances pending issuance of long-term debentures.

**2. Long-Term – Greater than One (1) Year**

Financing of assets for a period of greater than one year may be from any of the following sources:

a) Debentures (including those issued to IO or its successor organizations), which may be in the following form or a combination thereof:

- Installment
- Sinking Fund
- Term (including those with a refunding provision)
- Amortizing
- Variable Interest Rate

- Foreign Currency
- Retirement Fund

b) Reserves and Reserve Funds

These may be used for both interim and medium-term for a period of no greater than five-year financing if deemed cost effective or otherwise necessary. However, reserves and reserve funds are for a defined purpose and must be available when that purpose occurs or requires them. Notwithstanding this policy, intrafund borrowing between development charge reserve accounts for a longer period of time is permitted if the funds are available when needed.

c) Long-Term Bank Loans (including Syndicated Bank Loans)

These may be used if deemed cost effective or otherwise necessary. These loans may be either fixed or variable interest rate loans as determined by the Commissioner of Finance and Treasurer.

d) Construction Financing

May be used for a period up to five (5) years during construction or rehabilitation of certain facilities from which a revenue stream is expected to be generated (e.g., water plant) upon its completion.

e) Lease Financing Agreements (Capital Financing Leases)

May be used when it provides material and measurable benefits compared with other forms of financing. Capital financing leases may include cross-border and rolling stock leases.

f) Tile Drainage Debentures

These will be used to finance the construction of tile drainage systems for agriculture and for those individual farmers who apply and are accepted for financing.

**3. Credit Rating Requirements for Issuing Certain Types of Debt**

The Corporation may only issue foreign currency debentures, variable rate debentures, or variable rate long-term bank loans if its long-term debt obligations are rated by:

a) Dominion Bond Rating Service Limited as “AA (low)” or higher, or

b) Fitch Ratings as “AA-“ or higher, or

c) Moody’s Investors Service, Inc. as “Aa3” or higher, or

d) Standard and Poor’s as “AA-“ or higher.

## E. Financing Risk Identification and Mitigation Strategies

There may be additional risks associated with certain types of financing. It is expected that these risks will be identified and considered in relation to other forms of financing that would be available. Also, the mitigation strategies discussed below will be used to reduce the additional risk when deemed practicable.

### 1. Availability of Debt Capacity for Future Priority Projects

The Corporation could face the risk in any fiscal year of having insufficient debt capacity to fully execute its capital plan, based on its ARL or Growth-related Debt and Financial Obligation Limit. To manage this risk, the capital plan will show the amount of debt financing that will be required for each project and each year of the plan. Each project will also be prioritized on the basis of its impact on the Corporation's growth plan and/or any strategic plan approved by Council. Project prioritization would permit the most critical elements of the capital plan to proceed in an expeditious manner.

### 2. Refunding Risk

The Corporation may issue debentures for which the amortization to retirement period is longer than the contractual term of the debenture, similar to a home mortgage. For those debentures, the balance of the debt remaining at the end of the contractual term will need to be refinanced.

A risk to the Corporation would be that interest rates may be higher during the second financing period, resulting in higher than anticipated debt payments. For this reason the use of refunding debentures will not be a preferred method of financing by the Corporation whenever tax levy is the primary source of funding. However, there will be no restriction to the use of refunding debentures funded mainly from development charges or user rates which tend to be for longer periods and are better able to absorb increases (or decreases) to their cost of financing over time.

Further risk to the Corporation may arise if market conditions are unfavorable at the end of the first contractual term of a refunding debenture. In those situations, several strategies will be employed, including pre-financing, short term borrowing from reserves, using variable rate debt and lines of credit, and making borrowing applications to government agencies such as Infrastructure Ontario.

### 3. Construction Financing

Construction financing may be used to "lock-in" the debt needed for a capital project that will eventually generate a revenue stream which could be used to make principal and interest payments (e.g. water plant). Construction financing is unique in that the debt and interest may be accrued in advance of the project's completion and no payments are made during the building period.

The following risks compared to other forms of financing will be considered prior to the use of construction financing:

a) The financial risks include the following:

- The possibility that interest rates may fall from the time the rate for the construction loan is established and completion of construction. Should there be a high probability of this occurring, staff will consider the use of variable interest rate rather than fixed rate financing as a method to mitigate this risk.

- The possibility that the final cost of construction could be materially less than initially forecasted and financed. Staff will consider whether or not to issue debt until a fixed rate contract has been awarded or to issue debt that does not exceed 75% of the projected cost as a method to mitigate this risk.

b) Other risks include that the construction project may not be able to proceed or is not completed for technical or other reasons. The mitigation option to be considered in this case will be not to issue long-term debt until all critical construction contracts have been awarded.

**4. Financing Lease Agreements**

Leases may be used to finance equipment, buildings, land or other assets that the Corporation does not have a long-term interest in or may not be able to acquire through other means.

The following risks compared to other forms of financing will be considered prior to the use of capital financing lease agreements.

a) The financial risks include the following:

- The ability for lease payment amounts to vary if based on changes in an underlying benchmark debt instrument (generally expressed as a particular Government of Canada Bond). This risk usually applies only to new assets being added to a leasing schedule and would be the same as new debt being issued from time to time;

- The ability for lease payments to vary based on changes in the assumed residual values of the asset being leased. Again, this risk usually applies only to new assets being added to a leasing schedule and would not be riskier than other forms of financing; and

- Uncertainty over leasing costs if a contract needs to be extended or renewed. The normal practice of the Corporation will be to negotiate these costs prior to the leasing agreement being executed.

b) Other risks include the potential for the seizure and removal of leased equipment if the leasing company goes into default of its obligations to creditors, and its creditors have the legal right to seize assets of the leasing company. The practice of the Corporation will be to assess the financial strength of the leasing company prior to the leasing agreement being executed.

**5. Variable Interest Rate Debenture and Long-Term Bank Loans**

Variable rate debentures and long-term bank loans may be used when there is volatility in the financial market and/or there is an expectation of significantly lower interest rates occurring within a few months of their issue. In all cases, the interest rate will be fixed no later than 6 months after issue by means of a interest rate exchange (i.e. hedging) agreement to mitigate the financial exposure.

The Corporation may only enter into interest rate exchange agreements as part of a variable rate debenture with an eligible institution whose credit ratings are equivalent to those cited in Section D(3) above.

**6. Foreign Currency Debentures**

Foreign currency debentures may be used when the “all in” cost of financing in a foreign market is cheaper or the market conditions are such that domestic financing is not practicable. The risk associated with foreign currency debentures is that the rate of exchange incurred for future interest and principal payments could significantly increase over the term of the debt, raising its overall cost.

The Corporation’s practice with respect to foreign currency debentures will be to have the rate of exchange for all interest and principal payments fixed prior to their issue by means of foreign currency exchange or hedging agreements to mitigate the financial exposure.

The Corporation may only enter into a foreign currency exchange agreement with an institution whose credit ratings are equivalent to those cited in Section D(3) above.

Any foreign currency exchange agreement or agreements for a debenture will, when read together, provide for the reduction of currency risk with respect to the entire amount of principal and interest payable under the debenture and shall require any amount payable to any person under the agreement or agreements to be expressed as a Canadian currency amount.

The currencies set out in Appendix 2 are prescribed foreign currencies eligible under provincial regulation.

**7. Bond Forward Agreements**

The timing of the Corporation’s debenture issues is very dependent upon market or economic conditions. Market-out conditions can occur due to competing issuers and in times of financial crisis. Bond Forward Agreements allow the Corporation to lock-in the underlying interest rate on a portion of a planned debt issue, facilitating the issuing process.

Bond Forward Agreements may only be used for the issue or the refinancing of debentures denominated in Canadian currency for which Council approval has already been given.

Furthermore, it will be the Corporation's normal practice to limit Bond Forward Agreements to no more than seventy-five percent (75%) of the principal amount of debentures to be issued. Bond Forward Agreements may have a settlement up to the maximum period permitted by provincial regulation.

It will be the Corporation's normal practice that counterparty payments resulting from the use of these agreements, if material, will be added to or deducted from the principal of the amount being financed.

Using Bond Forward Agreements exposes the Corporation to the following risks:

a) Credit risk to the counterparty (financial institution) in the event interest rates have risen and the counterparty cannot fulfill the terms of the agreement. Although this is considered a remote risk, credit exposure resulting from any or all outstanding Bond Forward Agreements executed with any financial institution will be added to any outstanding investments held in the Corporation's investment portfolio and will be subject to the same limitation guidelines set out in Appendix 1 of the Investment Policy.

b) There will be an opportunity cost if interest rates fall and the Corporation has to pay the counterparty to the Bond Forward Agreement. However, the primary use of a Bond Forward Agreement is to "lock-in" the anticipated borrowing rate associated with the future debenture issue and reduce or eliminate the risk of higher interest rates. The Corporation's practice of hedging less than 100% of the planned debenture issue would result in some of the savings still being achieved if interest rate fell.

By not using a Bond Forward Agreement, the Corporation will be exposed to movements in interest rates that will be either beneficial or detrimental and will have less certainty about the cost of borrowing on a prospective debenture.

Before entering into a Bond Forward Agreement, Treasury Office staff and the Commissioner of Finance and Treasurer will analyze:

a) The fixed costs and estimated costs to the Corporation resulting from the use of such agreements.

b) A detailed estimate of the expected results of using such agreements.

Bond Forward Agreement may only be entered into with a bank listed in Schedule I, II or III to the *Bank Act (Canada)* and only if the bank's long-term debt obligations on the day the agreement is entered into are rated by:

a) Dominion Bond Rating Service as "A(high)" or higher; or

b) Fitch Ratings as "A+" or higher; or

c) Moody's Investors Service Inc. as "A1" or higher; or

d) Standard and Poor's as "A+" or higher.

## F. Methods of Marketing/Selling Debenture Issues

Debenture securities may be sold by the following means:

a) Underwriting Syndicate

The use of an underwriting syndicate appointed by the Commissioner of Finance and Treasurer will be the normal method by which debentures will be sold by the Corporation. Considerations used for appointment to the syndicate will include, among other things: the demonstrated ability of the firm to underwrite and/or sell debentures in the various financial markets used by the Corporation; its commitment to provide an active and robust "secondary market" for municipal debt; and, its support for maintaining and developing new investors for municipal debentures. The composition of the Underwriting Syndicate will be reviewed periodically and at least once every five years;

b) Tender

A tender process may be used when and if significant savings could be expected when compared to issuing through an Underwriting Syndicate; or

c) Bought Deal/Private Placement

This may be appropriate for "one off" or unusual financing structures when significant savings would be expected or when market conditions are volatile or otherwise difficult.

## G. Debt Issued On Behalf Of Other Jurisdictions

Council may approve the issuance of debentures for the purposes of its area municipalities and school boards provided:

a) They are used for capital projects approved by the Area Municipality and School Board;

b) The term of the financing is in excess of one (1) year but does not exceed the guidelines set out in Appendix 1;

c) It has received satisfactory evidence of approval authority and statutory compliance. Accordingly, the Financial Officers of the Area Municipalities must provide to the Corporation, at the time of their financing request, an updated Debt and Financial Obligation Limit for their respective municipality and attest to the validity of the calculation to ensure compliance with the

Municipality's Annual Repayment Limit. As well, mandated approvals from provincial ministries, if necessary, and the council of the Area Municipality will be required prior to Council granting financing approval;

d) The issuance and administrative costs attributable to borrowings on behalf of Area Municipalities and School Boards will be recovered. Costs not directly or specifically attributed to any one participant shall be allocated on a prorata basis to all participants. Conversely, costs incurred which are directly or specifically attributable to any one participant shall be allocated to that participant. Such costs may include, but are not limited to, the following: legal fees; commissions; cost of certificates; registration and re-registration charges; and courier charges.

## H. Financial Guarantees and Letters of Credit

Financial guarantees and/or letters of credit provided by the Corporation, its boards and subsidiaries will be considered as debt and will be governed by this Policy.

## I. Sinking/Retirement Fund Debentures

A Sinking Fund Committee will be established whenever sinking and/or retirement fund debentures are outstanding anytime during a calendar year. The committee will meet at least annually and will be chaired by the Commissioner of Finance and Treasurer and will have at least two additional members appointed by Council. The committee will establish investment guidelines and ensure that adequate funds will be available to retire the debt at its maturity.

When setting the internal capitalization rate for new sinking/retirement fund debt at the time of its issue, the rate shall not exceed the lesser of the rate allowed in the Municipal Act, or the 5-year Government of Canada bond rate at time of issue.

## J. Reporting Requirements

In addition to any information requested by Council or that the Commissioner of Finance and Treasurer considers appropriate, the following reports will be provided:

1. Annually, the Commissioner of Finance and Treasurer shall submit to Council a report or reports that:

    a) Requests authority for temporary borrowing up to a stipulated amount to meet day-to-day expenditures, pending receipt of tax levies, user fees and revenues anticipated during the year;

    b) Requests authority, if required, to finance certain capital items detailing for each type of item, the amount and the maximum term of financing;

c) States the sum, if any, that must be raised for sinking fund purposes in that year;

d) As part of the annual budget a Long-Term Debt and Financial Obligation Management Plan to be adopted or affirmed by Regional Council that will contain at least the following elements:

- Projections for each year over a multi-year period of estimated long term debt and financial obligations payments compared to the Growth-related Debt and Financial Obligation Limit;
- Strategies for prudently and cost effectively dealing with risks associated with planned long term debt and financial obligations and mitigation strategies for adverse contingencies which might arise;
- An evaluation of the outcomes of the previous year's Long-Term Debt and Financial Obligations Management Plan as well as a comparison to the current year's plan;
- A statement indicating the Plan is in compliance with this Policy.

2. As required, the Commissioner of Finance shall submit to Council, the following:

a) A report, before entering into a material financing lease with a recommendation assessing the costs and financial and other risks associated with the proposed financing lease. This report shall include:

- A comparison between the fixed and estimated costs and the risks associated with the proposed lease and those associated with other methods of financing;
- A statement summarizing, as may be applicable, the effective rate or rates of financing for the lease, the ability for lease payment amounts to vary, and the methods or calculations, including possible financing rate changes, that may be used to establish that variance under the lease;
- A statement summarizing any contingent payment obligations under the lease that in his or her opinion would result in a material impact for the municipality, including lease termination provisions, equipment loss, equipment replacement options and guarantees and indemnities;
- A summary of the assumptions applicable to any possible variations in the lease payment and contingent payment obligations.

b) Lists of any outstanding financing leases including the following details:

- Estimates of the proportion of financing leases to the Corporation's total long-term debt and a description of any change in that proportion since the previous year's report; and

- A statement that in his or her opinion all financing leases were in accordance with the lease policy and goals as outlined in this Policy or as otherwise adopted by Council.

c) A statement before passing a by-law providing for construction financing, which shall consider:

- The fixed and estimated costs to the Corporation;

- Whether the costs of the proposed financing for the construction of the undertaking are lower than other methods of financing available;

- A detailed estimate with respect to the terms of the Corporation's expectations of revenue generation from the undertaking, once constructed;

- The risks to the Corporation if the undertaking is not constructed or completed within the period of construction as estimated by Council; and

- The financial and other risks for the Corporation.

d) A report detailing at least once in a fiscal year, any Bond Forward Agreements in a fiscal year which the Corporation has entered into.

The report must contain the following information and documents:

- A statement comparing the expected and actual results of using Bond Forward Agreements during the period of the report; and

- A statement indicating whether, in his or her opinion, all of the Bond Forward Agreements entered during the period of the report are consistent with the bond forward policies and goals in this Policy or as otherwise adopted by Council.

e) A report detailing at least once in a fiscal year, any subsisting variable interest rate bank loan agreements and any subsisting interest rate exchange agreements applicable to them.

f) Lists of any outstanding construction financing debentures, including the following details:

- A description of the estimated proportion of the total debentures of the municipality issued to the total long-term debt of the municipality and a description of the change, if any, in that estimated proportion since the previous year's report;

- A statement as to whether, in his or her opinion, all debentures issued were in accordance with this construction financing policy and goals outlined in this Policy or as otherwise adopted by Council;

- An update of the detailed estimate with respect to the terms of the municipality's expectations of revenue generation from the undertaking;

- A record of the date of the repayment of each installment of principal, interest or both principal and interest during the period of construction of the undertaking for which the debentures were issued; and

- A statement of the outstanding installments of principal, interest or both principal and interest repayable during the currency of the debentures issued that will be due and payable in each year.

g) Details of all outstanding hedging instruments related to foreign exchange, interest and swap agreements, describing type, amount and purpose; and

h) A report detailing, at least once in a fiscal year, any outstanding variable interest rate debentures or foreign currency debenture and any subsisting interest rate or foreign currency exchange agreements applicable to them.

3. The Debenture Committee will report to Regional Council as required under the Region’s Procedural Bylaw on each and every occasion it exercises its delegated authority.

## Responsibilities:

The following specific responsibilities are identified:

**Commissioner of Finance and Treasurer:**

- Appoints firms to be members of the Corporation’s Underwriting Syndicate;

- May execute and sign documents on behalf of the Corporation and perform all other related acts with respect to the appointment of the Underwriting Syndicate; and

- Is a member of the Debenture Committee.

**Commissioner of Finance and Treasurer and/or Director, Treasury Office:**

- Reviews and recommends the type and term of financing for capital projects and operating requirements;
- Calculates the Growth-related Debt and Financial Obligation Limit for the Corporation as prescribed by the Municipal Act;
- Assigns the lead underwriter(s), members of the management group (if needed) and determines the percentage share of a planned debt issuance that will be allocated to each member of the Underwriting Syndicate;
- In consultation with the lead underwriters, approves the timing and structure of debt issues;
- Coordinates the preparation of debt issue by-laws for Council or the Debenture Committee;
- May execute and sign documents on behalf of the Corporation and perform all other related acts with respect to the issuance of debt securities and Bond Forward Agreements, including the payment of principal, interest or other related fees
- Liaises and assists rating agencies in the evaluation of the credit worthiness of the Corporation's debt securities;
- Reviews and recommends to Council the financial and business aspects of any material lease agreements and transactions; and
- Ensures all reporting requirements identified within this Policy are met.

**Chair of Council**

- May execute and sign documents on behalf of the Corporation with respect to the issuance of debt securities.
- Is a member and Chair of the Debenture Committee

**Regional Clerk**

- The Regional Clerk may certify and sign documents on behalf of the Corporation with respect to the issuance of debt securities.

**Chief Administrative Officer**

- Is a member of the Debenture Committee

**The Debenture Committee**

- May exercise the authorities granted to it under Bylaw No. 2010-69 in terms of enacting bylaws authorizing the issuance of debentures.

# Reference:

Legislative and other authorities

- Municipal Act, 2001, S.O. 2001, c. 25, Sections 405(1), 407(1), 408(3,4), 409(2)
- Local Improvement Act, R.S.O. 1990, c.L.26, Section 53(2)
- Tile Drainage Act, R.S.O. 1990, c.T.8, Section 2(1)
- Ontario Regulation 266/02 - Financing Leases for Municipal Capital Facilities
- Ontario Regulation 278/02 - Construction Financing
- Ontario Regulation 276/02 – Bank Loans
- Ontario Regulation 653/05; 291/09 – Debt Related Financial Instruments and Financial Agreements
- Ontario Regulation 403/02 – Debt and Financial Obligation Limits

Appendices

- Appendix 1: Maximum Financing Term of an Asset
- Appendix 2: Prescribed Foreign Exchange Currencies

# Contact

Director, Treasury Office, Finance Department, ext. 71646

# Approval

| | |
|---|---|
| Council Date: February 28, 2019<br><br>Council Minute Item: G.3 | Committee Date: February 21, 2019<br><br>Committee Minute Item: H |

eDOCS # 7020664

Accessible formats or communication supports are available upon request.

# APPENDIX 1
# Maximum Financing Term of an Asset

**3 Years**

- Computer software
- Police patrol vehicle

**4 Years**

- General purpose vehicle
- Personal computer and monitors

**5 Years**

- Mainframe computer/server and network equipment
- Radio and telecommunications system
- Office furnishings
- Audio and Video equipment
- Printers

**10 Years**

- Specialized vehicle/equipment
- Parking lot
- Public Works facility (depot, dome, etc.)
- Solid waste equipment
- Transit vehicle
- Park, recreational facility
- Dock, wharf, pier, breakwater
- Retaining wall, embankment, flood control
- Sidewalk, path
- Tile drainage
- Street lighting
- Underground wiring

**15 Years**

- Police station
- Health clinic
- Library
- Fire station

**20 Years**

- Water main, hydrant, filtration plant, storage facility, pumping station
- Sanitary sewer, storm sewer, treatment plant, pumping station
- Solid waste landfill site
- Home for the aged
- School, other educational building
- Office building
- Hospital
- Dam, reservoir
- Road
- Emergency Medical Services station

**Greater than 20 years**

- Major infrastructure –only when term approved by Council

**30 Years**

- Water and wastewater main projects, subject to:
  a) the underlying assets having a useful life of at least 30 years; and
  b) the project being in receipt of dedicated revenues for a similar period.

- Housing projects, subject to:
  a) the underlying assets having a useful life of at least 30 years; and
  b) the project being in receipt of dedicated revenues for a similar period.

# APPENDIX 2
# Prescribed Foreign Exchange Currencies

1. Dollars of Australia.
2. Francs of France.
3. Marks of Germany.
4. Yen of Japan.
5. Guilder of the Netherlands.
6. Francs of Switzerland.
7. Sterling money of the United Kingdom.
8. Dollars of the United States of America.
9. The euro currency adopted by member states of the European Union.

O. Reg. 247/01, Sched.

Status: Final

# Reserve and Reserve Fund Policy

| | |
|---|---|
| Approved By: | Council |
| Approved On: | February 28, 2019 |
| Last Reviewed: | February 28, 2019 |

## Policy Statement

A policy governing the use and management of reserves and reserve funds.

## Application

All Regional employees who are responsible for the creation, control, administration and management of the Corporation's reserve and reserve funds.

## Purpose

This policy establishes the objectives for reserves and reserve funds, standard of care, as well as it delineates the responsibilities for their management and administration.

## Definitions

**Corporation:** Refers to the Corporation of the Regional Municipality of York, its Boards and Subsidiaries.

**Debt:** Any obligation for the payment of money. For Ontario municipalities, debt would normally consist of debentures as well as either notes or cash from financial institutions, but could also include loans from reserves.

**Development Charges:** Fees against land to pay in full or in part on the increased capital costs required because of increased needs for municipal services arising from development of the area in which the land is located.

**Discretionary Reserve Funds:** Discretionary reserve funds are established whenever a municipal council, local board and other entity wishes to earmark revenues to finance a future expenditure for which it has the authority to spend money, and physically set aside a certain portion of any year’s revenues so that the funds are available as required.

**GFOA:** Refers to the Government Finance Officer’s Association of the United States and Canada, a professional association of state, provincial and local finance officers in the dedicated to the sound management of financial resources.

**MFOA:** Refers to Municipal Finance Officer’s Association of Ontario, a professional association which promotes the interests of its members in carrying out their statutory and financial responsibilities by initiating studies and sponsoring seminars to review, discuss and develop positions on important policy and financial management issues.

**PSAB:** Refers to the Public Sector Accounting Board, an independent board with the authority to set accounting standards for the public sector.

**Reserve:** An appropriation from net revenue at the discretion of Council, after the provision for all known expenditures. It has no reference to any specific asset and does not require the physical segregation of money or assets as in the case of a reserve fund. Although a reserve cannot have a revenue or an expense of itself, a municipality may by bylaw provide earnings derived from the investment of a reserve to form part of that reserve.

**Revolving Reserves:** Reserves used to fund normal course operating requirements or cash flow deficiencies that do not require Council approval provided they conform with intent of originating bylaw.

**Reserve Fund:** Funds that have been set aside either by a bylaw of the municipality or by a requirement of provincial legislation to meet a future event. As a result, reserve funds are either “discretionary” being those set up by Council or “statutory” being those set up by virtue of a requirement of provincial statute. Municipal councils may set up reserve funds for any purpose for which they have the authority to spend money.

**Sinking Fund:** A municipality which has sinking fund or retirement fund debentures outstanding is required to accumulate money in a reserve fund that will be sufficient to retire those debentures at maturity.

**Surplus Management Policy:** A policy approved by Council that directs the funds deemed to be operating surpluses as a result of Regional operations on a yearly basis.

The allocation of the annual operating surpluses will be made to reserves and reserve funds that are below their funding targets in the following order:

- First to the Working Capital Reserve
- Then to any contingent liability reserves held by the Region, which include the Long-Term Disability Reserve, Workers' Compensation Reserve, Group Benefits and the Insurance Reserve
- Then to the General Capital Reserve
- Then to the Fuel Cost Stabilization Reserve, if there is a loss incurred during the year from hedging transactions
- Then any remaining funds to the Debt Reduction Reserve.

**Statutory Reserve Funds:** A reserve fund created when required by statute that revenue received for special purposes be segregated from the general revenues of the municipality. (Refer to Appendix A for a list of current statutory reserve funds.)

# Description:

### 1. Philosophy for Reserve and Reserve Fund Policy

Reserves and reserve funds are key elements of the Corporation's long-term fiscal strategy. This has been previously recognized in the Financial Mission Statement that was adopted by Council in 1999 including the following Financial Principle which specifically addresses the use of reserves and reserve funds:

"Adequate reserves will be maintained to:

1. Replace and rehabilitate major capital infrastructure assets as required
2. Provide a buffer for significant unanticipated expenditures beyond the control of the Region
3. Supply funds for new major capital assets identified in the long-term corporate strategy."

As a result, this Policy's philosophy is to promote fiscal prudence, particularly as identified in the Financial Principles through the creation and management of reserves, as well as to achieve a best practice for reserving among municipal governments.

This Policy also acknowledges that reserves have a direct impact on the credit rating awarded by the Bond Rating Agencies and therefore, the Corporation's long-term cost of financing.

## 2. Objectives of Reserve and Reserve Funds

The primary objectives for reserves and reserve funds shall be in priority order:

a) Adherence to Statutory Requirements

b) Promotion of financial stability and flexibility

c) Provision for major capital expenditures

d) Reducing the need for tax-levy funded debentures

### a) Adherence to Statutory Requirements

It shall be the Corporation's practice to establish and maintain segregated funds and/or reserves that meet all statutory obligations. Appendix A identifies the current statutory reserve funds as well as reference to their applicable legislation.

All reserves and reserve funds will be managed in accordance with provincial legislation. Included in the Municipal Act are the following requirements:

- Section 417 (4) that money raised for a reserve fund shall be paid into a special account and shall be invested only in securities or classes of securities prescribed
- Section 418 (3), as allowed by the Corporation, shall combine money held in any fund (including General, Capital and Reserves and Reserve Funds) for investment purposes
- Section 418 (4) that earnings from combined investments shall be credited to each segregated fund in proportion to the amount invested in it

Furthermore, it will be the Corporation's practice to establish all reserves and reserve funds by bylaw and that all appropriations be approved by Council either through the annual budget or by specific resolution or by bylaw. Notwithstanding, revolving reserves such as working capital, insurance and employee benefits may be used at any time for the purpose approved by Council.

### b) Promotion of Financial Stability and Flexibility

It will be the Corporation's practice to maintain adequate non-capital reserves to achieve long-term financial stability and flexibility.

To meet these objectives, the following types of funds will be established and adequately funded:

- Reserves for known and recurring material cash flow deficiencies (eg. Working Capital)
- Reserves for large or lumpy periodic or one time payments (eg. General Capital)
- Reserves for long-term contingencies (eg. Sick Leave)
- Reserves for potential liabilities
- Reserves for unanticipated expenditures (eg. Tax Stabilization)

Appendix B identifies the current reserves and reserve funds established for financial stability and flexibility.

The Corporation will strive to maintain reserves and reserve funds at levels that are at least comparable to those held by similarly rated municipalities with comparable responsibilities and/or levels that meet established best practices among municipalities.

**c) Provision for major capital expenditures**

It will be the Corporation’s practice to maintain adequate reserves to replace and rehabilitate major capital assets, as required, and to provide for new capital assets that have been identified in the long-term corporate strategy.

To achieve this, the following principles will apply where practicable:

- Reserves for the full cost of replacement or rehabilitation of major assets will be funded from ongoing operations at a rate which reflects the consumption of that asset by current ratepayers. Contributions to this reserve will commence in the fiscal year that the asset is acquired or put in service and will be based on an estimate of the useful life of the underlying asset.
- Where the total cost is material, the purchase of minor assets which must be replaced on an ongoing basis (e.g. computers, furniture, vehicles) will be made from a reserve maintained at a three to five year rolling average (based on the asset’s useful life) of the anticipated expenditure requirements and funded from operations and appropriations made by Council.
- The Operating Budget will include an annual contribution for the replacement of major capital assets as determined by Council. These contributions will be allocated to asset replacement reserves based upon

reserve adequacy analyses or at the discretion of the Commissioner of Finance.

- Reserves will be maintained for growth related capital projects that will be fully funded from developer contributions. That component of the growth related project which benefits the existing ratepayers or for which a discount has been given, shall be funded from tax/rates in the year the project is built. Notwithstanding, debt may be issued for growth projects when required in accordance with the Capital Financing and Debt Policy.

Appendix C identifies the current reserves and reserve funds established for major capital expenditures.

**d) Reducing the need for tax-levy funded debentures**

It will be the Corporation’s practice to fund a Debt Reduction Reserve to reduce the need to issue tax-levy debentures. The reserve may be used in place of debt that has been previously approved by Council. Funding would be used first to replace tax levy debt that is deemed to be below established debt issuance thresholds and then debt for other tax levy projects at the discretion of the Commissioner of Finance.

The Debt Reduction Reserve will be funded as follows:

- Appropriations as part of the annual Operating Budget
- Contributions as part of the Surplus Management Policy
- Savings from the avoidance of debt as a result of draws from this reserve in either the current or prior years
- Other transfers deemed necessary at the discretion of Council

Departments shall carry within their annual budget a charge equivalent to 50%-100% (at the discretion of the Commissioner of Finance) of the principal and interest cost that was avoided as a result of the use of the Debt Reduction Reserve.

## 3. Standard of Care

Reserves and reserve funds are important assets of the Corporation for which a high standard of care will be maintained.

**a) Delegation of Authority**

The Commissioner of Finance will retain the overall authority for establishing and managing reserves and reserve funds.

Notwithstanding, the Commissioner of Finance may delegate to the Director, Treasury Office and/or designate the authority to establish policy and oversight with respect to reserves and reserve funds, to determine the need for new and the financial adequacy of existing reserves and reserve funds and to determine funding sources for reserves and reserve funds.

Furthermore, The Commissioner may delegate to the Director of the Office of the Budget and/or designate the authority to project the impact of reserves and reserve funds as they relate to the long-term business and capital plan.

**b) Management of Reserves and Reserve Funds**

It is the Corporation's policy to use best practices among municipalities to manage its reserves and reserve funds. These practices will include:

**i) Establishing a Reserve or Reserve Fund:**

Prior to establishing a new reserve or reserve fund, a financial plan will be prepared which identifies need, target funding level (if applicable), contribution sources and projected disbursements (when practicable) to meet planned future obligations.

**ii) Reserve Funding Targets**

A target funding level will normally be established for every reserve or reserve fund at the time that it is created. Notwithstanding, this target will be reviewed annually by staff to ensure its adequacy and where necessary, a periodic review by third party consultants will be obtained.

Methodologies for calculating targets are specific to each reserve or reserve fund, however consideration will be given to the following:

- Purpose of fund (ie. operating or capital)
- Certainty of end needs (ie. for contingent liability or long-term asset replacement)
- Economic factors (inflation, interest rates, cyclical pressures)
- Industry/Government/Accounting standards (GFOA, MFOA, PSAB etc.)
- Multi-year forecast of contribution and projected usage

A financial plan forecasting reserve and reserve fund balances and a comparison to target objectives shall be prepared annually based on the most current information available.

**iii) Investment of Reserves and Reserve Funds**

Reserves and reserve funds may be invested for a term that will not exceed its expected date of need. The related investment income will be credited monthly to the specific reserve or reserve fund according to the methodology detailed in the Corporation’s Investment Policy. Investments shall be further governed by the Corporation’s Investment Policy.

**iv) Contributions to/withdrawals from Reserves and Reserve Funds**

All contributions to and/or withdrawals from reserves and reserve funds shall be approved by Council, normally as part of the annual budget approval process or specifically by resolution with the following exceptions:

- Direct contribution to reserve and reserve fund such as development charge contributions or settlement in account of prior year events
- Transfers that are the direct result of the Surplus Management Policy
- Transfers of funds between reserve cost centres for reserve restructure which in the opinion of the Commissioner of Finance have not changed the purpose for which the funds were intended
- Transfer of funds between asset replacement reserves based upon reserve adequacy analyses or other related information, at the discretion of the Commissioner of Finance
- Use of “revolving” reserves for the purpose approved by Council

All contributions to and/or withdrawals from reserve and reserve funds will be clearly identified and segregated within the Corporation’s accounting system and accounted for by either an entry or to or from an operating cost centre or a capital project.

Funding strategies developed for reserves and reserve funds will take into account fairness to current and future tax/rate payers.

**v) Lending/Transferring of Reserves and Reserve Funds for Other Purposes**

**Use for Other Purposes**

If required, Council may by bylaw provide that the money raised from a reserve fund be spent, pledged or applied to a purpose other than that for which it was established.

**Internal Loans/Transfers**

Intra-fund lending from reserves and reserve funds is permitted to temporarily finance capital fund expenditures or operating cash flow deficiencies to avoid external temporary borrowing cost provided that all loans/transfers bear market rates of return and that interest income is credited to the original reserves.

**External Loans**

External loans may be made at the discretion of Council under Section 107 of the Municipal Act to any person, group or body for any purpose considered to be in the best interests of the municipality. However, prior to recommending such a loan to Council, staff will consider the following:

- Purpose of loan/benefit to be derived must be a public agency or group
- Term of loan not to exceed five years
- Appropriate security is provided to protect the interests of the Corporation
- A financial profile of borrower
- If adequate reserves are available for term of loan

All loans will be provided from non-restricted reserves such as the Working Capital Reserve or the General Capital Reserve as direct loan investment of reserve funds is prohibited under provincial legislation. External loans must bear market rates of return, commensurate with the term of loan and be credited to the appropriate reserve source.

**c) Reporting Requirements**

The Commissioner of Finance will prepare the following reports:

**Annual Audited Financial Statements**

Shall include a statement of financial position, financial activities and changes in fund balances for all reserves and reserve funds and as well, separately for outstanding sinking funds.

**Long-Term Forecast Report**

A report will be prepared annually identifying a reserve forecast of all reserves and reserve funds based on the Long-Term Capital Plan approved by Council and any other relevant information.

**Periodic Adequacy Review of Report**

Periodically a comprehensive review of the reserves and reserve funds will be made to determine if balances are adequate or the need for particular reserve or reserve funds shall exist or if new reserves or reserve funds are required.

**Annual Budget and Business Plan**

Contributions to and budget appropriations from reserves and reserve funds will normally be approved by Council as part of the annual Business Plan and Budget or specifically by resolution with the exception of those instances noted above.

# Responsibilities:

**Commissioner of Finance and Regional Treasurer:**

The Commissioner of Finance and Regional Treasurer has overall responsibility for the management of reserves and reserve funds. In addition, the Commissioner of Finance has authority to rebalance reserve and reserve funds within the same funding sources as he/she deems necessary; and approve updates to the appendices in accordance with this policy, bylaws or statutes as amended.

Notwithstanding; responsibilities will be carried out by reporting Directors as follows:

**Director, Treasury Office and/or designate:**

- Determines need for reserves and reserve funds for operating and capital operation
- Sets targets for various reserves and reserve funds where appropriate
- Ensures a review and report to Council of the adequacy and continuing need for reserves and reserve funds is undertaken when deemed necessary
- Arranges for the preparation and presentations of required reports and/or bylaws for the creation or termination of any new or obsolete reserve or reserve funds
- Develops appropriate strategies, procedures and processes for the investment of reserves and reserve funds
- Prepares required reports to Council on any loan or advance to any agencies or boards where the source for such loans or advances is from a reserve or reserve fund
- Develops long range fiscal planning strategy to effectively meet the Corporation’s Capital financing and capital asset replacement requirements

**Director of the Office of the Budget and/or designate:**

- Ensures the appropriate allowances, contributions and/or appropriations are accounted for in the Corporation's Annual Budget and Business Plan relating to the financial requirements of the reserves and reserve funds
- Develops long range fiscal planning strategy to effectively meet the Corporation's Capital financing and capital asset replacement requirements

**Director of the Controllership Office:**

- Monitors and reconciles all receipts to and disbursements from reserve and reserve fund accounts to ensure compliance with provincial regulations, PSAB and Reserve Policy
- Ensures all Financial Statement reporting requirements set out in Section (c) of this Policy are met

# Reference:

**Legislative and other authorities**

- Development Charges Act, 1997, S.O. 1997, c. 27, Sections 33 to 37
- Municipal Act, 2001, S.O. 2001, c. 25, Sections 409 and 410
- Workplace Safety and Insurance Act, 1997, S.O. 1997, c. 16, Sched. A, Section 85

**Appendices**

- Appendix A: York Region Statutory Reserve and Reserve Funds
- Appendix B: York Region Reserves and Reserve Funds for Stability and Flexibility
- Appendix C: York Region Reserves and Reserve Funds for Major Capital Expenditures

# Contact:

Director, Treasury Office, Finance Department, ext. 71646

# Approval:

| | |
|---|---|
| Council Date: February 28, 2019<br>Council Minute Item: G.3 | Committee Date: February 21, 2019<br>Committee Minute Item: H |

eDOCS #7041135

Accessible formats or communication supports are available upon request.

# Appendix A
# York Region Statutory Reserve and Reserve Funds

| Reserve Fund | Reference Legislation |
|---|---|
| Development Charges Reserve Fund | Development Charges Act 1997 |
| Sinking Fund | Municipal Act 2001 |
| WSIB Reserve Fund | Workplace Safety and Insurance Act 1997 |

# Appendix B
## York Region Reserves and Reserve Funds for Stability and Flexibility

| Name | Year Established | Bylaw | Purpose | Sources of Funding |
|---|---|---|---|---|
| **Debt Reduction** | 2013 | 2013-97 | To reduce or eliminate the need to issue tax levy funded debentures. | Appropriations made from time to time from the operating budget.<br><br>The earnings derived from investment of monies held in the reserve fund. |
| **~~Federal Gas Tax~~Canada Community Building Fund** | 2005 | There is no bylaw for this reserve. | To fund capital projects in the categories of public transit, water, wastewater, solid waste or community energy systems. | Funding provided by the Government of Canada under the agreement signed with the Government of Ontario and the Association of Municipalities of Ontario (AMO, who calculates the allocation for each municipality other than Toronto). |
| **Fiscal Stabilization** | 2012 | 2012-4 | To fund temporary revenue shortfall. | Appropriations made from time to time from the operating budget. |
| **Fuel Cost Stabilization** | 2010 | 2010-57 | To fund differences between actual and budgeted fuel rates during the year based upon projected volumes as well as any costs or savings arising from fuel price hedging transactions. | Appropriations made from time to time from the operating budget.<br><br>Surpluses arising from differences between actual and budgeted fuel rates during the year based on projected volumes.<br><br>Savings arising from fuel price hedging transactions. |
| **Sun Life Group Benefits**<br><br>(Sun Life Dental, Sun Life Payroll Transfer, Sun Life Extended Health) | | A-228-97-101 | To pay, through Sun Life Assurance Company, all claims submitted by employees for extended health, drugs, and dental expenses, as well as the administrative fee for that service. | Funded by budget allocations to the departmental operating budgets, which are based on experience and forecasts provided by the Region's benefit consultant. |
| **Innovation** | 2002 | A-0316-2002- 099 | Created to provide revolving funding for projects that will result in more efficient systems and/or ongoing operational savings. | Appropriations made from time to time from the operating budget. Allocation from such sources of revenue as may be determined by Regional Council (among them, budgeted repayments of the revolving funds lent; repayment period cannot exceed 5 years). |

| Name | Year Established | Bylaw | Purpose | Sources of Funding |
|---|---|---|---|---|
| **Insurance** | 1997 | A-234-97-107 | To fund costs incurred for insurance coverage and payment of claims. | Appropriations made from time to time from the operating budget. |
| **Long Term Disability** | 2002 | A-0312-2002-070 | To accumulate funds to pay for all long term disability benefits (self-insurance) and associated administration expenses. | Appropriations made from time to time from the current estimates of the Regional Corporation, including an amount equal to the current annual premium that otherwise would have been paid to an insurance carrier (starting October 2002) |
| **Non-Profit Housing Capital Repairs and Maintenance** | 2002 | A-0317-2002-100 | Created to offset the Region's potential exposure to under-funded capital expenditures of non-profit housing providers. | Appropriations made from time to time from the operating budget. Allocation from such sources of revenue as may be determined by Regional Council. |
| **Police - OMERS** | 1995 | There is no bylaw for this reserve. | Represents a portion of the employer's share of surplus funds in the OMERS supplementary pension plan for Police. Some of these funds were used between 1993 and 1996 to offset the Social Contract obligations of the York Regional Police. | Interest earned on the employer's share of surplus funds received from OMERS associated with Type 3 contributions have been set aside in this Reserve. |
| **Provincial Gas Tax** | 2004 | A-0357-2004-102 | Created to deposit gas tax transfers from the Province of Ontario. These monies must be used to fund the expansion of public transportation infrastructure and levels of service in the Region. | Funding provided by the Province of Ontario from time to time under its Dedicated Gas Tax Funds for Public Transportation Program. Allocation from such sources of revenue as may be determined by Regional Council. |
| **Seized Monies** | 1999 | There is no bylaw for this reserve. | Monies seized by York Regional Police as a result of criminal activities and monies which have been found and turned into the Police are held in trust for return to its rightful owner. | If the seized and/or found monies remain unclaimed, they are set aside in this Reserve. |
| **Sick Leave (Police Staff)** | 1999 | There is no bylaw for this reserve. | To provide for the liability related to Police employees' accumulated unused sick leave. | Funded by annual allocations from the York Regional Police operating budget. |
| **Sick Leave** | 1982 | A-231-97-104 | To provide for the liability related to regional employees' | Historically, a surcharge of 1% of payroll had been allocated to |

| Name | Year Established | Bylaw | Purpose | Sources of Funding |
|---|---|---|---|---|
| **(Regional Staff)** | | | accumulated unused sick leave.<br><br>Under the historical employee sick leave plan, unused sick leave could accumulate and employees were entitled to a cash payment of fifty percent of the amount accumulated up to a maximum of six months' salary when they left the Region's employ. | departmental operating budgets to fund this reserve. |
| **Tax Stabilization** | 2002 | A-0315-2002-098 | To fund unforeseeable one-time expenditures. | Appropriations made from time to time from the operating budget. Allocation from such sources of revenue as may be determined by Regional Council. |
| **Working Capital** | 1997 | A-227-97-100 | To fund the day-to-day operations of the corporation and provide the ability to meet current liabilities prior to the receipt of tax levies from local municipalities and other revenues. | Appropriations made from time to time from the operating budget. Allocation from such sources of revenue as may be determined by Regional Council.<br><br>Year-end operating surplus allocation. |
| **Workers' Compensation (WSIB)** | 1996 | A-196-96-58 | To self-fund Workers' Compensation claims as a Schedule 2 employer. | Funding results from a charge to operating programs based on a percentage of salary. |
| **Sinking Fund** | 2013 | 2013-99 | To centralize the accumulated retirement contributions and related interest income associated with the Region's sinking fund debentures. | Appropriations made from time to time from the operating budget.<br><br>The earnings derived from investment of monies held in the reserve fund. |
| **Court Service** | 2015 | 2015-73 | To assist the Court Services Branch in planning and managing its cost | Surplus net revenue related to the Provincial Offence Act.<br><br>Appropriations made from time to time from the operating budget. |

| Name | Year Established | Bylaw | Purpose | Sources of Funding |
|---|---|---|---|---|
| **Information Technology Licensing and Software Development** | 2015 | 2015-75 | To fund enterprise-wide software licensing and development of financial applications | Appropriations made from time to time from the operating budget. |
| **Water Rate Stabilization** | 2015 | 2015-76 | To prevent fluctuations in water rates as a result of unforeseen expenditure | Appropriations made from time to time from the operating budget.<br><br>Year-end surpluses from user rate budget. |
| **Wastewater Rate Stabilization** | 2015 | 2015-77 | To prevent fluctuations in wastewater rates as a result of unforeseen expenditure | Appropriations made from time to time from the operating budget.<br><br>Year-end surpluses from user rate budget. |
| **Green Energy** | 2016 | 2016-78 | To hold revenues from renewable energy projects and to support future renewable energy and conservation projects | Revenue from solar generating installation.<br><br>Appropriations made from time to time from the operating budget. |
| **Cannabis Contingency** | 2018 | 2019-08 | To fund unanticipated operating and capital costs related to the legalization of recreational cannabis. | Appropriations made from time to time from the operating budget. |
| **Innovation Investment** | 2018 | 2015-74 and 2019-07 | To provide funding to external parties for Council approved new innovation initiatives. | Appropriations made from time to time from the operating budget. |
| **Waste Management Stabilization** | 2018 | 2019-09 | To fund fluctuations in recycling material market prices and costs identified as part of the budget process. | $30 million transfer from the Solid Waste Management Reserve |

## Appendix C
## York Region Reserves and Reserve Funds for Major Capital Expenditures

| Name | Year Established | Bylaw | Purpose | Sources of Funding |
|---|---|---|---|---|
| **Facilities Rehabilitation and Replacement** | 2000 | A-0281-2000-096 and A-0321-2002-156 | To fund major capital repairs or rehabilitation expenses associated with regional buildings and other capital purposes such as parking facilities and major equipment or infrastructure refurbishment. | Appropriations made from time to time from the operating budget. Allocation from such sources of revenue as may be determined by Regional Council.<br><br>Funds unspent at the end of each year which were allocated for capital expenditures for major repairs and rehabilitation of Regional buildings. |
| **Roads Capital** | 1998 | A-247-98-69 | To fund the tax levy component of roads capital projects as approved by Council. | Appropriations made from time to time from the operating budget. Allocation from such sources of revenue as may be determined by Regional Council. |
| **Capital Asset Replacement– Wastewater** | 2015 | 2015-79 | To fund future major rehabilitation and/or replacement of wastewater assets. | Appropriations made from time to time from the user rate budget. |
| **Capital Asset Replacement– Water** | 2015 | 2015-78 | To fund future major rehabilitation and/or replacement of water assets. | Appropriations made from time to time from the user rate budget. |
| **Development Charges** | 1991 | DC-0004-2001-097) and DC-0005-2003-050), 2017-35 | To fund growth related capital projects.<br><br>The Region's Development Charges Bylaws identify the future growth related infrastructure requirements that can be financed by these reserves. The prevailing Bylaws were passed in November 2001 for GO Transit purposes and in June 1998 (amended in December 1999) for other purposes (Water, Wastewater, Roads, Police, LTC, Transit, Hospitals, etc.) | Development charges are levied based on a fixed charge for each residential and multi-residential unit and as a per square foot charge for industrial and commercial properties. Developer receipts must be treated in a manner prescribed by the Development Charges Act. Subsection 16(1) of this Act contains strict legislative direction that moneys received as development charges must be maintained in a separate reserve and may only be used to meet the growth related capital costs for which the development charge was imposed. |
| **Equipment Replacement** | 1993 | A-232-97-105 | To fund the cost of maintenance, repair and replacement of | Appropriations made from time to time from the operating budget. |

| Name | Year Established | Bylaw | Purpose | Sources of Funding |
|---|---|---|---|---|
| | | | computer and other operating equipment. | Allocation from such sources of revenue as may be determined by Regional Council. |
| **General Capital** | 1995 | A-233-97-106 | To Fund unspecified non-recurring capital expenditures. | Funded from the surplus from operations, if any, at year end after al other accruals and reserve allocations. |
| **Hospital Financing** | 2010 | 2010-71 | To fund eligible hospital capital project expenditures related to construction, expansion, enhancement or improvement, as approved by Council. | Appropriations made from time to time from the operating budget. |
| **IT Development** | 2010 | 2010-65 | To fund information technology capital projects related to expansion, enhancement or improvement as approved by Council. | Appropriations made from time to time from the operating budget. |
| **Land Banking** | 2013 | 2013-98 | To purchase land for future needs that has been identified as part of the Capital Plan. | Appropriations made from time to time from the operating budget.<br><br>Project funds budgeted for land acquisition during the year in which Capital Spending Authority has been granted by Regional Council. |
| **Land Securement** | 2001 | A-0296-2001-091 | To provide for the costs of land securement related to the Regional Greenlands Property Securement Strategy. | Appropriations made from time to time from the operating budget. Allocation from such sources of revenue as may be determined by Regional Council.<br><br>Funds unspent at the end of each year which were allocated for land securement purposes in connection with the Regional Greenlands Property Securement Strategy. |
| **Move Ontario** | 2008 | 2008-87 | To fund investments in transit vehicles and transit infrastructure in compliance with any and all requirements, policies and procedures established by the Province of Ontario with respect to the funds. | Shall be operated and maintained from funding received from the Province of Ontario. |

| Name | Year Established | Bylaw | Purpose | Sources of Funding |
|---|---|---|---|---|
| **Regionally Owned Housing** | 2008 | 2008-85 | To fund the major rehabilitation and replacement of housing owned by the Region and Housing York Inc. | Appropriations made from time to time from the operating budget. |
| **Roads Infrastructure** | 2008 | 2008-84 | To fund the major rehabilitation and replacement of roads infrastructure. | Appropriations made from time to time from the operating budget. |
| **Social Housing Development** | 1998 (amended in 2010) | A-060-1998-131 and 2010-64 | To fund expenditures related to new affordable housing projects either developed for Housing York Inc., or third parties, as approved by the Region. | Appropriations made from time to time from the operating budget.<br><br>Allocation from such sources of revenue as may be determined by Regional Council. |
| **Solid Waste Management** | 1993 | A-230-97-103 | To fund future infrastructure requirements for solid waste processing and waste transfer facilities. | Initially funded from royalties paid by the City of Toronto related to the Keele Valley facility.<br><br>Currently financed by funds received from Waste Diversion Ontario (the amounts received are mainly calculated as a percentage of the costs of recycling.) |
| **Transit** | 1999 | A-0265-1999-091 | To fund capital expenditures for Regional and GO Transit. | Initially funded with approximately $4.4 million of tax levy savings as a result of lower than budgeted GO Transit costs in the 1998 Local Services Realignment invoices. Savings in 1999of approximately $850,000 was also credited to this reserve fund. |
| **Transit Vehicle Replacement** | 2013 | 2013-100 | To refurbish and replace transit vehicles. | Appropriations made from time to time from the operating budget. |
| **Vehicle Replacement** | 1997 | A-236-97-109 | To purchase replacement vehicles/equipment for the Regional Fleet. | Funded through an internal usage charge to Transportation and Works operating programs. |

| Name | Year Established | Bylaw | Purpose | Sources of Funding |
| --- | --- | --- | --- | --- |
| **Infrastructure Reserve - Police** | 2017 | 2017-63 | To fund the tax levy component of the new capital assets and the rehabilitation and replacement of police assets. | Appropriations made from time to time from the operating budget. |
| **Rapid Transit** | 2018 | 2019-10 | To fund rapid transit projects to be identified in a future Council report | Reserve transfer of tax levy savings from the Integrated Bilateral Agreement – Public Transit Stream.<br><br>Funded from the Rapid Transit Infrastructure Levy surcharge. |

Status: **Final**
Approved By: **Council**

# The Regional Municipality of York

# Investment Policy

**Policy No.: 7040110**

**Original Approval Date:** October 19, 2006

**Policy Last Updated: June 28, 2018**

## Policy Statement:

A policy governing the use and management of surplus funds and investments including those being managed on behalf of external clients.

## Application:

All Regional employees who are responsible for the control, administration and reporting of investments managed by the Corporation.

## Purpose:

This policy establishes the objectives, standards of care, eligible investments, reporting requirements and responsibilities for the prudent management of surplus funds and investments including those managed, where applicable, on behalf of external clients.

## Definitions:

**Approved Entity:** Move Ontario Trust and any municipality incorporated in the Province of Ontario.

**Asset Backed Securities:** Fixed income securities (other than a government security) issued by a Special Purpose Entity, substantially all of the assets of which consist of Qualifying Assets.

**CHUMS Financing Corporation (CHUMS):** A subsidiary of the Municipal Finance Officers Association of Ontario (MFOA) which in conjunction with the Local Authority Services Limited operates the ONE Investment Program,

**Corporation:** The Regional Municipality of York, its Boards and Subsidiaries.

**Credit Risk:** The risk to an investor that an issuer will default in the payment of interest and/or principal on a security.

**Diversification:** A process of investing assets among a range of security types by class, sector, maturity, and quality rating.

**Duration:** A measure of the timing of the cash flows, such as the interest payments and the principal repayment, to be received from a given fixed-income security. This calculation is based on three variables**:** term to maturity, coupon rate, and yield to maturity. The duration of a security is a useful indicator of its price volatility for given changes in interest rates.

**External Client:** Any approved entity outside the Corporation.

**Forward Rate Agreement (FRA):** A contract with a qualified financial institution (eg. bank) that allows an investor to fix a rate of interest to be received on an investment for a specified term beginning at a specified future date.

**FTSE Indices:** Indices tabulated by FTSE TMX Global Capital Markets (formally PC Bond/DEX Analytics) a business unit of the Financial Times Stock Exchange and a subsidiary of the London Stock Exchange Group a leading provider of fixed income performance benchmarks and data bases in Canada and globally.

**Interest Rate Risk:** The risk associated with declines or rises in interest rates which cause an investment in a fixed-income security to increase or decrease in value.

**Investment-grade Obligations:** An investment instrument suitable for purchase by institutional investors under the prudent person rule. Investment-grade is restricted to those obligations rated “BBB” or higher by a rating agency.

**Liquidity:** A measure of an asset’s convertibility to cash.

**Local Authorities Service Limited (LAS):** A subsidiary of the Association of Municipalities of Ontario (‘AMO’) which in conjunction with CHUMS operates the ONE Investment Program.

**ONE -Investment Program:** A professionally managed group of investment funds composed of pooled investments that meet eligibility criteria as defined by regulations under the Municipal Act.

**Market Risk:** The risk that the value of a security will rise or decline as a result of changes in market conditions.

**Market Value:** Current market price of a security.

**Maturity:** The date on which payment of a financial obligation is due. The final stated maturity is the date on which the issuer must retire a bond and pay the face value to the bondholder. See “Weighted Average Maturity”.

**Prudent Person Rule:** An investment standard outlining the fiduciary responsibilities relating to the investment practices of public fund investors.

**Safekeeping:** Holding of securities by a qualified financial institution (e.g. bank) on behalf of the investor.

**Schedule I banks:** Schedule I banks are domestic banks and are authorized under the Bank Act to accept deposits, which may be eligible for deposit insurance provided by the Canadian Deposit Insurance Corporation (see Appendix 3).

**Schedule II banks:** Schedule II banks are foreign bank subsidiaries authorized under the *Bank Act* to accept deposits, which may be eligible for deposit insurance provided by the Canada Deposit and Insurance Corporation. Foreign bank subsidiaries are controlled by eligible foreign institutions (see Appendix 3).

**Schedule III banks:** Schedule III banks are foreign bank branches of foreign institutions that have been authorized under the *Bank Act* to do banking business in Canada. These branches have certain restrictions (see Appendix 3).

**Sinking Fund:** Securities and/or deposits accumulated on a regular basis in a separate safekeeping and/or bank account that will be used to redeem debt securities at maturity.

**Summary of Investment Procedures:** A document developed and maintained by the Treasury Office that summarizes specific duties and procedures relating to the operation of the investment program.

**Supranational:** An agency sponsored by either a single or group of highly rated foreign banks or governments that will issue debt to fund loans in developing countries or large infrastructure projects. Supranational institutions may be owned or guaranteed by a consortium of national governments and their debt is typically rated “AA” or higher.

**Weighted Average Maturity (WAM):** The average maturity of all the securities that comprise a portfolio.

# Description:

## 1. Objectives of the Corporation’s Investment Program

The primary objectives of the investment program, in priority order, shall be:

a) Adherence to statutory requirements
b) Preservation of capital
c) Maintaining liquidity
d) Earning a competitive rate of return

### a) Adherence to Statutory Requirements

All investment activities shall be governed by the *Municipal Act* as amended. Investments, unless limited further by Council, will be those deemed eligible under Ontario Regulation 438/97 or as authorized by subsequent provincial regulations, including O.Reg 399/02 and O.Reg 655/05.

## b) Preservation of Capital

Safety of principal is an important objective of the investment program. Investments shall be undertaken in a manner that seeks to minimize the risk to capital in the overall portfolio. Staff shall endeavor to mitigate credit and interest rate risk as follows:

**Credit Risk:**

- Limiting investments to safer types of securities
- Pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the Corporation does business
- Diversifying the investment portfolio so that potential losses on individual securities will be minimized
- Setting dollar limits on the size of portfolio investments in asset sectors (fixed income and equities) and in individual credit names

**Interest Rate Risk:**

- Structuring the investment portfolio so that securities mature to meet ongoing cash flow requirements, thereby reducing the need to sell securities on the open market prior to maturity
- Investing operating funds primarily in shorter-term securities or approved liquid investment pools
- Diversifying longer-term holdings to mitigate effects of interest rate volatility
- Use of Forward Rate Agreements when appropriate
- Investing in shares or equities of Canadian corporations through the ONE Investment Program

## c) Maintaining Liquidity

The investment portfolio shall remain sufficiently liquid to meet all operating or cash flow requirements and limit temporary borrowing requirements. This shall be done where possible by structuring the portfolio such that securities mature concurrent with anticipated cash demands.

Furthermore, since all possible cash demands cannot be anticipated, the portfolio shall consist largely of securities with active secondary or resale markets. A portion of the portfolio may be placed in local government investment pools (eg. ONE Investment Program) which offer liquidity for short-term funds.

### d) Competitive Rate of Return

Without compromising other objectives, the Corporation shall maximize the rate of return earned on its portfolio by implementing a dynamic investment strategy as part of its investment program. Trends in macro-economic variables will be monitored including interest rates, inflation, and foreign exchange rates, as affected through the political arena and international developments and perceptions.

Diversification, and ensuring safety of principal by limiting exposure to credit, sector or term risks, also provides opportunities to enhance the investment returns of the Corporation's portfolio by means of prudent and timely adjustments to asset mix.

## 2. Standard of Care

### a) Prudence

Investments shall be made with judgement and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

Investment officers and employees exercising due diligence and acting in accordance with written procedures and this Policy shall be relieved of personal responsibility for an individual security's credit risks or market price changes, provided deviations from expectations are reported in a timely fashion and the liquidation or the sale of securities are carried out in accordance with the terms of the Policy.

### b) Ethics and Conflicts of Interest

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Employees and investment officials shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Officers and employees shall not undertake personal investment transactions with the same individual with whom business is conducted on behalf of the Corporation.

### c) Delegation of Authority

The Commissioner of Finance and Treasurer will have overall responsibility for the prudent investment of the Corporation's portfolio. The Director of the Treasury Office (the "Director") will be responsible and have the authority for the implementation of the investment program and the establishment of investment procedures consistent with the Policy. Such procedures shall include the explicit delegation of the authority needed by staff in order to complete investment transactions. No person may engage in an investment transaction except as provided under the terms of this Policy.

The Director shall be responsible for all transactions undertaken, and shall establish a system of controls to regulate the activities of subordinate officers and employees and shall exercise control over them. The Director may delegate responsibility for the day-to-day management of the portfolio to subordinate investment officers within established guidelines.

### d) Competitive Selection of Investment Instruments

All securities' purchases/sales will be transacted through a competitive process only with financial institutions approved by the Commissioner of Finance and Treasurer or the Director of the Treasury Office. The Corporation will accept the offer which (a) has the highest rate of return within the maturity required; and (b) optimizes the investment objectives of the overall portfolio. When selling a security, the Corporation will select the bid that generates the highest sale price or the transaction which will yield the best return for the portfolio. If there is a tie bid between one or more dealers, the Corporation will award the winning bid to the dealers on a rotating basis.

It will be the responsibility of authorized investment officers and employees involved with each purchase/sale to produce and retain written records of each transaction including the name of the financial institutions solicited (at least 2 dealers), quoted or interpolated rate, description of the security, investment selected, and any special considerations that had an impact on the decision. If the lowest priced security (highest yield) was not selected for purchase, an explanation describing the rationale shall be included in this record.

## 3. External Investment Clients

Where the Region has undertaken to manage investment portfolios on behalf of an external client account as allowed under Section 420(1) of the Municipal Act and in conformity with Section 25(3) of the Securities Act, it will do so on the following basis:

a) The investment objectives, authorized investments, reporting requirements, and term and sector limits will be in accordance with the external client's investment policy.

b) Each and all portfolios managed will be held separate from the Region's own investment portfolios. The rate of return of the portfolio will reflect the earnings of the investments held only in that portfolio.

c) Each engagement will be subject to a mutually agreed and signed agreement.

d) Prior to the engagement, the following process will be undertaken:

   i) Review client needs, expectations and risk tolerances

   ii) Establish term limits and approved credit exposures

   iii) Agree on a list of eligible investments

   iv) Establish appropriate goals and benchmarks

   v) Prepare and finalize the agreement

e) The agreement will set out the following:

   i) Duties and roles of both parties

   ii) Management expense fee

   iii) Reporting and portfolio review requirements

## 4. Suitable and Authorized Investments

4.1 The following Canadian Dollar investments are authorized for the purposes of this Policy within the limitations set out in Investment Parameters section and Appendix 1.

a) Bonds, debentures, promissory notes or other evidence of indebtedness issued or guaranteed by:

1) Canada or a province or territory of Canada
2) An agency of Canada or a province or territory of Canada
3) A country other than Canada
4) A municipality in Canada including the Regional Municipality of York
5) The Infrastructure Ontario and Lands Corporation
6) A school board or similar entity in Canada (money must be used for school purposes)
7) A post-secondary educational institution
8) The board of governors of a college of applied arts and technology of Ontario
9) A local board as defined in the *Municipal Affairs Act* or a conservation authority
10) A board of a public hospital
11) A non-profit housing corporation
12) A local housing corporation
13) The Municipal Finance Authority of British Columbia
14) The International Bank for Reconstruction and Development
15) A supranational financial institution or a supranational governmental organization
16) Asset-backed securities, with a minimum credit rating of “AAA”
17) A corporation that is incorporated under the laws of Canada or a province of Canada with a maturity of not more than 5 years provided it has a minimum credit rating of “A-”

b) Bonds, debentures, promissory notes or other evidence of indebtedness issued or guaranteed by:

   i) a bank listed in Schedule I, II or III to the Bank Act (Canada)

   ii) a loan corporation or trust

   iii) a credit union or league, or

   iv) the Province of Ontario Savings Office

c) Negotiable promissory notes or commercial paper, other than asset-backed securities, maturing one year or less from the date of issue, if that note or commercial paper has been issued by a corporation that is incorporated under the laws of Canada or a province of Canada.

d) Bonds, debentures, promissory notes, other evidence of indebtedness or securities of a corporation if the Corporation first acquires the bond, debenture, promissory note or other evidence of indebtedness as a gift in a will and the gift is not made for a charitable purpose (can only be held for 90 days).

e) Bonds, debentures, promissory notes or other evidence of indebtedness issued by a corporation that is incorporated under the laws of Canada or a province in Canada, the terms of which provide that the principal and interest shall be fully repaid more than five years after the date the Corporation makes the investment provided that the investment is done through the ONE Investment Program.

f) Shares of a corporation if:

   i) The corporation has a debt payable to the Regional Municipality of York

   ii) Under a court order, the corporation has received protection from its creditors

   iii) The acquisition of the shares in lieu of the debt is authorized by the court order, and

   iv) The Commissioner of Finance and Treasurer is of the opinion that the debt will be uncollectible by the Region unless the debt is converted to shares under the court order

g) Shares issued by a corporation that is incorporated under the laws of Canada or a province of Canada, provided that the investment is done through the ONE Investment Program.

4.2 The following United States dollar investments are authorized for the purposes of this Policy within the limitations set out in the Investment Parameters section and Appendix 1.

Bonds, debentures, promissory notes or other evidence of indebtedness issued or guaranteed by bank listed in Schedule I to the Bank Act (Canada)

## 5. Investment Parameters

Fixed income investments shall be diversified by:

a) Diversifying investments to avoid over-concentration in securities from a specific issuer or sector (excluding Government of Canada securities)

b) Limiting investment in securities to those that have higher credit ratings

c) Investing in securities with varying maturities, and

d) Investing in mainly liquid, marketable securities which have an active secondary market, to ensure that appropriate liquidity is maintained in order to meet ongoing obligations

In order to promote diversification of the Corporation's investment portfolio, percentage weightings for class and type of securities shall be established and maintained.

Column "d" of Appendix 1 sets out the maximum allowable exposure for each classification of security as a percentage of the total portfolio. Column "e" of Appendix 1 sets out the maximum allowable exposure for each specific issuer in a security class as a percentage of the total portfolio. Column "f" of Appendix 1 sets out the maximum term limit for each investment class and issuer.

The Corporation shall adopt weighted average maturity limitations consistent with investment objectives. The Corporation shall also hold sufficient funds in short term investment instruments in order to maintain adequate liquidity. Appendix 2 sets out minimum and maximum term exposures in order to ensure liquidity requirements are maintained. The Corporation shall sell an investment within 30 to 90 days if that investment's rating falls below the standard as set out in Appendix 1. However, the investment could be held for a longer period if a plan has been developed for its disposal, including expected timelines for selling the investment and the plan has been approved by the Commissioner of Finance and Treasurer or his/her designate.

# 6. Reporting Requirements

## a) Allocation of Investment Income

Allocation of investment earnings from General Fund Portfolios will be allocated monthly to the appropriate reserve, deferred revenue or other account of the Corporation as set out in Appendix 3. The rate of return credited will take into consideration the length of time that investments will be held for the purposes of that account.

## b) Reports to Council

The Commissioner of Finance and Treasurer shall submit an investment report for Council at least annually, including a management summary that provides an analysis of the status of the current investment portfolio and transactions made over the last year. This management summary will be prepared in a manner which will allow Council to ascertain whether investment activities during the reporting period have conformed to the Policy. The investment report will include the following:

- Listing of individual securities held at the end of the reporting period
- Realized and unrealized gains or losses resulting from appreciation or depreciation by listing the cost and market value of securities over one-year duration that are not intended to be held until maturity (in accordance with Governmental Accounting Standards Board (GASB) requirements)
- Average weighted yield to maturity of portfolio on investments as compared to applicable benchmarks
- Listing of investment by maturity date
- Percentage of the total portfolio which each type of investment represents
- A statement about the performance of the investment portfolio during the period covered by the report
- An estimated ratio of the total long-term and short-term securities compared to the total investments and a description of the change, if any, in that estimated proportion since the previous year's report

- A statement by the Commissioner of Finance and Treasurer as to whether or not, in his or her opinion, all investments were made in accordance with the investment policies and goals adopted by the Corporation

- If an investment made by the Corporation is in the opinion of the Commissioner of Finance and Treasurer not consistent with the Policy, the inconsistency shall be reported to Council within 30 days (or the next earliest opportunity) after becoming aware of it

- A record of the date of each transaction in or disposal of its own securities, including a statement of the purchase and sale price of each security; If the Corporation has any existing forward rate agreements in a fiscal year, the Commissioner of Finance and Treasurer shall prepare and present to Council once in that fiscal year, or more frequently if Council so desires, a detailed report on all of those agreements, which will contain:

  - A statement about the status of the forward rate agreements during the period of the report, including a comparison of the expected and actual results of using the agreements

  - A statement by the Commissioner of Finance and Treasurer indicating whether, in his or her opinion, all of the forward rate agreements entered during the period of the report are consistent with the Corporation's statement of policies and goals relating to the use of forward rate agreements

- Such other information that the Council may require or that, in the opinion of the Commissioner of Finance and Treasurer, should be included

## c) Performance Benchmarks

It is anticipated that the investment portfolio will earn an average rate of return that is at least commensurate with the investment risk constraints and cash flow needs of the Corporation. Therefore, the actual rate of return earned on the portfolio will be regularly compared to performance benchmarks that have been previously established.

The benchmark(s) may vary from time to time as determined by the Director of the Treasury Office in order to be comparable to the composition and average term of the current holdings of the investment portfolio. The performance of the General Portfolio will be compared using two sets of performance benchmarks – an index-based benchmark and a managed portfolio benchmark.

The index benchmark will be based on a proportional blend of applicable components of the following indices:

- FTSE Canadian Money Market Index
- FTSE Canadian Short-Term Bond Index
- FTSE Canadian Medium-Term Bond Index, and
- FTSE Canadian All Government Long-Term Bond Indexes

The managed portfolio benchmark will be based on a proportional blend of rate of returns earned by the following funds:

- ONE Investment Program Money Market Fund, and
- ONE Investment Program Bond Market

### d) Marking to Market

The market value of the investment portfolio shall be calculated monthly or more frequently if determined necessary by the Director of the Treasury Office.

## 7. Safekeeping and Custody

All securities shall be held for safekeeping by a financial institution approved by the Corporation. Individual accounts shall be maintained for each portfolio. All securities shall be held in the name of the Corporation.

The depository shall issue a safekeeping receipt to the Corporation listing the specific instrument, rate, maturity and other pertinent information. On a monthly basis, the depository will also provide reports which list all securities held for the Corporation, the book value of holdings and the market value as of month-end.

## 8. Securities Lending

The Corporation may engage in the practice of securities lending as provided in Section 418 of the *Municipal Act* to enable the corporation to increase its return on its custodial portfolio by lending certain assets to recognized borrowers for a fee.

## 9. Forward Rate Agreements

The Corporation may enter into Forward Rate Agreements (FRAs). FRAs may only be used to reduce the risk of future interest rate changes associated with known cash inflows and will be subject to the conditions set out in Appendix 2.

The FRA agreement must specify:

- The forward amount, which is the principal on which the interest rate is based upon
- A settlement date
- The forward interest rate
- The reference rate of interest
- A schedule of approximate payments/cost to or by the Corporation should the reference rate and the forward rate differ

A report analyzing the risks and return profile of the transaction, the risk exposure to the Corporation without the FRA and specific risk control measures must be approved by the Commissioner of Finance or Treasurer prior to entering into a FRA agreement.

## Responsibilities and Authorities:

**Commissioner of Finance and Treasurer and/or the Director, Treasury Office:**

- Develops and maintains all necessary operating procedures for effective control and management of the investment function and reasonable assurance that the Corporation's investments, including those managed on behalf of external clients, if applicable, are properly managed and adequately protected.

- Ensures that the summary of Investment Procedures remains up to date and accessible to all investment officers and employees.

- Enters into arrangements with banks, investment dealers and brokers, and other financial institutions for the purchase, sale, redemption, issuance, transfer and safekeeping of securities.

- Determines rate of return to be allocated to accounts based on Appendix 3 and the portion of any deferred revenue, reserve or reserve fund deemed to be investable for the long-term.

- Will delegate the responsibilities and functions of the Treasury Office to investment officers and employees in a manner that would delineate between front, back office and a potential risk management committee. The duties performed by the trading desk and back office will be clearly segregated to maintain the integrity of the financial records. The function of executing and confirming trades will be separated from investment officers or employees directly responsible for the trade.

- May delegate all or part of the day-to-day management of investments to a qualified investment officer (e.g., Manager, Investment and Cash Management).

- Ensures that a review of the investment portfolio is performed daily to verify its compliance with the sector and credit exposure limitations set out in Appendix 1 by the appropriate investment officers or employees within the Investment and Cash Management Division.

- Ensures that any investment that becomes inconsistent with this Policy will be disposed of within 180 days.

- Ensures that credit rating of securities held in the investment portfolio are being monitored regularly by appropriate investment officers or employees within the Investment and Cash Management Division and any material negative changes are communicated in a timely manner to the Director, Treasury Office and the Director, Controllership Office, or their designates.

- Executes and signs documents on behalf of the Corporation and performs all other related acts in the day-to-day operation of the investment and cash management program.

- Ensures all Reporting Requirements identified within this Policy are met.

- May temporarily authorize an amendment to the Term Limits shown in Appendix 2 should an operational need arise.

- Obtains adequate insurance coverage to guard against any losses that may occur due to misappropriation, theft, or other unscrupulous acts of fraud with respect to the Corporation's financial assets.

## Reference:

Section 418 of *Municipal Act*

Section 420 of the *Municipal Act*

Section 25 of the *Securities Act*

Ontario Regulation 438/97

Ontario Regulation 265/02

Ontario Regulation 299/02

Ontario Regulation 655/05

## Contact:

Director, Treasury Office, Finance Department

## Approval Information:

| | |
|---|---|
| **Council Approval Date:** June 28, 2018<br>**Council Minute No.:** 108<br>**Extract eDOCS #:** 8457074 | **Committee Name:** Committee of the Whole<br>**Report No.:** 11<br>**Clause No.:** 15 |

#7040110

Accessible formats or communication supports are available upon request.

# Appendix 1 – Authorized Investments and Sector Limitations

| Sectors | Minimum Credit Rating | Money Market Rating | Sector/Credit Exposure Limitation[1] (maximum) | | Sector Term Limitation (Maximum) |
|---|---|---|---|---|---|
| | | | Portfolio Limit | Individual Limit | |
| ( a ) | ( b ) | ( c ) | ( d ) | ( e ) | ( f ) |
| **Federal[2]** | | | | | |
| Canada | N/A | | 100% | . | 50 years |
| Federal Guarantees | N/A | | 50% | 10% | 50 years |
| **Other Countries[2]** | | | | | |
| Government | AAA | | 20% | 10% | 20 years |
| Government | AA (L) | | 10% | 5% | 10 years |
| Other Countries Total | | | 20% | | |
| | | | | | |
| **Provincial[2]** | | | | | |
| | AA | R1 mid | 75% | 35% | 40 years |
| | A | | 25% | 15% | 30 years |
| | BBB | | 10% | 5% | 10 years |
| Provincial Total | | | 80% | | |
| | | | | | |
| **Municipal** | | | | | |
| Region of York[3] | N/A | | 25% | 25% | None |
| Other Municipalities[4] | AAA | | 35% | 5% | 40 years |
| | AA | | 25% | 5% | 40 years |
| | A | | 10% | 2% | 40 years |
| | Not rated | | 5% | 2% | 10 years |
| Applied Arts, Housing Corp, Education & | AA(L) | | 25% | 5% | 10 years |

[1] exposure % limitations to be applied to the par value of the total portfolio
[2] includes guarantees
[3] includes advances to area municipalities
[4] Infrastructure Ontario & BCMFA, School Boards, Local Boards & Conservation.
[5] Investment in these securities is contingent upon the Region maintaining a credit rating at or above AA (L)
[6] Maximum 25% beyond 5 years
[7] Including High Interest Savings Account
[8] United States dollar investments are limited to no more than 1% exposure limit

| | | | | | |
|---|---|---|---|---|---|
| Hospitals | | | | | |
| Municipal Total | | | 35% | | |
| **Asset Backed[5]** | AAA | R1 high | 20% | 5% | 10 years |
| **Banks** | | | | | |
| Schedule I Banks | A- | R1 mid | 50% | 25% | 10 years[6] |
| | | | | | |
| | | | | | |
| Schedule II Banks | A- | R1 mid | 20% | 10% | 5 years |
| | | | | | |
| Schedule III Banks | A- | R1 mid | 10% | 3% | 5 years |
| | | | | | |
| **Banks Total** | | | **50%** | | |
| | | | | | |
| **Corporate** | | | | | |
| Corporate debt[5] | A- | R1 mid | 25% | 5% | 5 years |
| | A- | | **15%** | 3% | 5 years |
| **Corporate Total** | | | **30%** | | |
| | | | | | |
| **Supranational** | | | | | |
| International Bank for Reconstruction and Development[i] | AAA | | 10% | 10% | 30years |
| Other governmental or financial institutions | AAA | | 15% | 10% | 30 years |
| **Supranational Total** | | | **20%** | | |
| | | | | | |
| **ONE Investment** | | | | | |
| Money Market[7] | n/a | | 10% | n/a | |
| Bond Fund | n/a | | 10% | n/a | |
| Equity/Shares | n/a | | 10% | n/a | |
| Corporate Debt | A | | 10% | n/a | > 5 year |
| **ONE Total** | | | **25%** | | |
| | | | | | |
| **Other** | | | | | |
| Loan or trust corporation, credit union, Province of Ontario Saving Bank | AA(L) | | 20% | 5% | 10 years |

## Appendix 2 – Portfolio Term Limitations[1]

| | Percentage | |
|---|---|---|
| **Term Limitation** | **Minimum** | **Maximum** |
| Less than 90 days | 5%* | 100% |
| Less than 1 year | 10% | 100% |
| From 1 year up to, but not including 5 years | 0% | 85% |
| From 5 years up to, but not including 10 years | 0% | 60% |
| From 10 years up to 50 years | 0% | 30% |

Note: to include known cash receipts due within 90 days

**Other Restrictions:**

1) Term is limited to an individual maximum term of 50 years for certain securities and the weighted average term shall not exceed 10 years for the general portfolio.

2) Investments for terms in excess of 1 year are restricted subject to investments specified and the credit rating limitation set out on Appendix 1.

3) Forward Rate Agreements (FRAs) may only be executed with Schedule I, II or III Banks whose credit rating is as permitted by provincial regulation. The term of any FRA must be less than 1 year and not more than 25% of previous year's cash receipts.

[1] Term % limitations to be applied to the total amortized book value of the General Fund Portfolio.

# Appendix 3 – Allocation of Investment Income

The method for allocating interest to accounts with surplus balances will reflect the term characteristics of that account.

The rate structure will be based on a three-tier system as follows:

1. Short-term rate – rate of return realized from the short-term money market portion of the General Fund portfolio including cash held on deposit with the Region's bank service provider.

2. Mid-term rate – a rate of return less than the long-term rate, as determined by the Commissioner of Finance and/or Director, Treasury Office

3. Long-term rate – rate of return realized from all long-term and any residual income not accounted for in the short and mid-term rate calculation above.

The short-term rate will be applied to the following accounts:

1. All deferred revenue accounts

2. The following corporate reserves:
   - Dental
   - Payroll Transfer
   - Extended Health
   - Vacation Pay

3. The following specific reserves:
   - Fuel Cost Stabilization
   - Hospital Financing
   - Transit
   - ~~Federal Gas Tax~~Canada Community Building Fund
   - Provincial Gas Tax
   - Road Capital
   - Pandemic Management

~~3.~~4. Funds held on behalf of other organizations

The long-term rate will be applied to the following accounts:

1. Water - Capital Replacement
2. Sewer - Capital Replacement
3. Facilities Rehabilitation and Replacement
4. Roads Rehabilitation and Replacement
5. Region Owned Housing
6. Transit Vehicle Replacement
7. Any portion of a deferred revenue account, a reserve or reserve fund that maintains a consistent average outstanding balance that, at the discretion of the Commissioner of Finance and/or Director, Treasury Office, is deemed to be investable for the long term.

The mid-term rate will be applied to all other reserve and reserve funds.