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The Regional Municipality of York

TREASURER'S REPORT

The financial plans and reports of The Regional Municipality of York have consistently stressed the importance of planning and commitment to ensure resources are available to meet its residents' needs now and in the future.

The need for this approach has never been clearer. This report on the Region's financial performance for the 2019 fiscal year was delivered at a time of unprecedented uncertainty. Efforts to curb the spread of COVID-19, a highly contagious viral disease, closed schools, public spaces and most businesses around the world and across Canada, including in York Region. Even as governments considered how to ease restrictions while ensuring public safety, it was clear that the impacts of this crisis were likely to be significant and long-lasting.

This report shows how several years of effort by the Region, guided by its Fiscal Strategy, have reduced reliance on debt and helped to build reserves for future spending needs. In 2019, the Region became a net investor, with more funds invested or in cash than it had in outstanding debt. While the road ahead will undoubtedly be difficult, commitment to financial sustainability has improved the Region's ability to deliver urgently needed services as the world recovers.

Results for the year show continuing strengthening in the Region's balance sheet. The accumulated surplus reached $7.9 billion at the end of 2019, up from $7.2 billion at the end of 2018. The increase reflects a surplus of $689.2 million from operations over the year as determined on the full accrual basis. The Region's debt, excluding borrowings on behalf of local municipalities and net of sinking fund assets, fell by $56.3 million by year-end, while its financial assets, including cash, cash equivalents and investments, rose by $228.0 million.

As the previous paragraph indicates, the financial results in this report are presented on the full accrual basis of accounting. The Regional budget as approved by Council was presented in a way that showed that cash inflows, including the property tax levy, were balanced against all expected cash outflows.

For comparability to these financial statements, the 2019 budget book provided revenues and spending on a full accrual basis. This report compares final results to the accrual based budget. It also reports briefly on the results against the original budget as approved by Regional Council. Providing a comparison to the budget helps to show how financial resources are being used to achieve the Region's plans and goals.

The discussion and analysis that follows, including comparison to plan and a look at trends over time, and the financial statements themselves form a key part of our accountability to residents.

OVERVIEW OF THIS REPORT AND THE FINANCIAL STATEMENTS

TREASURER'S REPORT

The Treasurer's report expands on the information provided in the Region's financial statements by:

- Outlining the strategic framework guiding the Region's financial management
- Giving highlights of the Region's financial performance in 2019
- Discussing financial results for 2019 compared to 2018 and the 2019 budget, focusing on the Consolidated Statement of Financial Position and the Consolidated Statement of Operations
- Explaining the framework for planning and reporting on financial activities and the Region's responsibilities for managing its finances and safeguarding assets
- Looking at possible risks to the Region's long-term financial sustainability and how they are managed

FINANCIAL STATEMENTS

The financial statements describe the Region's financial position at the end of the year and show how it changed from the previous year. The notes that follow the statements are an integral part of the Region's financial reporting.

Consolidated Statement of Financial Position

This statement is the Region's balance sheet, listing its assets, liabilities and accumulated surplus as of December 31, 2019.

Consolidated Statement of Operations

This statement reports the Region's revenues and expenses for the year. The net difference is either an annual surplus or annual deficit. Revenues exceeded expenses in the year ended December 31, 2019, resulting in an annual surplus.

Consolidated Statement of Change in Net Debt

This statement reconciles the change in net debt for the current and prior year. Under public sector financial reporting in Canada, "net debt" is defined as the difference between a reporting entity's financial assets and its liabilities. This differs from how the Region uses the term "net debt" in other documents to mean its issued debt, excluding borrowings on behalf of local municipalities and net of sinking fund assets.

Consolidated Statement of Cash Flows

This statement outlines the Region's sources of cash, shows how they were applied to meet cash needs, and gives the resulting change in cash and cash equivalents by year-end.

Two other sets of financial statements are provided. They are for:

- The sinking fund, which is held and reported on separately from other Regional assets. The fund's purpose is to allow the Region to meet the repayment requirements of its sinking fund debt. Sinking-fund debt requires that funds equivalent to a share of the debt be set aside on a prearranged schedule before the maturity date. *The Municipal Act, 2001,* requires sinking funds to be audited annually
- Funds held in trust by the Region for residents of Newmarket Health Centre and Maple Health Centre, and donations to those facilities. The Region invests these funds on behalf of the residents and interest earned is credited to the funds

STRATEGIC FRAMEWORK

For the 2019 fiscal year, the main elements guiding the Region's financial management were:

- Vision 2051 and the 2019-2023 Strategic Plan
- The 2019 Budget
- The Regional Fiscal Strategy

VISION 2051 AND THE 2019-2023 STRATEGIC PLAN

The Region's long-term direction is provided by Vision 2051, which sets out where the Region aspires to be by 2051.

Every four years, to coincide with the new term of Council, the Region develops a four-year Strategic Plan with the purpose of turning the Region's long-term vision and goals into day-to-day activities. The priorities of the 2019-2023 Strategic Plan are economic vitality, a sustainable environment, healthy communities, and good government.

The diagram below provides further details.

2019 BUDGET

The Regional budget provides the financial framework to accomplish the Strategic Plan and ultimately support Vision 2051.

Multi-year budgeting is a vital aspect of the financial framework. At the start of each council term, Regional Council reviews a four-year plan consisting of a proposed budget for the upcoming year and an outlook for the remaining three years. In each of the following three years, the outlook is reduced by one year.

The budget presented for Council approval in 2019 covered the four years from 2019 to 2023 inclusive. While the four-year framework gives overall direction, Council has the flexibility to make changes each year as conditions warrant.

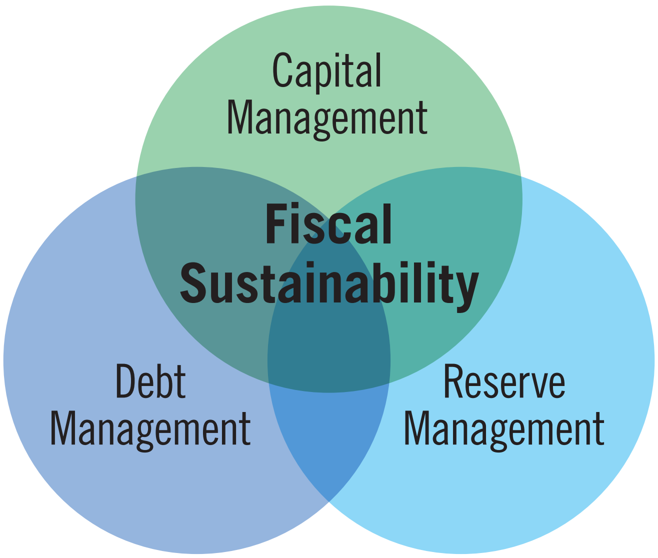
As noted, the Region's budget shows major cash inflows and outflows, and determines the tax levy needed to achieve the balance between these. It gives decision-makers and other readers a clear picture of where cash resources are expected to come from and how they will be applied to all activities, including capital and operations, to meet current and future needs.

This annual report provides a set of statements on the full accrual basis that together give a full picture of financial activities and results for the year. This aligns with the recommendations of the Public Sector Accounting Board, which develops accounting standards for governments in Canada.

For consistency with financial reporting, the annual budget includes a section entitled "Accrual Budget Presentation" in which figures are provided on the same basis as in the annual report. This report compares results for 2019 to the accrual-based budget.

REGIONAL FISCAL STRATEGY

The purpose of the Regional Fiscal Strategy, adopted in 2014 and updated annually, is to help the Region achieve long-term financial sustainability and fairness over time. It brings together three related elements, as shown in the diagram below.



The strategy recognizes the importance of fairness over time (intergenerational equity): no taxpayer at a given point in time benefits at the expense of a taxpayer at another point in time. This works in both directions — today's residents should not be unduly burdened to pay for projects that will largely benefit later residents, and future residents should not be unduly burdened with the costs of projects that largely benefited past residents.

Capital management is important because the Region must often build major infrastructure like roads, transit and water and wastewater systems in advance of the expected population and employment growth they will serve. Although the costs are expected to be covered by development charges when growth occurs, debt is often used to bridge the timing gap. Making investments at the best possible time, based on realistic forecasts, helps to reduce debt levels and debt service costs.

Reserves are funds that are built up over time for specific purposes, including paying capital-related costs to avoid issuing debt. Under the strategy, the Region has significantly increased the level of reserves dedicated to asset renewal and replacement. A corporate-wide asset management plan, endorsed by Regional Council in 2018, provides guidance on the size and timing of the needed investments. The strategy also saw the creation of a debt reduction reserve. Funded from the tax levy, it is mainly used to cover growth-related capital costs that are not eligible for development charge funding.

The Region's long-term **debt management plan** takes into account borrowing needs over the following 10 years, complies with Regional and provincial policies, and considers risks to the plan and ways of mitigating them.

2019 HIGHLIGHTS

Over the course of the 2019 fiscal year, York Region:

- Increased its financial assets, including cash, cash equivalents and investments, by $228.0 million to bring the total to $4.5 billion
- Paid down $56.3 million in debt, excluding borrowings on behalf of local municipalities and net of sinking fund assets, to decline to $2.7 billion from a peak of $2.9 billion in 2017
- Saw an increase of $689.2 million in its accumulated surplus, reflecting results from operations

CHANGES IN FINANCIAL POSITION

The Consolidated Statement of Financial Position gives a picture of the Region's balance sheet at December 31, 2019. The table below provides a summary.

Consolidated Statement of Financial Position

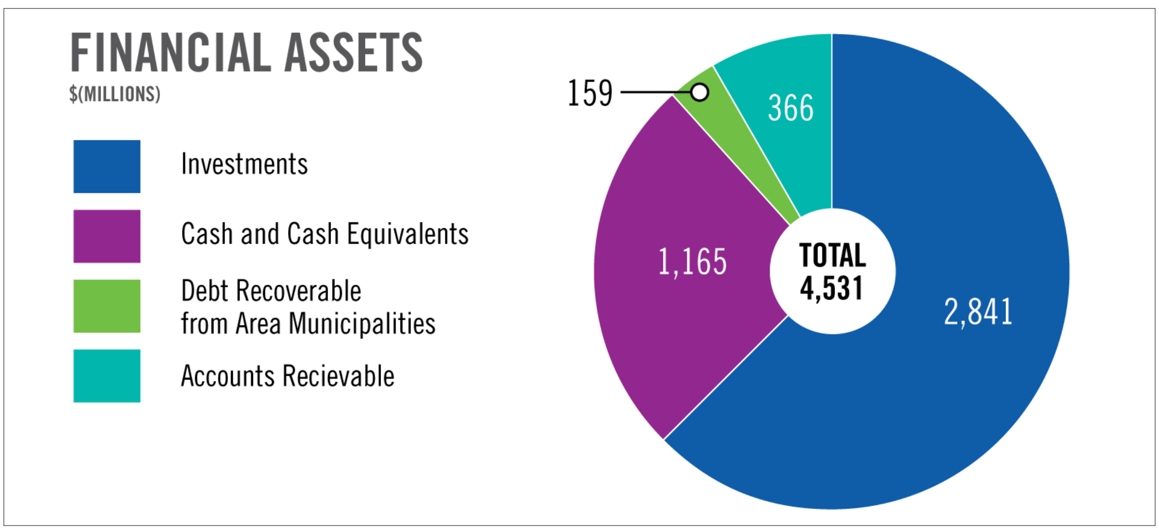
($ Millions)	2019 Actual	2018 Actual	Variance	% Change
Items				
Financial Assets	4,531.5	4,303.4	228.0	5.3%
Financial Liabilities	5,093.9	5,102.6	(8.7)	(0.2%)
Net Debt	(562.4)	(799.2)	236.7	(29.6%)
Tangible Capital Assets	8,449.8	7,999.8	450.0	5.6%
Other Non-Financial Assets	21.2	18.6	2.5	13.6%
Accumulated Surplus	7,908.5	7,219.3	689.2	9.5%

Note: numbers may not add due to rounding

The Statement of Financial Position reports the financial and non-financial assets, including tangible capital assets, available to the Region. It also lists obligations in the form of liabilities, including debt. Because the Region's total assets are greater than its liabilities, the statement shows an accumulated surplus.

FINANCIAL ASSETS RISE BY 5.3%

The Region's financial assets include cash and cash equivalents, investments and amounts owed to the Region by third parties, including debt issued by the Region on behalf of local municipalities. The pie chart below shows the breakdown:



These assets totalled $4.5 billion at the end of 2019, up by $228.0 million or 5.3% from the previous year.

Cash and cash equivalents grew by $691.8 million from $472.4 million at the end of 2018 to reach almost $1.2 billion a year later. The increase largely reflected a proactive management decision to decrease the Region's long-term investment portfolio, which was $485.9 lower by year-end 2019 than a year earlier, and move the proceeds to cash and cash equivalents. As well as providing capital gains from the sale of fixed income and equity securities, this shift allowed for greater liquidity in case of possible market turbulence in 2020.

TANGIBLE CAPITAL ASSETS

The approved 2019 budget included a capital plan for the year of $866.7 million. Under Public Sector Accounting Standards, which are used to prepare the financial statements and accrual-based budget, $727.6 million of the plan was classified as spending on tangible capital assets, with the balance allocated to capital-related operating expense. Of the $727.6 million, $584.7 million was for growth-related projects, while the balance was to go to renewing and/or replacing existing assets.

By year end, $518.7 million or 71.3% of the plan was spent, with the underspending due to delays in Transportation projects, a later-than-anticipated start to planning and design work on the Yonge Subway Extension and delays in housing land purchases and construction. The growth-related portion was largely funded by development charges and $149.5 million in debt issuance, while work on existing assets was covered from asset replacement reserves.

Financial reporting makes a distinction between assets under construction and assets in use. As an asset is completed and goes into service, the cost to build or acquire it moves from assets under construction into the appropriate category of assets in use. Note 13 to the financial statements show these categories and their value at year-end.

Assets under construction totalled $1.3 billion at year end. The table below lists the five largest additions to the assets under construction account and provides a comparison to the originally budgeted amount.

2019 Top 5 Capital Spend $(Millions)

Project	Department	Additions	Capital Budget
Administration Centre at 17150 Yonge Street	General Government	51.3	56.4
York Durham Sewage System Forcemain Twinning	Environment	38.1	*17.0
Toronto York Spadina Subway Extension	Transportation	26.4	57.4
Vaughan Metro Centre Hwy 400 & Hwy 7 Interchange	Transportation	20.4	*19.0
Yonge Subway Extension	Transportation	18.6	32.4

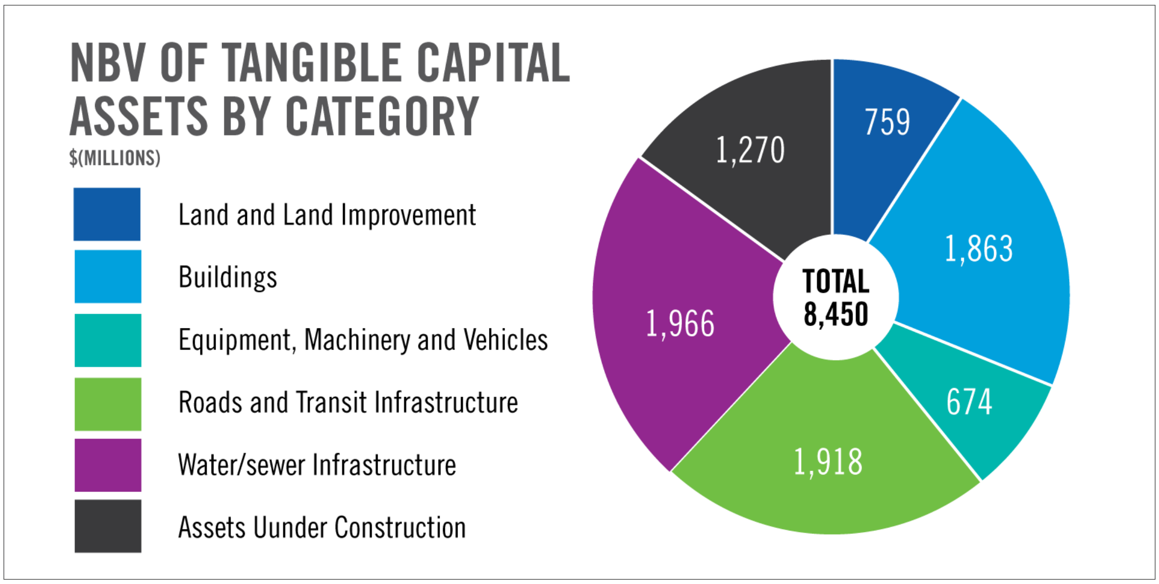
*Additional spending was within overall Capital Spending Authority.

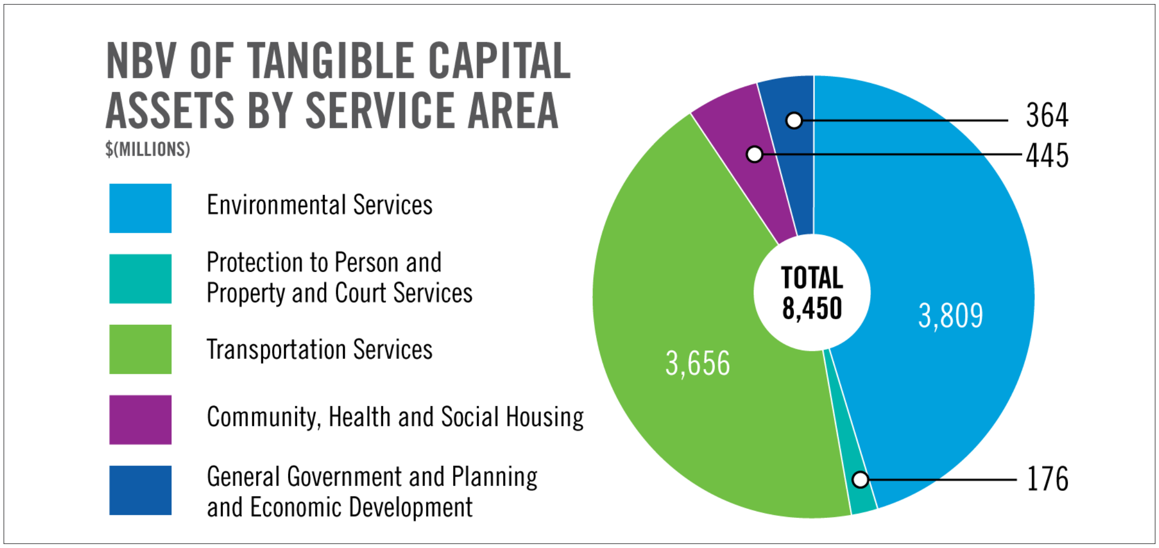
Several projects were completed in 2019 and put into use. The table below lists the five largest completions and the year that work first began on the project.

2019 Top 5 Additions to Assets in Use $(Millions)			
Project	**Department**	**Additions**	**Project start date**
Peel Water Supply - Cost Shared Works	Environment	64.9	2009
Toronto York Spadina Subway Extension	Transportation	48.3	2006
Woodbridge Lane	Housing York Inc	39.5	2010
SmartVMC Bus Terminal	Transportation	32.5	2012
Leslie Street Pumping Station	Environment	31.9	2004

Net book value as reported on the Consolidated Statement of Financial Position is the cost of an asset less its accumulated amortization. After taking into account amortization expense of $312.6 million and the disposal of assets during the year, the net book value of the Region's assets rose by $450.0 million, taking the total to $8.4 billion at the end of 2019.

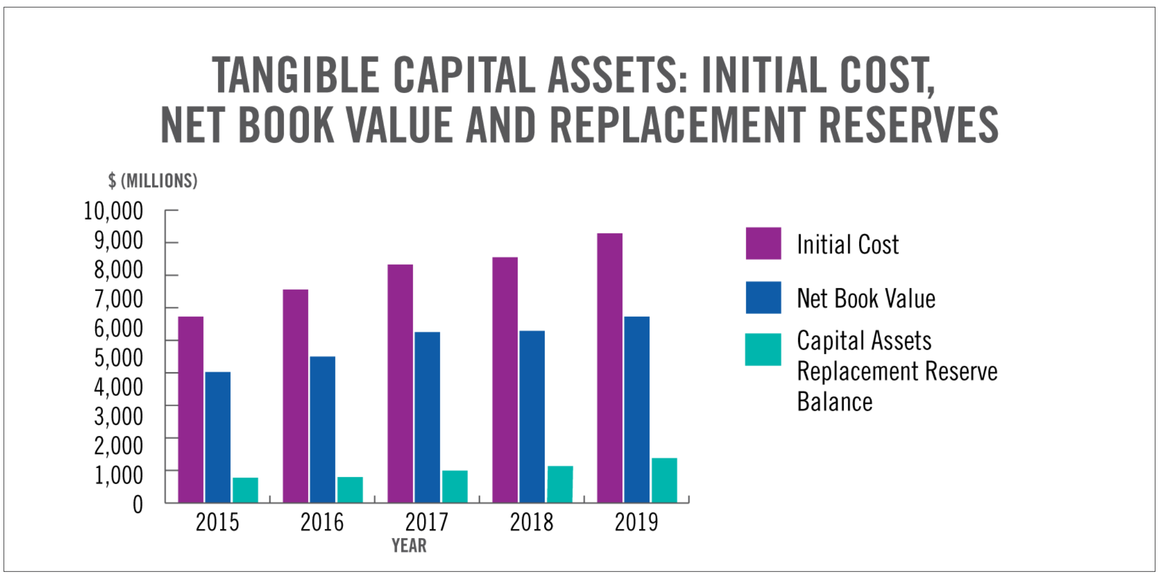
The following graphs show the breakdown in the net book value of assets by category and service area:





Five-year trend in net book value and asset condition

As the graph below shows, the net book value of the Region's assets has steadily increased over the past five years, resulting largely from major investments in roads, transit and water and wastewater infrastructure.



Note: The Region's asset replacement reserves exclude land, land improvements, and assets under construction. For comparability, these items have also been excluded from capital assets in the chart above.

One measure of the Region's potential financial vulnerability is the ratio of the net book value of assets to their initial cost. This ratio provides an estimate of the time remaining in which of assets are available to provide services, with a low ratio suggesting that assets are being used up and not replaced. The ratio for the Region has held fairly steady over the past five years at between 67.5% and 72.0%.

This means the Region is consistently adding or replacing assets, which helps to offset the decline in the net book value of existing assets. As more projects are completed, the rate of increase in net book value may slow. This is typical in a rapidly growing municipality like York Region, and may be followed by several years of equally important but lower outlays for rehabilitations of those assets. During this period, net book value may stabilize or even decline slightly.

Another measure of whether a government is prepared for asset-related needs is the amount of dedicated reserves available for asset management and whether the level of reserves reflects the expected need.

Effective asset management supports long-term sustainability. Asset management planning has progressed significantly in recent years, and provincial requirements have become more specific.

The Region's first Corporate Asset Management Plan, formalizing asset management planning practices across all departments, was approved by Regional Council in June 2018. Estimates of asset replacement values in the plan were based to the extent possible on actual asset condition, which is considered a more accurate measure of investment need than age, as used in the financial statements.

The 2018 plan represented a major step in developing a long-term financial plan to maintain, rehabilitate and eventually replace assets so that the Region can continue providing quality programs and services now and into the future.

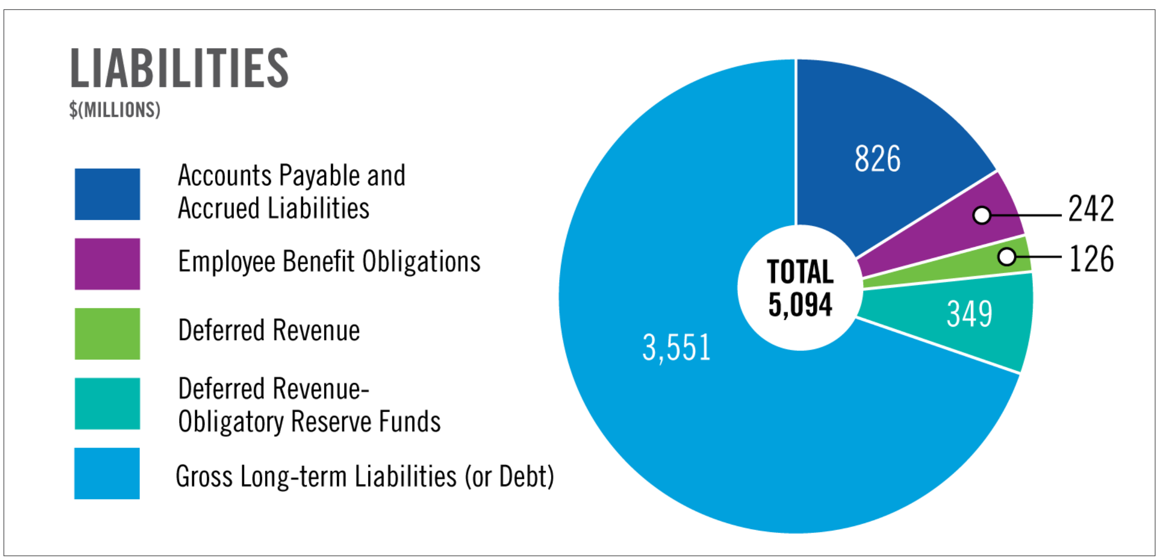
Annual contributions to capital assets reserves are based on the full asset management needs as identified by departments. The goal is to reach a level of contributions that meets the full needs while also achieving intergenerational equity.

Current asset replacement reserves are lower than either the depreciated cost or the estimated replacement value of the Region's assets. The long-term costs of asset rehabilitation and replacement tend to be higher than either of those measures, indicating a need for increased contributions to asset replacement reserves.

The next Corporate Asset Management Plan is expected in 2022.

LIABILITIES REMAINED STABLE

The Region's liabilities include accounts payable and accrued liabilities, employee benefit obligations, deferred revenue and gross long-term liabilities or debt. The pie chart below shows the breakdown:



Total liabilities decreased by $8.7 million or 0.2%, ending the year at $5.1 billion.

LIABILITIES OTHER THAN DEBT

Liabilities other than debt increased by $55.3 million, ending the year at $1.5 billion.

Accounts payable and accrued liabilities increased by $108.2 million from 2018, which was in line with higher capital spending in 2019.

Employee benefit obligations include the expected costs of extended health and dental coverage for retirees, vested sick leave benefits, long-term disability claims, vacation payable and workers' compensation obligations. These obligations increased by $20.1 million or 9.1% from 2018, reflecting increases in actuarial estimates of future costs and expectation of higher health care costs.

Deferred revenue represents funds received from third parties and set aside for specific purposes at a later date. For accounting purposes, the funds are recorded on the asset side of the consolidated statement of financial position in cash and investments, balanced by the deferred revenue. They are excluded from the list of reserves that the Region maintains for its own use because their use is restricted by third-party agreements.

There are two components of the deferred revenue on the Region's Consolidated Statement of Financial Position: general deferred revenue and deferred revenue-obligatory reserve funds.

The general deferred revenue account decreased by $35.1 million or 21.8% from 2018. The majority of the decrease relates to Metrolinx, the provincial transit agency, which has fully funded several bus rapidway projects in the Region. Funding is recorded in the "deferred capital grants" portion of the general deferred revenue account, from which the Region draws as projects are built. In 2019, the decrease reflected ongoing completion of currently funded projects.

Deferred revenue-obligatory reserve funds include development charges that are collected to pay for future growth-related projects and gas tax revenues to be used for transit and other specified purposes. This component decreased by $37.9 million or 9.8% in 2019. A net increase of $30.1 million in gas tax balance was more than offset by a net decrease of $68.0 million in the development charge balance.

DEBT

Total debt, which is reported in the Consolidated Statement of Financial Position as gross long-term liabilities, fell by $64.0 million to reach $3.6 billion by the end of 2019.

Total debt includes funds borrowed by the Region on behalf of local municipalities. The local municipal borrowings, which totalled $159.5 million at the end of 2019, are matched by an asset in the same amount that represents their future debt repayments.

Most of the Region's own borrowings are in the form of sinking fund debentures, which require the borrower to set aside funds over time to be used for repayment when the debt matures. The reserve representing these dedicated funds grew by $8.1 million in 2019.

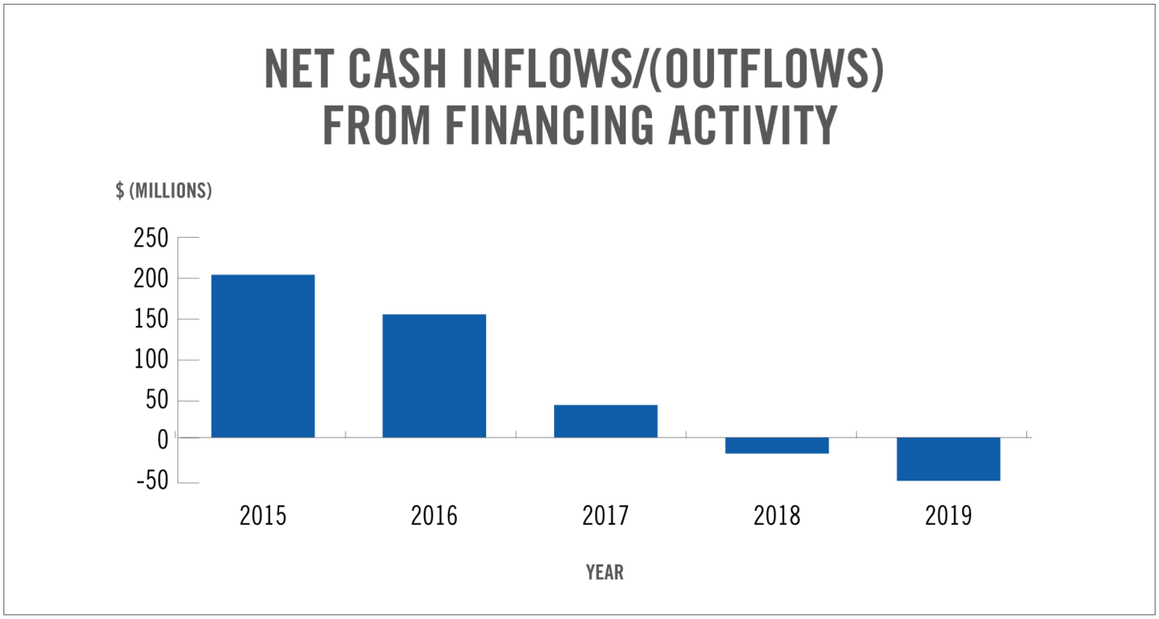
Netting off the sinking fund asset and excluding local municipal borrowing, the Region's net outstanding debt fell by $56.3 million, ending the year at $2.7 billion. The Region issued $149.5 million in new development-charge-supported debt in 2019 to help fund growth-related capital spending. This was more than offset by repayment of outstanding debt, resulting in the overall decrease.

These figures show that the Region met its commitment to keep its own debt, net of sinking fund assets, below the peak of $2.9 billion that was reached in 2017.

Five-year trend in debt

Reduced reliance on debt is one element of the Regional Fiscal Strategy, because it supports long-term fiscal sustainability.

The graph below, which reflects debt issuance/repayment according to the Consolidated Statement of Cash Flows, shows that the Region issued successively less debt each year from 2015 to 2017. In 2018, it did not need to borrow to meet its spending needs, and instead used cash reserves to reduce debt. In 2019, it decreased overall debt despite an increase in development-charge-supported debt.



Five-year trend in interest expense to own-source revenues

The ratio of interest expense to own-source revenues (such as property taxes, water and wastewater user charges, transit fares, investment income, other user fees and provincial fines) is a marker of financial vulnerability. When interest expense grows faster than a government's own-source revenues, it may have to divert too much of its revenues to paying interest costs, limiting its ability to fund other priorities.

The Region's ratio was 6.4% in 2019, continuing a decline from 8.4% in 2015. This is attributable to both growth in Regional own-source revenues and, for the third year in a row, a drop in interest expense (as discussed in the Consolidated Statement of Operations). Interest expense fell to $120.4 million in 2019 from $127.0 million the previous year, as Regional debt continued to decline.

This ratio is calculated without including development charge revenue, which is a key source of funding for debt servicing. Including these revenues would reduce the ratio to 5.6%, down from 7.4% in 2015.

NET DEBT

Under public sector financial reporting in Canada, "net debt" is defined as the difference between a reporting entity's financial assets and its liabilities. (In some contexts, the Region uses the term "net debt" to mean its issued debt, excluding borrowings on behalf of local municipalities and net of sinking fund assets.)

The Region's net debt as defined for public sector reporting purposes was $562.4 million at the end of 2019, representing the difference between its $4.5 billion in financial assets and $5.1 billion in debt and other liabilities.

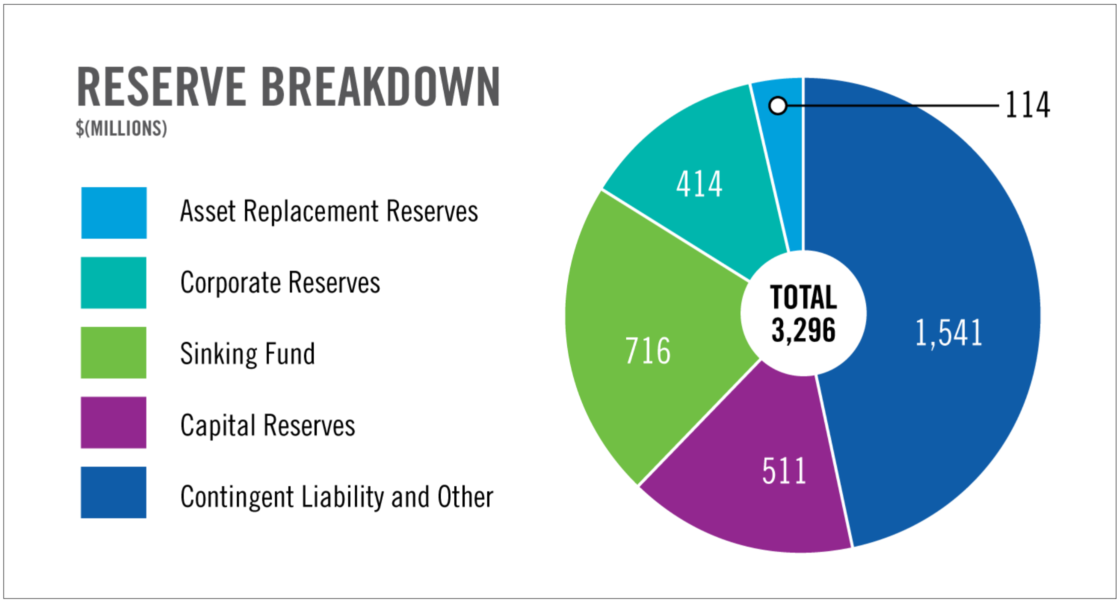
Net debt decreased by $236.7 million from the year-end level of $799.2 million in 2018 because financial assets, particularly cash and cash equivalents, increased while total liabilities remained relatively stable. Net debt provides a measure of the future revenues required to pay for past transactions and events, so a decrease in net debt is an improvement in financial position.

ACCUMULATED SURPLUS

The Region's accumulated surplus increased by $689.2 million or 9.5% from 2018 to reach $7.9 billion at the end of 2019. The increase is equal to the annual surplus and is calculated based on Public Sector Accounting Standards. (It differs from the operating surplus, which represents any excess in revenue or underspending in relation to the operating budget. The 2019 operating surplus is discussed on page 23.)

The accumulated surplus is the total of past annual surpluses. It represents the difference between the Region's assets, including tangible capital assets, and its obligations, including debt. As such, it represents the net resources the Region has to provide future services.

The Region has identified a number of specific future needs and earmarked a portion of the total accumulated surplus for them. These amounts are called reserves and reserve funds, and at 2019 year-end they totalled $3.3 billion, up from $3.0 billion a year earlier. The pie chart below provides a breakdown by reserve type.



Asset replacement reserves are funded from two main sources: a portion of user rates goes into reserves for water and wastewater renewal and replacement, while a share of the tax levy is contributed to reserves for replacing other assets, such as roads. Total asset replacement reserves stood at $1.5 billion by year-end, having increased by $183.0 million or 13.5%, during the year. This increase was made up of contributions totalling $405.8 million, less $222.8 million used for asset management purposes during the year.

The Region's sinking fund reserve, which is a segregated fund that can only be used to repay existing debt, is the next largest balance. It grew by $8.1 million or 1.2% in 2019 to reach $716.0 million by year end.

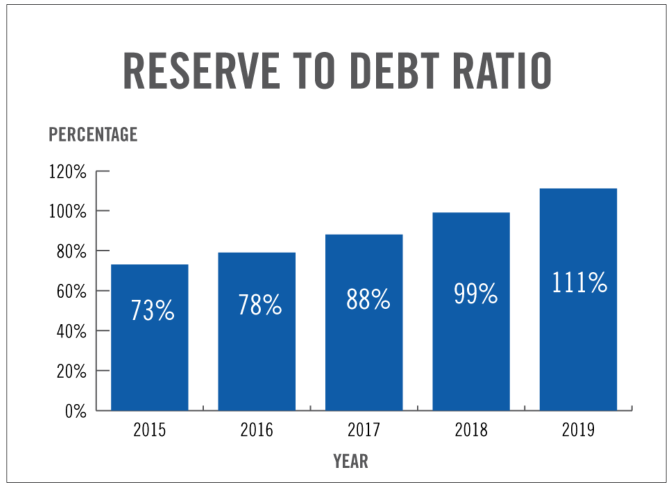
Capital reserves, which include funding for capital programs such as social housing development, solid waste management and hospitals, rose by $2.7 million or 0.7% in 2019.

The balance reflects additional reserves that the Region maintains to smooth fluctuations in operating revenue and expense items, and to build funding over time for special projects. In total, these reserves rose by $105.4 million, or 20.3%, over the year.

Reserves to debt

The ratio of reserves to debt is an important marker of fiscal sustainability. A high ratio shows sufficient funds would be available for future capital investments without an excessive reliance on debt. It also ensures that if revenues were to decline, other resources would be available to meet a municipality's obligations. Conversely, a municipality with a low ratio is more vulnerable to a revenue decline.

The Regional Fiscal Strategy has steadily improved the reserves-to-debt ratio for the Region, as the graph below shows:



Note: The reserves figure includes development charges and gas tax funding. It excludes the sinking fund reserve balance. The debt figure represents Region-only debt, excluding local municipality debt and housing-related debt and net of sinking fund assets.

The Region's strong ratio at the end of 2019 shows that it achieved a net investor's position and it has the resources to manage short-term fluctuations in revenue.

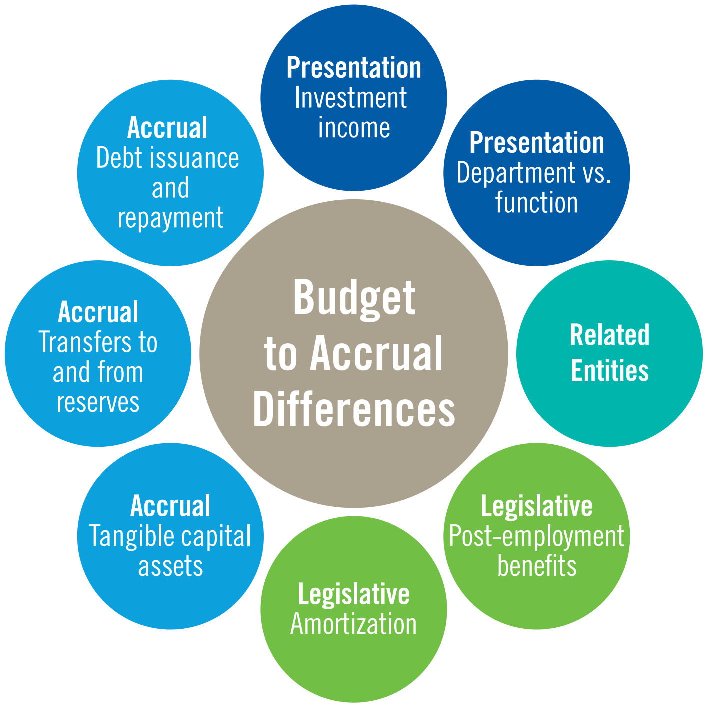
CONSOLIDATED STATEMENT OF OPERATIONS

The sections below explain the differences between revenues and spending in the budget and this report, and provide a comparison of operating results to both the budget plan and the previous year.

COMPARING ACTUAL RESULTS TO THE BUDGET

The budget is prepared on what is called the "modified accrual basis" of accounting. This approach looks mainly at expected cash inflows and outflows and uses the property tax levy to achieve a balance. This is different from the accrual treatment for the consolidated financial statements, which are prepared in accordance with the standards set by the Public Sector Accounting Board.

As a result of the different approaches used to prepare the budget and report on results, comparing actual operating results to the budget plan requires a reconciliation. This reconciliation also captures other differences between the budget and financial statements, as the graphic below shows:



The major differences between the full accrual financial statements and the modified accrual budget as approved by Regional Council include:

Presentation

- Under full accrual accounting, investment income is a revenue item and is treated as such in the financial statements. In the approved budget, a portion of this is an offset to General Government expense.
- The annual report and the full accrual budget set out expense by function instead of department. The approved budget is presented by department. This has only a minor impact in most areas.

Related entities

- Under full accrual accounting, the financial activities of three Regionally owned entities, York Region Rapid Transit Corporation, Housing York Inc. and YTN Telecom Network Inc., are fully consolidated with the results of the department to which they are related. The treatment of these entities is different in the approved budget.

Legislative

- Post employment benefits are employee benefits that have been earned but will be paid in the future as employees retire. Amortization is a fraction of the cost of a tangible capital asset and is recorded as an expense each year the asset is expected to be in service. Under provincial law, these items may be excluded from a municipal budget because they require no cash outlay, as long as Council is informed. The Regional budget follows the approach allowed by provincial law.

Accrual

- Under full accrual accounting, assets that are expected to last for more than one year are capitalized. This means the upfront cost of building and acquiring tangible capital assets is shown not as an expense, but instead on the Consolidated Statement of Cash Flows in the year the spending occurs and amortization is recorded as an expense over the life of the asset. The budget as approved by Council treats capital spending as an expense in the year it occurs. This facilitates approval of a capital budget that authorizes the expected cash outflows on capital projects over time.
- Transfers from reserves and the proceeds of borrowings are sources of cash, not revenues under full accrual accounting. Similarly, transfers and contributions into reserves and repayments of debt are uses of cash, not expenses, under full accrual accounting. In the budget approved by Council, these inflows and outflows are taken into account in balancing the budget as required by provincial statute.

In the "Accrual Budget Presentation" chapter, the 2019 budget book included a detailed reconciliation between the budget prepared for Council approval and the same budget presented on a full accrual basis. The table below summarizes key figures:

$(Millions)	Approved budget	Adjustments	Full accrual budget
Revenue	3,210.9	(349.3)	2,861.6
Expense	3,210.9	(884.5)	2,326.4
Surplus	-	535.2	535.2

The full accrual budget presented in the budget book generally used the same presentation and accounting approaches as the financial statements in this annual report. In the Statement of Operations, some accrual budget numbers have been updated to reflect internal reorganizations and align with provincial Financial Information Return requirements. The total budgeted figures for revenue, expense and annual surplus remain the same.

RESULTS FOR 2019 AND FIVE-YEAR TRENDS

This section compares operating results for 2019 to the full accrual budget and to results for 2018. It also discusses five-year trends in key figures and ratios, as recommended by the Public Sector Accounting Board.

The table below summarizes results from the 2019 Consolidated Statement of Operations:

Consolidated Statement of Operations

$(Millions)	2019 Budget	2019 Actuals	2018 Actuals	Budget to Actual Variance	Year over Year Variance
Revenues	2,861.6	2,941.9	2,766.2	80.2	175.6
Expenses	2,326.4	2,252.6	2,246.6	-73.8	6.1
Annual Surplus, accrual basis	535.2	689.2	519.7	154.0	169.6

Note: numbers may not add due to rounding

At $689.2 million, the surplus for 2019 was $154.0 million higher than expected in the accrual-based budget. It was also $169.6 million higher than the previous year's $519.7 million.

REVENUES

The table below provides a summary of the revenues from the 2019 Consolidated Statement of Operations with comparisons to the accrual-based budget and the previous year:

$(Millions)	**2019 Budget**	**2019 Actuals**	**2018 Actuals**	**Budget to Actual Variance**	**Year over Year Variance**
Revenues					
Net Taxation	1,145.0	1,152.2	1,090.9	7.2	61.2
User Charges	354.4	353.9	316.5	(0.5)	37.4
Transfer Payments	690.3	779.8	604.7	89.5	175.2
Development Charges	415.7	293.0	474.2	(122.7)	(181.2)
Fees and Services	161.5	167.5	164.8	5.9	2.6
Investment Income	61.6	119.3	68.7	57.7	50.6
Other	33.1	76.2	46.4	43.1	29.8
	2,861.6	2,941.9	2,766.2	80.2	175.6

Note: numbers may not add due to rounding

At just over $2.9 billion, actual 2019 revenues were $80.2 million higher than expected in the 2019 budget, and $175.6 million above actual 2018 revenues.

- Net taxation revenues were $7.2 million above plan, due mainly to better-than-expected performance for supplementary taxes net of write-offs. Net supplementary taxes do not fund operating costs and are directly allocated to reserves.

  The increase over 2018 was $61.2 million or 5.6%, which was in line with the approved tax levy increase of 3.96%, assessment growth of 2.15%, and a slight year-to-year decrease in supplementary taxes.

- The budget projection for water and wastewater user charges was based on a blended rate increase of 9% and expected growth in consumption from 2018. Actual results were close to plan.

  The year-over-year increase was $37.4 million or 11.8%, reflecting both the rate increase and higher consumption.

- Revenue from provincial and federal transfers was $89.5 million more than planned, at $779.8 million. The main reason was a Metrolinx asset donation to Transportation Services of $131.6 million related to the rapidways, which was $89.8 million more than budgeted.

  Transfer payments rose by $175.2 million or 29.0% from 2018 to 2019. Provincial grants totaled $699.0 million, a year-over-year increase of $171.2 million, largely attributable to the Metrolinx donation discussed above. In addition, social assistance revenue increased by $19.2 million, due mainly to additional provincial funding as a result of a higher Ontario Works caseload. Federal funding increased slightly to $80.9 million from $76.9 million a year earlier.

- Development charge revenue is the amount drawn down from the deferred revenue account to pay for Regional infrastructure needed to support growth. This revenue source was $122.7 million below forecast, due to delays in growth-related construction activity.

  Revenue from development charge drawdowns was $181.2 million or 38.2% lower than in 2018. This was mainly due to the Region using development-charge-supported debt to fund a portion of growth-related infrastructure in 2019 instead of drawing down development charge balance.

- At $119.3 million, interest income and other earnings on investments was $57.7 million higher than the budget forecast of $61.6 million. This reflected better-than-expected income performance and capital gains on the sale of fixed-income securities and equities. The investment portfolio continued to outperform its benchmarks.

  The year-over-year increase was $50.6 million or 73.7%.

- Fee and service revenue was $5.9 million higher than budgeted. The majority of the difference relates to higher-than-planned revenues from paid duty earnings and unbudgeted recoveries for joint force investigative projects for York Regional Police.

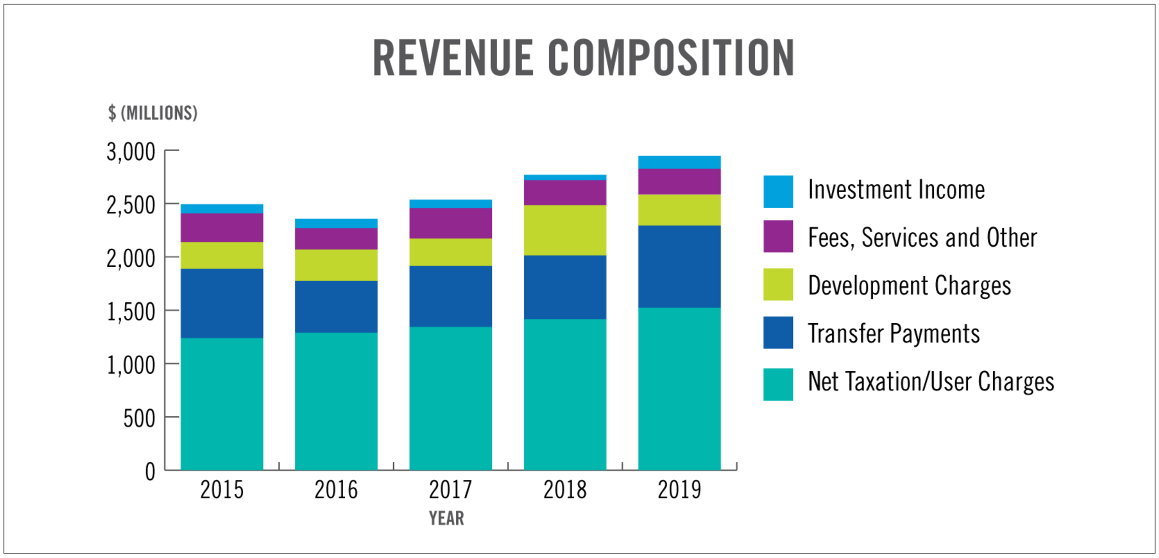
  Overall, there was a year-over-year increase in fee and service revenue of $2.6 million or 1.6%.

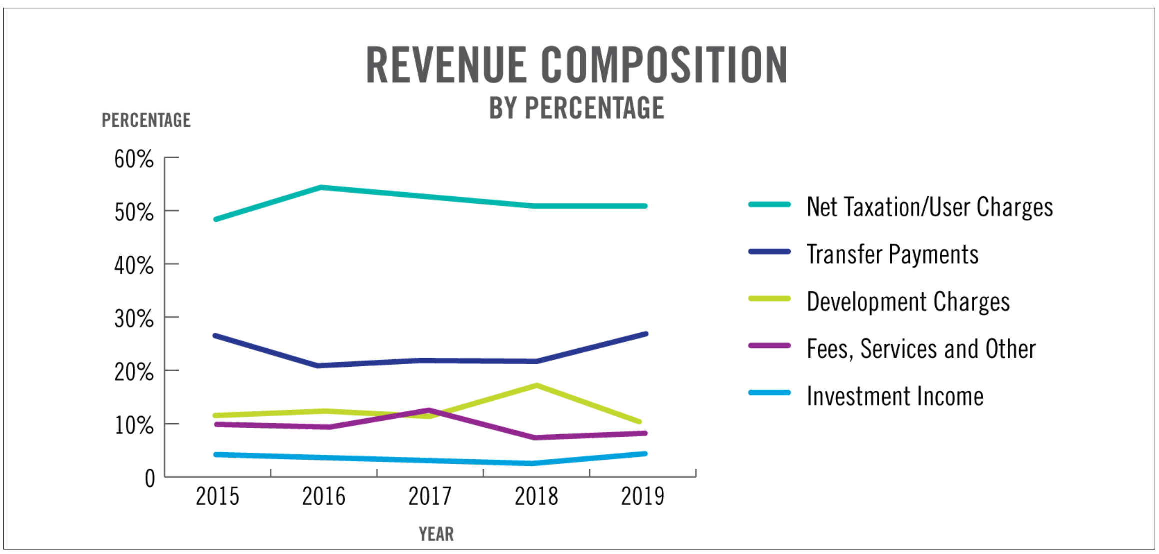
- Other revenue was $43.1 million higher than budgeted. Much of this revenue reflects recoveries from local municipalities for capital projects the Region carries out on their behalf. The budget forecast was based on an expected decline in construction activity. The decline was less than expected, so recoveries were higher than planned.

  This was a year-over-year increase of $29.8 million or 64.2%.

Five-year trend

The graphs below illustrate the year-to-year changes in sources of revenue over the past five years:





High dependence on sources of revenue over which a government has little or no control, can make it more vulnerable to the decisions of other entities.

In total, revenues over which the Region has control, comprising taxation and user charges, fees, services and interest earnings, amounted to about 63.5% of revenue in 2019. Over the past five years, these revenue sources have provided 64.2% of total revenues on average.

Among revenue sources over which the Region has limited control, transfer payments from senior governments have provided an average of 23.4% of revenues over the past five years. In 2019, the figure was higher than average at 26.5%, owing largely to the provincial donation of Metrolinx-related assets to the Region that was treated as a transfer payment.

In general, transfer payment fluctuations reflect either specific, time-limited funding (such as for the transit projects) or decisions by other levels of government. The Region is accustomed to managing the impact of changes in the level of these payments as long as sufficient time to adjust is provided.

Drawdowns of development charges are used to pay for growth-related capital projects, and can change sharply from year to year in line with the investments they fund. Over the past five years, this source of revenue has averaged 12.3% of the Region's total. In the first three years, the level was fairly stable. In 2018 it increased sharply to 17.1% of total revenue, followed by a decline to 10.0% in 2019 as the Region relied on debt to fund a portion of growth-related capital costs.

EXPENSES

The table below provides a summary of the expenses from the 2019 Consolidated Statement of Operations with comparisons to the accrual-based budget and the previous year:

$(Millions)	2019 Budget	2019 Actuals	2018 Actuals	Budget to Actual Variance	Year over Year Variance
Expenses					
Transportation Services	608.7	607.6	539.4	(1.0)	68.2
Environmental Services	496.6	482.3	612.4	(14.3)	(130.1)
Community and Health Services (2)	621.3	612.0	579.7	(9.3)	32.2
Protection to Persons and Property (3)	394.9	405.7	385.7	10.7	20.0
Other (4)	205.0	145.0	129.4	(59.9)	15.6
	2,326.4	2,252.6	2,246.6	(73.8)	6.1

Notes:

1. Numbers may not add due to rounding
2. "Community and Health Services" comprises Health and emergency services, Community services and Social housing from the Consolidated Statement of Operations
3. "Protection to persons and property" comprises York Regional Police, the Police Services Board, court administration and conservation authorities
4. "Other" comprises General government and Planning and economic development from the Consolidated Statement of Operations

Total expenses were $2.3 billion. This was a decrease of $73.8 million from the full accrual budget plan and a $6.1 million increase from 2018. The decrease was mainly due to relatively late 2019-2022 budget approval causing below-budget spending on salaries and benefits as there were delays in hiring to fill new positions.

The variances by service area and largest contributing factors are outlined below.

- Overall spending by Transportation Services was on target with the budget.

  Transportation Services spending went up by $68.2 million from 2018 to 2019. This reflected increased construction activities to build the bus rapidways and higher amortization of $22.9 million due to a larger road and transit network and infrastructure.

- Spending by Environmental Services was $14.3 million below budget mainly as a result of savings from salaries and benefits, as explained above, reduced interest expense and lower general operating expense.

Environmental Services spending decreased by $130.1 million from 2018. In the previous year, there was a one-time write-off of the department's capital assets under construction to expense of over $100.0 million as the amount was recovered from another municipality. The remaining decrease reflected less repair and rehabilitation work related to asset management.

- In Community and Health Services, a decrease of $9.3 million from budget largely reflected changes in provincial priorities and lower flow-through payments to partners in 2019. Uncertainty around future provincial funding resulted in delays in filling staff vacancies, take-up of funding for partners to create more child-care spaces was slower than expected and fee stabilization payments to child-care operators ended. These decreases were partially offset by increases in social assistance benefits owing mainly to a higher-than-expected Ontario Works caseload.

  On a year-over-year basis, spending in Community and Health Services rose by $32.2 million, largely because of a higher Ontario Works caseload that increased social assistance expense.

- Spending on Protection to Persons and Property, which largely reflects York Regional Police, was $10.7 million higher than the budgeted amount of $394.9 million, partially due to higher-than-expected spending on officer overtime, major investigations and general expenses. While expenses related to large-scale joint investigations had not been budgeted for, some of these costs were recovered from other police services. Apart from these items, the remaining variance relates to non-cash items such as amortization and employee and post-employment benefit costs.

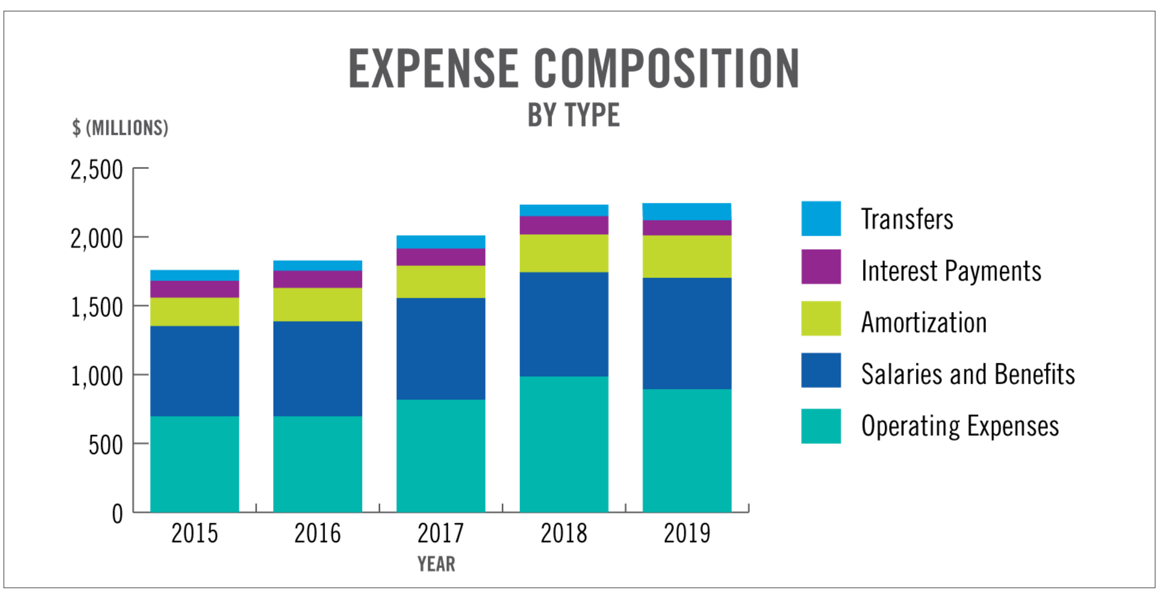
  Spending was up $20.0 million year over year as a result of expanded service needs for a growing population and the impact of the federal legalization of cannabis.

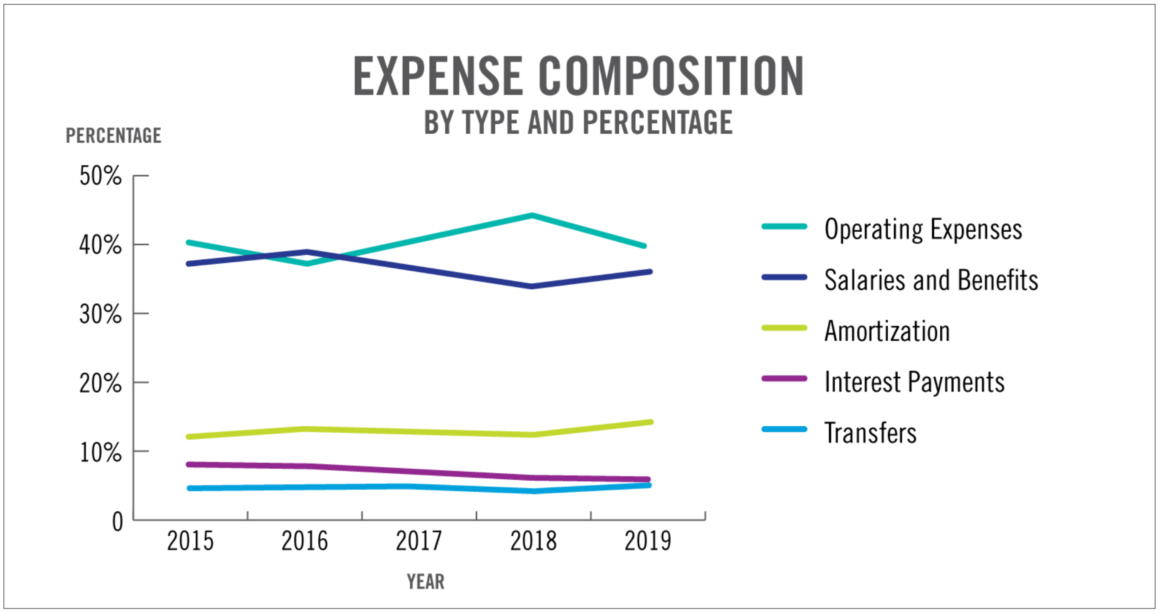
- Spending in the "Other" category was $59.9 million less than shown in the accrual-based budget, owing mainly to reclassifying an item originally in the budget as an expense as a change to a reserve.

  Apart from this reclassification, actual spending increased by $15.6 million or 12.1% and was consistent with the increase expected in the budget plan.

Five-year trend

The graphs below show the five-year trend in expenses by type:





Amortization was the fastest-growing expense item over the past five years, paralleling significant growth in the Region's portfolio of assets. From a starting point of $207.7 million or 11.7% of total expense in 2015, it rose steadily to reach $312.6 million or 13.9% of total expense in 2019. The impacts of this trend are greatest on Transportation Services and Environmental Services departments, which are responsible for the bulk of the Region's assets.

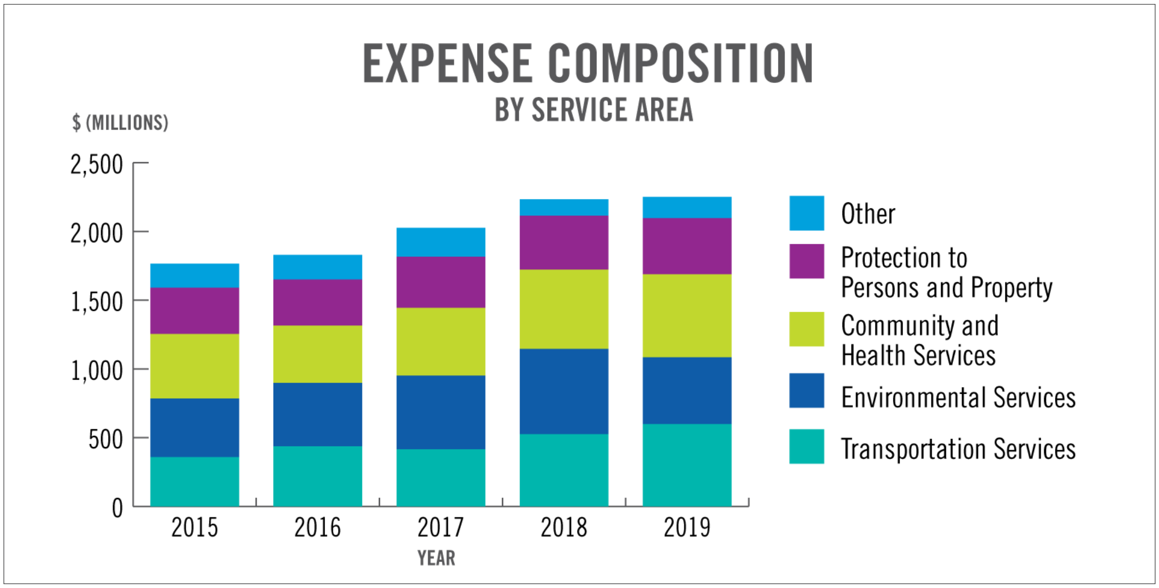
Government transfers, which mainly relate to social assistance, grew from $73.7 million or 4.2% of total expense in 2015 to $109.6 million or 4.9% in 2019. This included a single-year increase of 21.0% from 2018 to 2019. The increased spending was largely matched by increased funding from the provincial government.

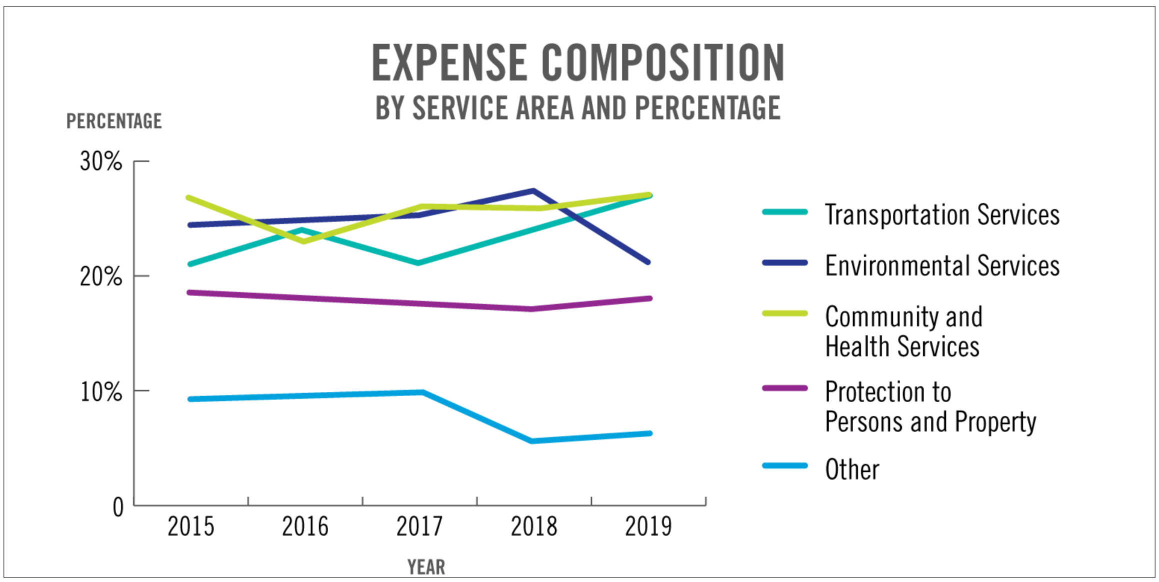
Operating expense, consistently one of the largest expense items, rose from $700.9 million or 39.6% of total expense in 2015 to $902.0 million or 40.0% in 2019. This item fluctuated considerably from year to year because it reflected, among other things, construction work on bus rapidways fully funded and carried out on behalf of Metrolinx.

Salaries and benefits grew from $656.7 million in 2015 to $808.0 million in 2019, reflecting the hiring of additional police officers, paramedics, public health nurses and others, as well as a general rise in salaries and the cost of benefits. This item's share of total expense fell slightly, from 37.1% in 2015 to 35.9% in 2019.

Interest expense peaked in 2016 at $133.6 million and has declined in each subsequent year as the Region reduced its reliance on debt. It totalled $120.4 million in 2019 against $129.6 million in 2015, falling from 7.3% to 5.3% of total expense.

The graphs below illustrate the five-year trend in expenses by service area:





By service area:

- Growth and fluctuations in Transportation Services expense largely reflect the share of Metrolinx funding for bus rapidways that has been expensed each year. As noted above, this spending was fully funded by Metrolinx. Transportation has also seen amortization expense increase as a result of significant investments in tangible capital assets.
- Environmental Services expense increased fairly steadily, after taking into account one-time adjustments in 2017 and 2018, going from $432.0 million in 2015 to $482.3 million in 2019. This reflects higher costs to operate and maintain a larger and more technically complex portfolio of assets, higher amortization expense and more stringent regulation, offset by the department's ongoing efforts to find savings. The department's share of total expense fell from 24.4% in 2015 to 21.4% in 2019.

- Community and Health Services expense rose from $470.3 million or 26.6% of total spending in 2015 to 612.0 million or 27.2% in 2019. The department received significant increases in provincial transfer payments over the five years, particularly in 2017 and 2019, which is reflected in higher expense as this funding was flowed through to third parties. The Region has also put more resources into emerging issues related to a larger and changing population, including homelessness and mental health needs.
- Protection to Persons and Property largely reflects York Regional Police, whose budget is strongly tied to staffing costs. Expense has increased from $331.3 million in 2015 to $405.7 million in 2019, paralleling the Region's overall growth in salaries and benefits.

MAJOR SOURCES AND USES OF CASH

Examining the sources and uses of cash is helpful in understanding where resources came from and how they were used.

Cash inflows from operations, which is the annual surplus adjusted for amortization, the drawdown of deferred revenues, the contributed asset and other non-cash items, amounted to $887.7 million in 2019. The sale of tangible capital assets provided $3.9 million, and the Region reduced its investment portfolio by $485.9 million because of concerns about market volatility. In total, cash from operations and the sale of financial and non-financial assets amounted to $1.4 billion.

The Region invested $637.4 million in capital assets and repaid $48.2 million of its own debt.

After these outflows, cash and cash equivalents stood at almost $1.2 billion by year-end, an increase of $691.8 million from the previous year.

OPERATING SURPLUS

This section looks at revenues and spending compared to the approved budget, which is prepared on a modified accrual basis.

On that basis, the Region experienced an operating surplus of $54.6 million in 2019.

Revenues were $32.0 million higher than projected. Supplementary taxes, investment income, grants and subsidies, court fines, paid duty fees and external recoveries provided more revenue than budgeted.

The main factors in lower-than-expected spending of $22.6 million were lower salaries and benefits costs due to hiring delays and vacancies, lower program costs due to lower than expected needs and efficiencies in other areas.

The operating surplus was applied to reserves and reserve funds in line with established Regional policies and the fiscal strategy.

FINANCIAL MANAGEMENT FRAMEWORK

YORK REGION BYLAWS, POLICIES AND CONTROLS

In addition to the Regional Fiscal Strategy, the Region has put in place various bylaws, policies and controls to reduce risk and support better financial management and stewardship of the Region's assets.

These cover such activities as borrowing, managing reserves, investing Regional funds, procuring goods and services, determining insurance coverage and setting development charges. As well, the audit function is a key element of financial management.

MANAGEMENT RESPONSIBILITY

The Controllership Office within the Finance Department is responsible for organization-wide controls, policies and procedures to safeguard the Region's financial resources. It also keeps financial records, prepares the annual consolidated financial statements and reports on results.

The Controllership Office prepares the consolidated financial statements in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. The following section discusses recent changes in the standards. In addition, Note 1 to the consolidated financial statements provides a summary of the significant accounting policies, including the recent changes.

NEW ACCOUNTING STANDARDS

A new accounting standard issued by the Public Sector Accounting Board, relating to the transfer of assets in a restructuring transaction, became effective January 1, 2019. It had no impact on the Region's annual surplus, net debt or accumulated surplus for the year ended December 31, 2019.

AUDIT FUNCTION

Council's Audit Committee helps ensure the Region's administration properly carries out its responsibilities for financial reporting, internal control, auditing and monitoring compliance with laws, regulations and the Region's Code of Conduct.

The current Audit Committee members are:

- York Region Chairman and CEO
  Wayne Emmerson (ex-officio)
- Mayor Virginia Hackson (Chair)
- Regional Councillor Robert Grossi (Vice-Chair)
- Mayor Iain Lovatt
- Mayor Tom Mrakas
- Mayor Steve Pellegrini
- Regional Councillor Joe DiPaola
- Regional Councillor Don Hamilton
- Regional Councillor Gino Rosati
- Regional Councillor Tom Vegh

The Audit Services branch in the Office of the Chief Administrative Officer advises on managing and controlling risk, performs independent appraisals of control systems and helps identify efficiencies and improvements in new and existing processes, programs and services.

The Region's external auditors conduct an audit of the consolidated financial statements using Canadian generally accepted auditing standards. Their unqualified opinion of the financial statements appears before the financial statements..

PROVINCIAL LEGISLATION

Provincial direction determines many aspects of municipal financial management, including the setting of development charges, debt issuance, budgeting, and accounting and reporting requirements. Provincial Bill 108, which enabled several changes to existing arrangements, received Royal Assent in 2019. None of its provisions directly affected 2019 results. The Outlook and Risk Management section discusses its potential impact on future years.

Development charges

The Region's development charge rates and policies are set out in a Regional bylaw that is guided and regulated by the provincial *Development Charges Act, 1997*. The current bylaw expires in June 2022.

Development charges are levied on new residential and non-residential development. They are the main source of funding for the growth-related portion of the Region's capital plan.

The setting of development charge rates starts with forecasting expected growth and estimating the related infrastructure need. The Development Charges Act then requires adjustment to determine the amount that may be recovered through development charges, and development charge rates reflect the allowed amount.

Debt issuance

Under the *Municipal Act, 2001*, municipalities in Ontario may issue debt for capital projects only. A regulation under the act restricts the annual cost of servicing long-term debt and other financial obligations to 25% of a municipality's own-source revenue.

In addition, the Region qualifies for a "growth cost supplement" that is equal to 80% of the average of the Region's last three fiscal years of development charge collections, which provides it with more debt room to meet the capital-related needs of growth. The Region's policy, however, is to add only 70% of the three-year average, not the full permitted 80%. The Region met these limits in 2019.

OUTLOOK AND RISK MANAGEMENT

As recommended by the Public Sector Accounting Board, this section includes information on significant risks and uncertainties, and briefly outlines how the Region works to manage them.

The economy and market conditions

In March 2020, the Canadian federal and provincial governments took several steps to curb the spread of COVID-19, a respiratory disease caused by a new coronavirus. Actions included closing most workplaces, as well as schools and public facilities. In early April, the Conference Board of Canada projected a cumulative loss of 2.8 million jobs, or nearly 15% of Canada's total, in March and April. By that point, new employment insurance claims had passed the two-million mark.

The auto-parts sector was forecast to lose more than 40,000 jobs in Canada as a whole as a result of plant closures. As home to more than 100 auto parts and electronics manufacturing companies, the Region has a relatively high dependence on jobs in this sector. Other important job sectors for the Region, including retail and personal services, also experienced major losses.

As the crisis developed, the Region and local municipalities took steps to ease the financial impacts on residents including:

- Deferring the budgeted increase of 9% in water and wastewater rates that was to go into effect on April 1, 2020, with an estimated impact to the Region of $25 million
- Waiving interest until January 1, 2021 on any portion of property tax instalments, for the 2020 taxation year, not remitted to the Region as a direct result of a local municipality's COVID-19 tax relief program, save and except for the interest related to the final 2020 installment which shall be waived until March 31, 2021

As of mid-April, the combined impact of unexpected costs and lower revenues resulting from the COVID-19 crisis was estimated at more than $3.5 million a week on average. Direct costs included overtime and other additional staffing costs, as well as personal protective equipment and training for workers. Indirect impacts included higher costs to process a greater volume of residential waste, lower transit fare and user rate revenues and lower fine and related revenues because courts were closed.

While the fiscal impacts of COVID-19 on the Region over the longer term remain to be seen, they may include lower-than-expected development charge collections from continued mandated closures, lower-than-expected assessment growth and the need for continued financial relief for residents and businesses as they rebuild.

Senior levels of governments, in response to COVID-19, have committed funding on a wide range of new and expanded financial supports. It remains to be seen how this may impact the Region's costs in response to the emergency. The Region is tracking these programs and promoting their use to residents. The Region also anticipates receiving federal and provincial funding to help offset COVID-19 related expenditures. Currently, information on federal and provincial funding for the Region's emergency response is very limited. The Region is continuing to monitor the impacts of these initiatives.

The Region's strong balance sheet and financial management capacity will be key factors in managing the impacts of COVID-19. Cash, its equivalents and investments stood at just over $4.0 billion at the end of 2019. Liquidity was improved before year-end by increasing cash and its equivalents by $691.8 million from the previous year and reducing longer-term investments by $485.9 million.

The crisis caused financial markets to weaken and became more averse to risk. As a stimulus measure, central banks, including the Bank of Canada, reduced interest rates.

Despite these impacts, the Region appears well positioned to maintain a relatively strong financial position while continuing to meet its residents' needs.

Provincial direction

Provincial and, to a lesser extent, federal decisions on programs, policies, regulation and funding have impacts on the Region's revenues and expenses. The Ontario government's 2020 budget and other announcements are affecting the Region and will likely continue to do so. The Region continues to assess the potential impacts of these changes.

In 2019, the *More Homes, More Choice Act, 2019* received Royal Assent. This omnibus bill enabled changes to several statutes, including those dealing with development charges and municipal planning. The province subsequently tabled and received Royal Assent for Bill 138, which reversed a number of changes pertaining to development charges made by the previous bill.

As a result of these changes, starting on January 1, 2020, development charge rates are frozen at site plan or zoning bylaw amendment application. The regulatory framework does not limit how long developers can freeze rates. In addition, institutional, rental housing and non-profit housing development can defer payment to time of occupancy and are able to pay in annual installments over five or twenty years. To mitigate the negative financial impact of these provisions, in February 2020 York Region Council adopted a policy to charge interest on frozen and phased development charges, as permitted under the amended *Development Charges Act, 1997.*

The province also made significant changes to funding for Community and Health Services programs, many of which are provincially subsidized. Although the total amount of provincial funding was expected to rise slightly in the Region's 2020 fiscal year, this reflected the introduction of a new seniors' dental program and small increases in some existing programs, largely offset by cuts in other areas. Internal costs to the Region rose to manage new responsibilities and program growth and to make up for lower provincial cost-sharing.

The provincial government also announced plans to amalgamate 35 public health units across the province into 10 units under autonomous boards as of April 1, 2020, and suggested that similar changes would be made to emergency health services. In October 2019, the provincial government appointed a special adviser to consult with stakeholders on public health and emergency paramedic service challenges. The Region submitted responses to the consultation process and was scheduled to meet with the special adviser and senior provincial health officials in early 2020. Given the COVID-19 crisis, however, this meeting was expected to be rescheduled.

The province's direction would have had major impacts on Public Health in the Region, which at present is governed by a board of health made up of members of Regional Council, and potentially on York Region Paramedic Services as well. Both Public Health and Paramedic Services are functionally within Community and Health Services.

Provincial actions such as these create considerable uncertainty for the Region, make longer-term planning difficult and can raise the risk of ongoing fiscal pressures. The Region has limited ability to influence provincial decisions but does take part in consultations and responds during comment periods.

Slower-than-expected population growth

Many large growth-related assets are built based on a population forecast, often for a specific area of the Region. When growth differs significantly from forecast, as has been the Region's recent experience, the related development charge collections can be delayed, reduced, or both. To reduce this potential timing gap, the Region has improved capital planning and is working to better understand the relationship between overall population growth and areas of increased settlement.

A changing and growing population

Changes in the make-up of the population can have fiscal impacts. For the Region, major drivers are the increasing share of seniors in the population, a growing number of children and a higher incidence of special needs, more residents with complex mental health and other challenges and the need to help newcomers integrate into the community. The Region has responded with a Seniors' Strategy, modernization of the child care system and specific programs and approaches designed to address other concerns. It is also tackling the increasing problem of housing affordability through housing initiatives and efforts to prevent and address homelessness.

Limited revenue options

The Region faces the needs to pay for new growth-related infrastructure, manage the life-cycle costs of new and existing assets, renew and replace ageing assets and provide quality services. Given current revenues, these needs are a potential risk to long-term financial sustainability. The Region is managing the risk through the Regional Fiscal Strategy and looking at options for creating a more sustainable balance between revenues and spending needs over the long term.

The impacts of a changing climate

Projections are for an increase of 3.3 degrees Celsius in the average air temperature in the Region by 2051, with extreme weather events, such as heavy rain and ice storms, becoming more frequent and intense. This trend is already stressing Regional infrastructure, including trees and sections of forest, traffic signals and components of water and wastewater systems. While the full range of impacts and related costs are impossible to predict at present, York Region has prepared a Climate Change Action Plan to address mitigation and adaptation from a corporate and community perspective.

Workforce changes

The workforce of organizations across Canada, including the Region's, is aging. This is having a wide range of impacts, including health and safety concerns on the job and financial arrangements for those who have left the workforce. In some cases new provincial legislation, for example around job-related stress, is exacerbating the impacts. The Region is managing these risks by increasing its contributions to a number of staffing-related reserves. As well, to manage the risk of loss of knowledge and expertise as employees retire, it is planning carefully for succession needs.

Cyber-security

The Region continues to invest in technology to keep up with greater needs and expectations. More connectivity and a wider range of web-based applications bring convenience and cost savings, but also increase the risk of cyber-breaches. The Region has developed a comprehensive set of protocols and practices to better understand these risks and work to safeguard data.

CONCLUSION

The year just ended was a significant one for York Region, as it strengthened its financial position and moved from being a net borrower to a net investor.

This progress has left the Region well positioned to weather the COVID-19 crisis that created major uncertainty in the 2020 fiscal year. Guided by a balanced fiscal strategy, we have built reserves for future needs and to help smooth the impacts of unexpected disruptions.

The ability of the Region to respond effectively as the crisis unfolded was thanks in large part to staff across the organization. As the Region supports residents and businesses during and after the crisis, it is far from clear, however, what the full impacts of this unprecedented global event will be.

Despite any short-term adjustments, we will nonetheless continue to pursue the long-term goals of the Region's fiscal strategy – reducing reliance on debt, building reserves and managing the capital plan prudently. This experience has unquestionably shown the value of planning for a strong financial position.

We will continue, as well, to explain our financial plans and report on their outcomes in ways that are clear and show accountability to our residents.

Every year this annual report depends on the hard work and collaboration of people from across Regional government. This year brought a new level of challenge as staff dealt with the professional and personal impacts of COVID-19 while meeting the legislated reporting deadline. I offer my deepest thanks for their dedication and effort.

Laura Mirabella

Laura Mirabella, FCPA, FCA,
Commissioner of Finance and Regional Treasurer
May 11, 2020