The Regional Municipality of York

Committee of the Whole
Finance and Administration
June 11, 2020

Report of the Commissioner of Finance

Fiscal Sustainability: 2020 Update

1. Recommendations

1. The Chair write a letter(s) to the Province to request:

    a. Direct funding to support delivery of front-line services needed to address COVID-19 emergency

    b. Maintain gas tax allocation for 2020

    c. The funding reductions to public health be cancelled altogether or deferred indefinitely

    d. Remove caps on cost shared programs over the next three years or Provincial assumption of responsibility

    e. Assistance to fund York Region rental housing incentives, including allocating funds from the Non-Resident Speculation Tax collected in York Region

    f. New revenue tools to help the Region fund a potential contribution to the Yonge North Subway Extension

2. The Regional Clerk circulate this report to:

    a. The local municipalities

    b. The Association of Municipalities of Ontario (AMO), Mayors and Regional Chairs of Ontario (MARCO), the Large Urban Mayors Caucus of Ontario (LUMCO), and the Municipal Finance Officers' Association of Ontario (MFOA)

    c. The Minister of Finance and the Ministries of Transportation, Health, Infrastructure, Municipal Affairs and Housing

    d. The local Members of Provincial Parliament

    e. The Building Industry and Land Development Association (BILD) – York Chapter

2. Summary

This report updates Council on the long-term fiscal sustainability of the Region. It also provides an analysis of the anticipated impact of COVID-19 to the Region, as well as explaining the key capital-related fiscal pressures the Region continues to face. Finally it recommends certain requests to be made of the Province to help the Region navigate the many short and long-term risks that pose a problem to its fiscal sustainability.

Key Points:

- Council has already taken positive steps towards achieving fiscal sustainability
- The Region continues to face capital-related fiscal pressures for growth, rehabilitation and replacement
- The Region is facing a number of risks currently:
    - The immediate effect of COVID-19 which may lead to unforeseen long-term impacts
    - Funding growth in a time that the Region is growing slower than the Provincial Growth Plan has forecast
    - Ensuring that the Region is saving enough for future asset management needs

3. Background

Fiscal sustainability is stewardship of the long-term

Achieving fiscal sustainability is mostly about managing service levels and infrastructure. It requires long term planning in a responsible manner that achieves the Region's Strategic Plan priorities, while mitigating both short and long-term financial risks.

York Region will be in a fiscally sustainable position when it can offer a level of service that can accommodate the long term needs of growth while maintaining infrastructure in a state of good repair (Table 1). The cost of providing this service must also be balanced with respecting Council's willingness to tax and residents' ability to pay.

Table 1

Fiscal Sustainability in the York Region Context

Principles
Growth can be accommodated at a tax rate that residents have the ability to pay and without issuing an unsustainable level of debt
Infrastructure can be kept in a state of good repair and replaced at the right time
Service levels can be maintained in the face of urbanization and changes in economic conditions
Full Cost Recovery – careful consideration of who should pay, and that they pay their fair share

Fiscal sustainability is also about adapting to the changing economy

York Region has enjoyed robust economic growth, with consistent job creation and an average annual population growth of over 15,000 residents per year over the past nine years. A growing and urbanizing population alongside a diverse economy requires significant infrastructure investments, which are often large and complex.

It is important that the right financial tools are in place to allow the Region to continue to achieve its objectives in a fiscally sustainable manner. Challenges include coping with the changing nature of the economy, such as more people working from home, commercial re-occupation and intensification and its impact on the Region's assessment growth and its ability to save for the future.

The Region has built up $3 billion in the 59 reserves it manages

Reserve management is a very important factor when ensuring the long term financial sustainability of the Region. Reserves fund capital asset spending and help to smooth tax levy and user rate requirements as well as provide financial flexibility in the event of unanticipated expenditures or a drop in revenue. In addition, because reserves consist of cash, cash equivalents and investments, they promote investor confidence and help to preserve the Region's credit ratings. The Region has 59 reserves which can be split into 5 major categories as shown in Table 2.

Table 2

Budget 2020 reserve forecast

Reserve	Number of Reserves	$Millions
Asset Replacement Reserves	8	1,718
Capital Reserves	13	471
Corporate Reserves	18	522
DC Reserves	15	206
Human Resources Reserves	5	115
Total	**59**	**$3,033**

The Region's debt levels are below 2017 peak

Prior to the 2014 fiscal strategy, the Region's peak outstanding debt was anticipated to be over $5.0 billion by 2020. However, as a result of the implementation of the Fiscal Strategy, the total outstanding debt peaked at $2.9 billion in 2017 then fell and is projected to remain below the 2017 peak for at least the next 10 years, based on the 2020 Budget.

4. Analysis

The Region faces three main risks to its fiscal sustainability

There are three main risks that the Region has to deal with to ensure it stays in a fiscally sustainable position in the near and long-term future, these are:

- The immediate effect of COVID-19 which may lead to unforeseen long-term impacts
- Funding growth in a time that the Region is growing slower than the Provincial Growth Plan has forecast
- Ensuring that the Region is saving enough for future asset management needs

COVID-19 risks

Short-term operating impacts of COVID-19 present an additional challenge to the Region's fiscal sustainability

The COVID-19 crisis presents challenges to the Region and its local municipalities as they continue to provide high quality essential services to residents and the broader community. Initial analysis of Regional financial information suggests that unexpected costs and reduced revenues associated with the COVID-19 emergency have had a cumulative impact to April 30, 2020 of $25.75 million, or approximately $3.90 million per week.

Staff will continue to monitor and report on expected impacts as updated information becomes available.

There are a number of issues that the Region is going to face as a result of this crisis. The implications for Public Health and the protection of York Region residents, especially the vulnerable population, may lead to a reassessment of how some programs and services are provided. These issues will be reported back to Council as information becomes available about both the impacts and the response to the pandemic.

Property tax payments and assessment growth will be impacted by COVID-19

At its meeting on April 30, 2020, Council adopted a Regional program to support local municipalities in their effort to provide COVID-19 related financial relief programs to residents and businesses. Under the program, the Region waives interest until December 31, 2020 on any portion of property tax instalments, for the 2020 taxation year, not remitted to the Region except for the interest related to the final 2020 installment which shall be waived until March 31, 2021. Local municipalities are expected to remit any taxes collected on behalf of the Region. As such, the actual amount of interest ultimately waived and cost incurred to the Region would be much lower than the maximum amounts allowed.

Because of the delay in receiving tax levy to fund its operations, the Region would lose opportunity to invest and would also be required to obtain internal or external short-term borrowing. Based on a conservative forecast of remittance levels, it is estimated that the waiving of interest charges would cost the Region approximately $3 million. The local municipalities could benefit from approximately $18 million in interest savings as penalties would not be charged to them as a result of this program.

Assessment growth may be negatively impacted. As a result of lower than anticipated assessment growth, preliminary analysis shows that tax levy would need to increase by a further 0.4 per cent to meet the expected operating requirement in 2021. In the longer run, the delay of growth may result in insufficient assessment growth revenues to pay for the operating cost of capital.

It is unclear when a full economic recovery could be achieved

There is still much uncertainty around the speed and extent of economic recovery because it will be dependent on the success in containing the spread of the virus as well as the effectiveness of government economic policy response.

Assuming that pandemic measures are lifted gradually through the remainder of 2020, the Financial Accountability Office of Ontario projects that the province's real GDP will largely rebound in 2021, but remain lower than pre-pandemic levels[1]. There is also the potential for recurring waves of the virus after pandemic measures are lifted, which could result in a longer, more muted recovery. Economists from TD Bank expect Canada's recovery to be slower than the U.S. due to high levels of household debt, declining oil prices, and trade impacts from the US and China[2]. The four biggest banks in Canada also predict a slow recovery as people and businesses are expected to act more cautiously coming out of the crisis[3].

The speed of the recovery could impact the Region's balance sheet

Some sectors are likely to rebound more quickly than others, while other sectors may never fully return to their pre-pandemic state, and may require more structural and innovative changes going forward. The same would apply to programs and services offered by governments.

For example, if social distancing requirements stay in place for a prolonged period, service delivery for many programs would need to change to allow for additional spacing, physical separation and remote delivery of certain services. The cost to implement such measures

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[1] Financial Accountability Office of Ontario. "Economic and Budget Outlook, Spring 2020." May 11, 2020, https://www.fao-on.org/en/Blog/Publications/EBO-SP2020

[2] Gabriel Friedman. "'Longer U-shaped recovery': Economists say Canada faces rougher road than U.S. because of high household debt and oil dependency." *Financial Post,* April 21, 2020, https://business.financialpost.com/news/economy/longer-u-shaped-recovery-economists-say-canada-could-face-deeper-downturn-slower-rebound-than-u-s-because-of-high-household-debt-and-oil-dependency

[3] James Bradshaw and Mark Rendell. "It's a long road to economic recovery, Canadian bank CEOs warn." *The Globe and Mail,* April 8, 2020, https://www.theglobeandmail.com/business/article-its-a-long-road-to-economic-recovery-canadian-bank-ceos-warn/

could be significant and would add to existing impacts, including reduced revenues in areas where activity is reduced, such as transit and other fee-based revenues.

In addition, as noted in the 2021 Budget Direction report, there are affordability concerns that residents and businesses in the Region will have. While Regional Council endorsed a tax levy increase outlook of 2.96 per cent for 2021 as part of the 2020-22 budget process, a lower tax levy increase may be preferred by Council in light of the economic impacts of COVID-19 on residents and businesses. However, a lower tax levy increase may limit the Region's ability to fund the key programs and services and maintain the existing levels of service.

Staff continue to monitor the effects of COVID-19 on development activities and development charge collections

COVID-19 and policies to contain its spread, are expected to have an impact on both residential and non-residential development activities which is the key determinant of development charges collections.

The restrictions on construction from April 3rd to May 4th 2020 resulted in minimal development charges collections in the month of April. As containment measures are gradually lifted and economic activities resume, the sale and purchase of new housing units is expected to recover over time.

For non-residential development, recovery in some sectors, such as retail, restaurants, hospitality, and entertainment, may take longer than other sectors to recover. There may be the potential reoccupation of existing non-residential spaces where businesses have permanently closed as a result of COVID-19. Due to these considerations, staff expect that development charge collections could be below expectations in 2020. The risks of COVID-19 over the medium and long term will require additional analysis and will be the subject of a staff report expected in the fall of this year.

The Region has contingency reserves that may be used short-term

Early indications of recent economic problems being faced demonstrate that Council's preparedness through years of reserve contributions was prudent. At the outbreak of COVID 19, York Region had over $100 million in total in two reserves, the Tax Stabilization Reserve, and the Fiscal Stabilization Reserve, that could be used to help fund unforeseen one-time expenditure, temporary revenue shortfall.

The Budget Direction report provided to Council on May 14, 2020 estimated that the costs of COVID-19 could reach $100 million by the year end; the total in these reserves.
Whilst the Region could tap into the contingency reserves, the preferred option is for the Province to directly fund the incremental public health costs that have arisen as a result of COVID-19.

The Finance department has analyzed the Region’s reserves and has set contribution levels to ensure that reserves are at the appropriate level to fund future expenditures. To replenish the temporary drawdown of the reserve, the Region would need aid from the Province to ensure that any reserves used to provide short-term relief would not remain below our pre-COVID-19 levels, as this could impact the Region’s longer term fiscal sustainability.

Despite the short-term challenges from COVID-19, one credit rating agency said it considers the Region to be a low risk

On March 27, 2020, Moody’s Investor Services published a report “Sub-Sovereign – Canada: Public sector entities face differing risks from coronavirus and oil price shocks”. In this report, they highlight the broad categorization of relative credit pressure arising solely from the current shocks across the various sectors. York Region was considered to be “low risk”. S&P Global Rating’s have not yet issued an opinion on the impact of the current crisis on the Region’s rating.

The Region has retained its status as a very good investment. On May 11, 2020, York Region was able to successfully issue a $160 million debenture to support the capital plan at a rate of 1.777%, the lowest rate the Region has ever issued.

Funding growth risks

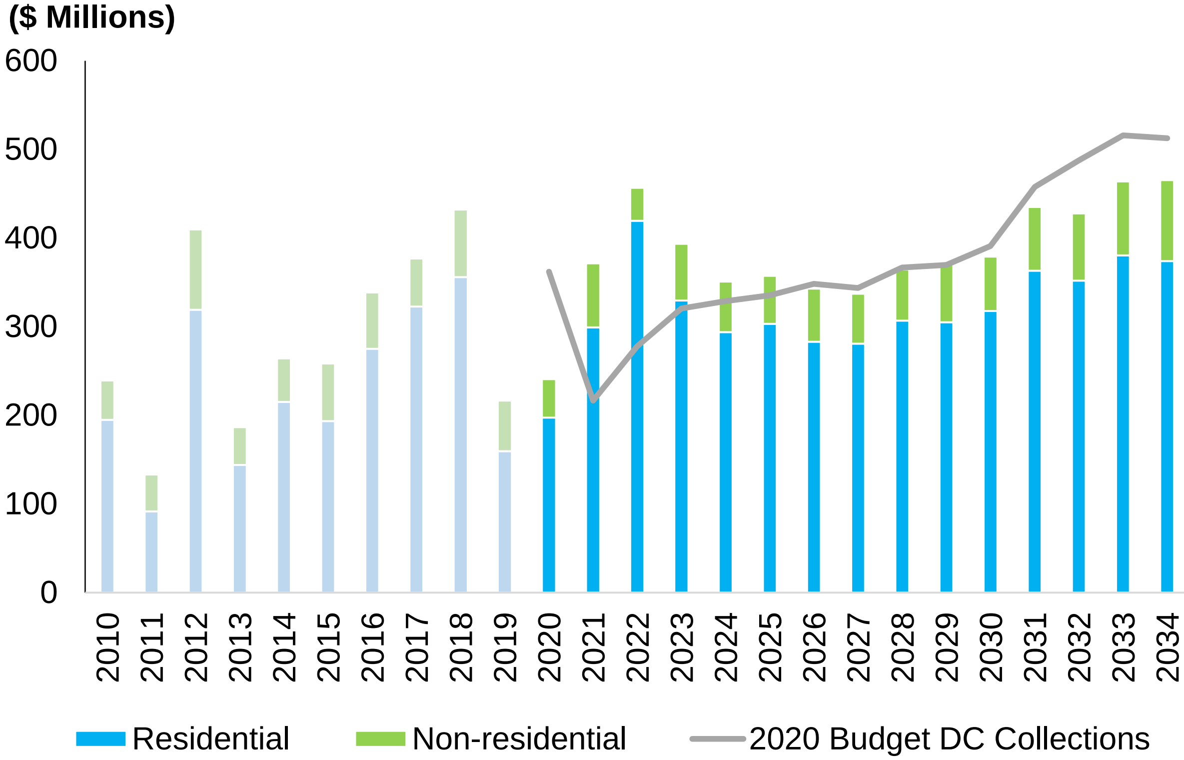
In spite of the issues facing the Region from COVID-19, the most significant long-term risks to the Region’s fiscal sustainability are capital-related

To achieve fiscal sustainability the Region must have a long-term plan to build, finance, fund, and maintain capital infrastructure needs to provide those programs and services now and into the future. The Region’s infrastructure investments may be classified into three types: growth, rehabilitation and replacement, and enhancement. Each type may be funded by different sources of revenue which is associated with its own pressures and risks.

Revised development charges collections forecast is based on the assumption that the economy may return to full capacity in 2022

Development charges collections are dependent on market conditions and development approvals, which can vary significantly from year to year. For 2020, the revised development charges (DC) collections forecast is expected to be below the 2020 budget forecast due to the impacts of COVID-19. Staff estimates that the development charge collections could remain below the 2020 principle and interest obligations of development charges debt. The forecast is based on the assumption that the housing market and the economy could recover by some time in 2022. If the level of development activities returns to historic average in 2022, the DC collection in 2022 could exceed $450 million. Development charges collection over 15 years is expected to total $5.8 billion.

Figure 1
Historic and Forecasted Development Charge Collections



Despite the negative impact of COVID-19 on development activities in March and April, longer-term collections are expected to improve as a result of Bill 138

Bill 138, *Plan to Build Ontario Together Act, 2019* ("Bill 138") received Royal Assent on December 10th, 2019. One key change introduced by Bill 138 is the removal of commercial and industrial development as eligible classes of development to defer and phase-in development charge payments. Due to timing of the Bill, this positive development was not incorporated into the 2020 Budget forecast. The revised forecast shown in Figure 1 above accounted for the impact of Bill 138, which reversed the majority of the negative impact of Bill 108 on development charge collections.

In addition, the above forecast also accounts for the impact of a number of new development charges policies adopted by Council since the Fall of 2019, including: *Development Charges Deferral for Affordable, Purpose-Built Rental Buildings and Development Charge Interest Policy – Under sections 26.1 and 26.2 of the Development Charges Act, 1997.*

Infrastructure is planned to support targets prescribed by the Growth Plan and the Region's Official Plan

Municipalities in the Greater Golden Horseshoe are required to have official plans that conform to the growth targets set out by the Provincial Growth Plan. York Region's infrastructure master plans must include infrastructure needed to meet the population growth in its official plan. However, if the growth contemplated by the Growth Plan does not materialize as expected, municipalities may be in a situation where they have built and financed infrastructure capacity that sits unused and incurs operating and maintenance costs without the necessary assessment revenue to pay for these costs.

Most growth-related infrastructure is paid for and built many years before the benefiting development arrives

The way growth is paid for, through development charges, is imperfect. There is financial risk to the municipality when growth does not happen at the predicted pace. Because much infrastructure has to be built before growth can occur, particularly water and wastewater assets, debt is a necessary financing tool. Also, once in service, these assets begin to incur operating, maintenance and rehabilitation costs, which are then appropriately funded by tax levy and user rates. The municipality faces two financial challenges if growth does not occur as expected.

First, development charge collections may be insufficient to service the debt already incurred and also fund other planned infrastructure. Second, there may be insufficient growth in the assessment and/or rate base to support ongoing operations without undue tax levy or rate increases on existing residents and businesses.

York Region's share of the GTA population growth has differed from the provincial Growth Plan target

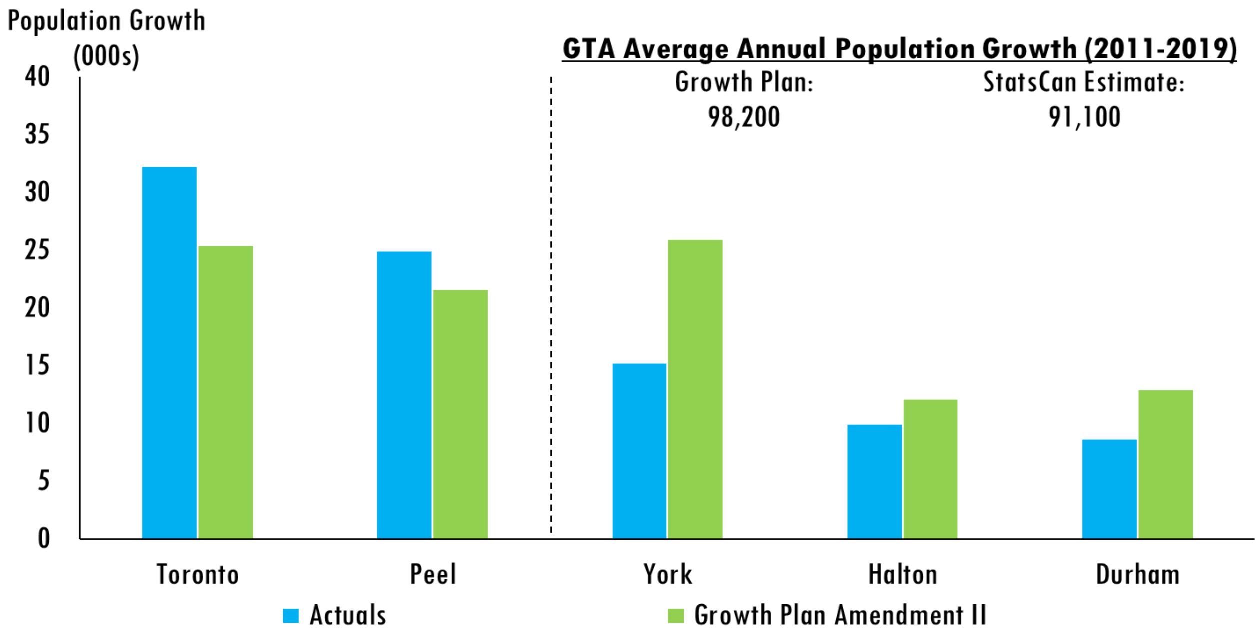
In the Growth Plan, from 2016 to 2041, the Region is forecasted to contribute 20 per cent of population and 26 per cent of employment growth, the highest share amongst the Greater Golden Horseshoe municipalities.

However, according to Statistics Canada data, population growth in York Region has been below the Growth Plan projections. While the Region grew rapidly in the early 2000s, the pace of growth has slowed. As shown in Figure 2, between mid-2011 and mid-2019, York Region grew by over 15,000 people annually, or about 60 per cent of the annual growth projected by the Growth Plan. Other 905 municipalities are also facing a shortfall, while Toronto's and Peel's population growth exceeded Growth Plan projections.

Lower-than-expected growth has translated into lower-than-expected development charge collections. Should growth fall below what is currently assumed in the fiscal strategy, this may limit the Region's ability to finance new projects or repay existing debt, which may require a re-evaluation of the timing of planned projects in the capital plan.

Staff are expecting new forecasts from the Province that may recalibrate the delayed growth forecasts.

Figure 2
Actual vs Projected Population Growth in the GTA (2011-2019)



Data Source: Growth Plan Amendment II technical addendum, Hemson Consulting Ltd., StatsCan Table: 17-10-0139-01

Regional Council has taken steps to address the gap between forecasted and actual population growth but more could be done with a share of the Non-Resident Speculation Tax

In an effort to address the gap between forecasted and actual population growth, as well as facilitating the development of complete communities with more affordable housing options, York Region Council approved a package of financial incentives last fall.

The affordable rental component of that package includes a long-term development charge deferral where rental developments could receive a longer deferral depending on size and location. The affordable rental incentive program is available to a total of 1,500 housing units over the next three years. Thus far this program is helping to bring over 200 new affordable rental units to the Region.

Still, more could be done if the Region had additional funding. In April 2017, the Province introduced a 15 per cent Non-Resident Speculation Tax (NRST) on the purchase of any residential property located in the Greater Golden Horseshoe by a non-Canadian resident. According to the latest information provided by the Ministry of Finance, of the $394.3 million collected during the period from April 2017 to March 2019, $103.7 million (or 26.3%) was related to property transactions in York Region.

While the NRST revenues in Ontario accrue to the Province's general revenues, a similar tax in the Province of British Columbia is reinvested into affordable housing projects. In September of 2018, the Region made a request to the Province to provide a share of the NRST to support the implementation of rental housing initiatives in York, however, has not received any response yet.

Regional Council has also taken steps to address non-residential growth, specifically in office space

While the Region's job growth is in line with Growth Plan projections, non-residential development (measured in gross floor area) has fallen short of Regional forecasts, most notably for office development. With this in mind, and as part of the Region's Complete Communities financial incentives program, last fall Regional Council also approved a package of office incentives. The key component of the office incentives package is a long term development charge deferral which, like the affordable rental deferral, provides a longer deferral based on size and location.

It is unclear however how COVID-19 will impact the non-residential sector (particularly office). Staff will continue to monitor the situation and report back as necessary.

York Region may be asked to make a significant capital contribution towards the Yonge North Subway Extension

On April 10, 2019, the Province committed to building four subways for a total expected cost of $28.5 billion, including the Yonge North Subway Extension. Those projects are expected to be completed towards the end of the 2020s, with the subway into York Region expected to be finished by 2029-2030. The subway is a vital piece of infrastructure as its completion is embedded in the Province's Growth Plan population and employment targets for the Region. The Yonge North Subway Extension cost is estimated to be $5.6 billion based on a Class 4 estimate (i.e., preliminary) and could change substantially as design and planning progresses.

The Province committed $11.2 billion in total funding for the four subways and is expecting contributions from the Federal and municipal governments. There are further funding details to be negotiated, but the 2019 Provincial Budget announced the repurposing of up to $7 billion in federal funding towards the subways, with an intent to negotiate a further contribution by the federal government of up to 40 per cent of the subway program.

York Region and Toronto's respective shares of the Yonge North Subway Extension are still to be negotiated with the Province. However, the Provincial Budget stated that the Province expects York Region and Toronto to make "significant capital contributions" towards the projects.

The Region will continue to work with its federal, provincial and private partners in order to maximize all non-tax levy funded sources. As a matter of principle, every effort will be made to minimize the impact on the Region's tax levy. For the portion of the cost that is not funded from other levels of government or from private entities, a combination of development charges and tax levy sources with be used (the split still to be determined).

Depending on the level of the Region's reserves and the level of the debt ask, there may be a requirement to issue non-development charges debt. This is something council has tried to minimize. Through the Fiscal Strategy the Region has been successful in avoiding issuing non-DC debt for the last 5 years, and currently is not projected to do for at least another 10 years.

For the development charge portion, adding an estimate of the Yonge North Subway Extension to the Region's debt forecast will lead to an increase in the level of debt as well as an increase in the DC rates, compared to what was anticipated. Funding for the tax levy component, if needed, will be estimated once the Region's total share is known.

Asset management risks

Ongoing contributions to asset management reserves are required to accommodate the Region's full asset management needs

Regional Council has made significant progress in building asset management reserves to support the Region's growing asset management needs. Risks relating to asset failure are mitigated through condition and risk assessments, proactive maintenance programs and capital renewal programs. This approach achieves the defined levels of service throughout the asset's life cycle and extends the investment to the full life expectancy of the asset.

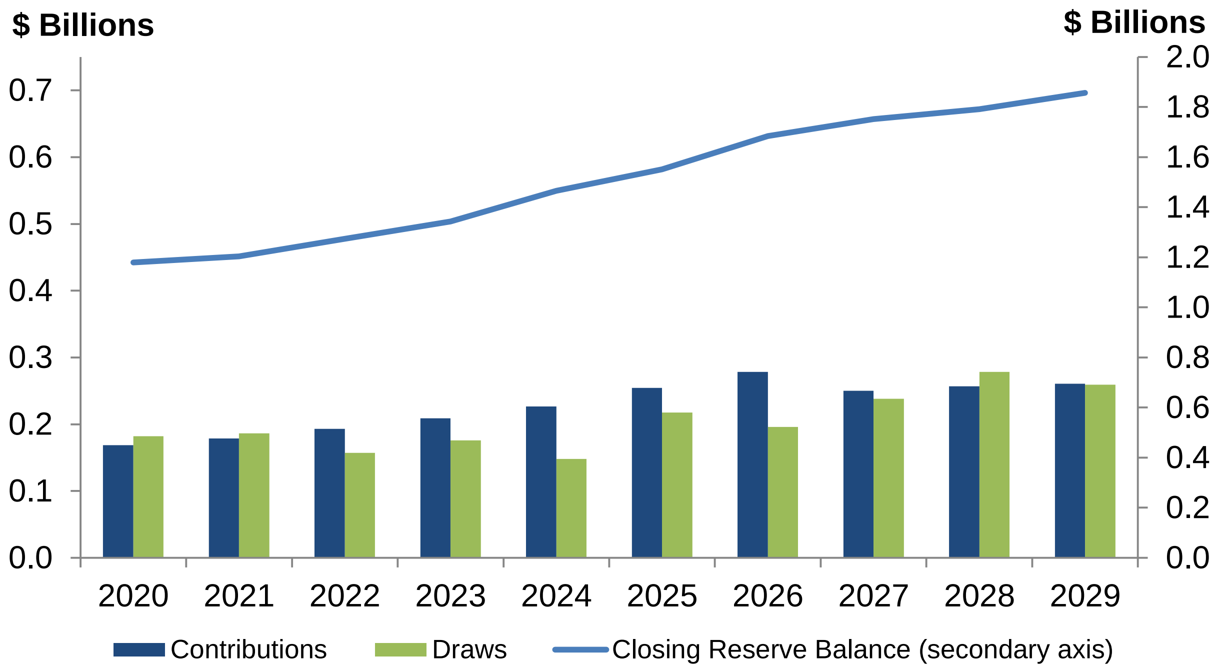
The multi-year budget includes contributions to tax levy asset management reserves that average $180 million per year from 2020 to 2022. These contributions should ensure that the Region can meet its short-term asset management needs, but ongoing increases in contributions would be required to meet future needs without having to issue tax levy supported debt in the future.

As shown in Figure 3, over the next 10 years the draws and contributions to the tax levy asset replacement reserves are similar. The draws are informed by departmental asset management plans and asset condition assessments, and the contributions are calculated to cover those identified needs for existing assets and the expected growth in the asset base. Future asset management draws may be influenced by technological change as well as changes to environmental requirements or policy decisions, like the Region's goal of having net-zero greenhouse gas emissions by 2051. While some of these changes can result in cost savings or efficiencies, many others could result in higher costs which would require increasing contributions to reserves in advance of expected expenditures.

Continued increasing contributions to asset management reserves are also necessary because asset management costs are, by their nature, 'lumpy' and inevitably increase as the assets age. Therefore, continuing to make asset management reserve contributions that increase at a consistent rate would help avoid unaffordable asset management expenditures or steeper contribution increases in the future. Strong contributions also support the concept of inter-generational equity meaning that all current and future consumers of these assets pay their equal share.

Figure 3

10-year Projection of Tax Levy Funded Asset Replacement Reserves



Data Source: York Region Finance

The Region is in a stronger position than most to be able to handle current economic conditions as a result of prior decisions made by Council

As a result of actions by this and previous Councils, the Region is in a relatively better position than many to be able to navigate through the current climate as a result of COVID-19. Reserves have been increasing steadily over the last few years to deal with asset management issues, but also for tax and revenue shocks.

The Region manages risks and pressures to the capital plan through reserves

To help prevent project cost overruns, York Region departments apply a rigorous project management approach and monitor the actual capital spending regularly to ensure the spending is within the approved budget. In addition, the Finance Department reports to Council in September of each year on capital budget variances and mid-year financial results. Regular performance monitoring helps ensure that York Region delivers capital projects in a cost-efficient and effective manner.

The Region's projected debt levels have improved due to higher forecasted DC collections from Bill 138

The Regions projected debt level has improved compared to the 2020 Budget largely as a result of legislative changes through Bill 138. We typically see the projected debt level move up or down each year as a result of differences between actual and expected development charges collections. This will be different when there is a change arising as a result of legislation. Staff will analyze the expected impact and will discuss with Office of the Budget to determine how this may affect the capital plan. The level of debt room is managed to optimize the amount of debt that the Region take on.

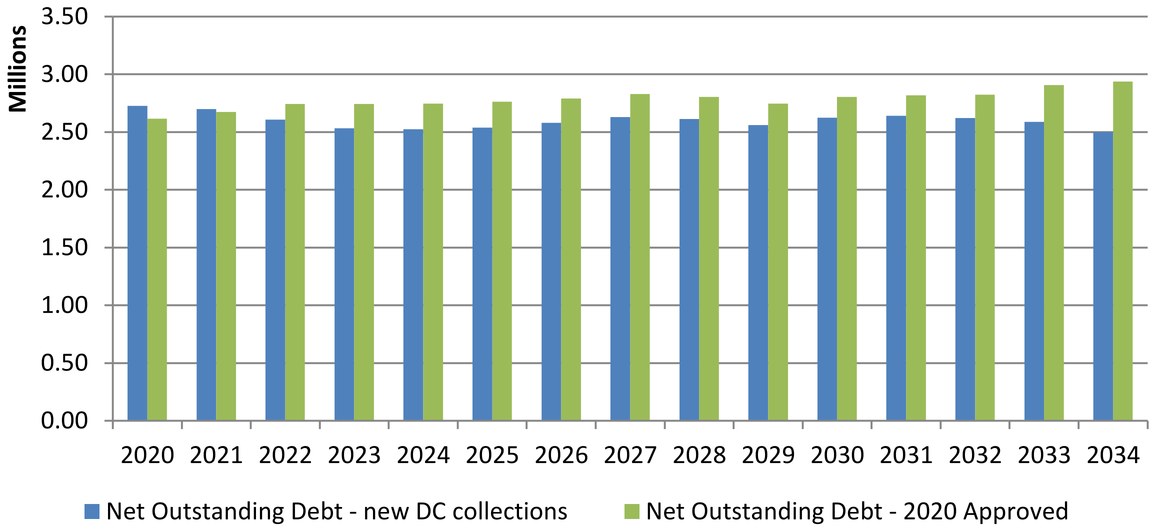
The introduction of Bill 108 last year led to a noticeable decrease in short term collections and resulted in a the development charges reserve falling negative in 2029. With Bill 138, the hit to the Region's short-term collections are not as stark and the reserve is expected to be positive and keep to the Regions policy of being at a level of 75%-100% of P&I payments.

Ultimately, the amount of debt that the Region will take on will depend on a number of factors. The absolute level of debt as well as the ratio of reserves to debt are recognized metrics of financial sustainability used by credit rating agencies and the market to assess the Region's overall credit worthiness and the desirability of the Region's debentures. The Region must also comply with the Province's annual debt repayment limit. The Fiscal Strategy, updated annually as part of the Budget process, considers debt together with reserves and the Region's forecasted capital needs to develop annual recommendations on a fiscally sustainable level of debt for the Region.

Figure 4 below shows the debt forecast from the 2020 budget. Although debt peaked at $2.9 billion in 2017, the reduction in debt after 2017 has been slow, primarily due to a downward revision in forecast development charge revenue. A decreasing debt profile is important because:

- It reduces the Region's overall financial risk which contributes to fiscal sustainability
- It could help the Region regain a triple A credit rating with S&P Global Ratings and may be critical to avoiding future downgrades as both credit rating agencies have said that "greater-than-forecast debt" could lead to a potential rating downgrade
- It frees up funding that can be spent directly on infrastructure, rather than on debt servicing

Figure 4
Net Outstanding Debt Projection – 15 years



5. Financial

The Region is facing a number of pressures

The long-term fiscal sustainability of the Region will not only be tested by the effects of COVID-19 in the short-term but also through contributions above those anticipated in the capital plan that may be expected to pay for the Yonge North Subway Extension.

There are a number of requests that the Chair could make to the Province to provide help to the Region

York Region is facing unprecedented challenges as a result of this crisis. As we strive to continue to provide vital services and look at ways to provide important relief, the financial burden is expected to be significant. Preliminary figures indicate that the impact to the Region, will be approximately $3.90 million per week, which could use up the Region's contingency reserves in 7 months, in the absence of offsetting savings or grants from senior governments..

In addition, there are likely to be further negative impacts to the Region's costs and revenues through not meeting our expected development charge collections this year and with lower gas consumption throughout the Province, a likely reduction in gas tax revenues.

There are a number of requests that the Chair could make to the Province that would help the Region achieve fiscal sustainability over the short and long-term as well as pay its share, if required, of the Yonge North Subway Extension without a substantial impact to the Region's tax levy.

To be able to better deal with the short-term impacts arising from COVID-19, the Chair could request that the Province:

a. Direct funding to support delivery of front-line services needed to address COVID-19 emergency

b. Maintain gas tax allocation at 2019/2020 level

c. Cancel altogether or deferred indefinitely the cuts to public health

d. Remove caps on cost shared programs over the next three years or Provincial assumption of responsibility

To be able to ensure that the Region is fiscally sustainable in the long-term, the Chair could also request that the Province:

e. Allocate funds from the Non-Resident Speculation Tax collected in York Region to support York Region rental housing incentives – our most recent figures estimate this to be around $103.7 million to March 2019

f. Provide new revenue tools to help with the Yonge North Subway Extension – mainly the Land Transfer Tax which could bring in revenues of between $220 and $440 million annually to the Region

6. Local Impact

The Region's fiscal pressures could impact its ability to deliver, maintain and enhance critical infrastructure to accommodate growth

Growth-related infrastructure is vital to the Region's local municipalities. Any fiscal pressures that impact the timing delivery, maintenance and enhancement of this infrastructure must be monitored and managed.

7. Conclusion

Despite challenges, the Region continues to work towards fiscal sustainability

Though limited in revenue-raising streams, Council initiatives have kept the Region progressing towards its goal of fiscal sustainability.

In order to continue upon this path, and address capital-related fiscal pressures, both current and in the future, the Region will continue to manage its capital budget in a fiscally prudent manner. In addition, the Region will continue to work with other levels of government to deliver infrastructure projects that are vital to the residents and businesses in York Region.

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

Recommended by: **Laura Mirabella, FCPA, FCA**
Commissioner of Finance and Regional Treasurer

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

May 27, 2020
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