The Regional Municipality of York

Committee of the Whole
Finance and Administration
September 10, 2020

Report of the Commissioner of Finance

2020 Operating and Capital Mid-Year Progress Report

1. Recommendation

Council approve the changes to gross capital expenditures and associated funding sources, as well as changes to 2020 Capital Spending Authority and associated funding sources, including an increase of $0.9 million in Capital Spending Authority debt, $1.6 million in 2020 budget, and $0.8 million in Capital Spending Authority, as detailed in Attachments 3, 4 and 5.

2. Summary

This report outlines mid-year financial results and provides an update on progress towards expenditures and objectives outlined in the 2020 Budget, including financial impacts of COVID-19. Regular performance monitoring helps ensure that York Region’s 2020 service mandate of $3.3 billion (operating and capital) will be delivered in a cost efficient and effective manner while managing the unexpected impacts of COVID-19.

This report also seeks Council’s approval of reallocations between capital projects in a program group where there is a change in debt requirements, and approval of additional reallocations and expenditure requests that are beyond the scope of program group authority. Under the *Municipal Act*, Council approval of any debt for capital projects is required.

Key points:

- Operating expenditures were 98% of the net operating budget at mid-year and are projected to be 102% of budget by year-end, excluding recently announced Safe Restart funding.
- The mid-year results and year-end forecast reflect proactive management and mitigations in response to COVID-19
- While the full impacts of COVID-19 on the Region are expected to be greater than the funding announced through the federal-provincial Safe Restart initiative, the funding is expected to be sufficient cover the Region’s projected operating deficit in 2020
- Due to the limited details, the Safe Restart funds are not reflected in the figures included in this report. The announcements included $40.6 million to address

operating and transit pressures, up to $8.4 million for social services, and $14.2 million for child care and EarlyON programs.

- Capital expenditures were 82% of the capital budget at mid-year and are expected to reach 85% of the capital budget at year-end
- The total reprofiling request includes an increase of $0.9 million in Capital Spending Authority debt**,** $1.6 million in 2020 budget, and $0.8 million in Capital Spending Authority

3. Background

On December 19, 2020, Council approved the 2020 Budget. This report provides a summary of 2020 budget-to-actual results as at June 30, 2020, and a 2020 year-end forecast for both operating and capital budgets.

The COVID-19 pandemic has had a significant impact on the Region and on the Region's financial results relative to budget. The Region's focus on the emergency response included a major redeployment of staff and resources, new expenditures and the deferral of certain non-essential activities. In addition, key areas that depend on revenues to help fund operations continue to experience major losses in those revenues.

This report provides a summary of the Region's financial results at the mid-point of 2020 and of projected year-end results, including COVID-19 impacts. Additional details on COVID-19 financial impacts were included in a Memorandum on Financial Impacts of COVID-19 to Council on July 30, 2020. An update to the Memorandum, including results up to August 31, 2020, is planned for the September 27 Council meeting.

To establish the anticipated spending profile over the year, departments allocate their budgets to the months in which the expenditures and revenues are expected to occur. The mid-year results included in this report are relative to this "calendarized" budget for the first six months of 2020.

4. Analysis

OPERATING MID-YEAR RESULTS

Regional net (tax levy) operating expenditures were 98% of the year-to-date budget as lower spending, including mitigation efforts, offset impacts associated with COVID-19

For the first six months of 2020, net expenditures were $582.3 million or $9.3 million lower than the mid-year budget of $591.6 million. The mid-year results reflect the estimated year-to-date impact of COVID-19 of almost $63 million, including the impact of the water and wastewater rate deferral, reported in the Memorandum to Council on July 30, 2020. A number of mitigation strategies enabled the Region to remain within budgeted amounts for the first six months of 2020. These included reallocating the use of budgeted resources and savings due to hiring deferrals and reduced spending in other areas, such as Regional events and facility operations. The variance of $9.3 million reflects both gross expenditure and revenue variances, which are highlighted in Table 1 below. Mid-year expenditures represented 98% of budgeted expenditures, which was higher than the ratio reported at mid-year for 2019 of 95%, and slightly above the ratio of 97%, on average, reported over the last four years.

A projected operating deficit of $20.3 million is expected to be addressed through the federal-provincial Safe Restart funding

Year-end net expenditures are projected to be higher than budget as mitigation efforts are not expected to be sufficient to address total estimated COVID-19 impacts of $173 million in 2020. On a net basis, year-end net operating expenditures are projected to be 2%, or $20.3 million, above the budget. Main drivers include additional staffing needs and other costs in Public Health for pandemic response, and shortfalls in transit and fine revenues.

The projected year-end deficit reflects expected offsets to the estimated COVID-19 financial impacts through the use of existing resources, mitigation efforts and savings in other parts of department budgets, the use of contingency funding in corporate areas, and draws from departmental stabilization reserves for impacts such as the deferral of water and wastewater rates. The figures in this report reflect senior government funding commitments received up to the end of June, 2020, of approximately $6 million. While full details are not yet available, the federal-provincial Safe Restart funding announced in August, 2020 is expected to be sufficient cover the Region’s projected operating deficit in 2020

Key risks that could affect year-end results include changes related to the duration and scope of the pandemic and the amount of federal-provincial Safe Restart funding that is applied to costs incurred in 2020. Operating results and year-end projections will continue to be monitored to assess impacts and mitigation options, including the Safe Restart funding, as updated information is available. If there is a remaining deficit after applying funding available through the Safe Restart Agreement, then recommendations regarding the use of the Tax Stabilization, Fiscal Stabilization or other reserves would be brought forward to Council for approval. COVID-19 impacts in areas such as transit, public health and long-term care are expected to continue in 2021.

Please refer to Attachment 1 for the Consolidated 2020 Mid-Year Operating Summary.

Table 1

2020 Mid-Year Results - Operating

Department	Mid-Year Budget $ Millions	Mid-Year Variance[1] $ Millions	Expended % Mid-Year	Expended % Year-End Forecast	Expended % Year-End 2019 Actual
NET EXPENSE VARIANCES					
Transportation Services	166.7	2.0	99%	102%	96%

Department	Mid-Year Budget $ Millions	Mid-Year Variance[1] $ Millions	Expended % Mid-Year	Expended % Year-End Forecast	Expended % Year-End 2019 Actual
Environmental Services (excluding Water and Wastewater)	31.6	1.0	97%	99%	99%
Community and Health Services	106.8	5.0	95%	106%	89%
Corporate Services	21.8	3.9	82%	94%	90%
Finance	25.6	2.6	90%	91%	85%
Court Services[2]	(0.7)	(1.9)	n/a	n/a	n/a
York Region Rapid Transit Corporation	2.1	(1.0)	147%	100%	105%
YorkNet	1.2	0.3	74%	100%	100%
York Regional Police	174.1	(6.0)	103%	102%	100%
Other[3]	62.3	3.4	95%	97%	94%
Total[4] (Expenditures less Revenues)	**591.6**	**9.3**	**98%**	**102%[5]**	**95%**

[1] Variances without brackets indicate an expense that is under-budget; brackets indicate over-budget expenditures

[2] Court Services net budget reflects an expected net recovery (i.e., budgeted revenues exceed budgeted expenditures). At mid-year, Court Services did not achieve a net recovery, resulting in a variance of ($1.9M). Similar results are expected for year-end, with a projected variance of ($5.4M).

[3] Other budget includes contributions to reserves as part of the Fiscal Strategy ($31.6M), External Partners ($18.7M), smaller departments ($5.6M) and corporately budgeted items in Financial Initiatives ($6.5M)

[4] Reflects Year-End forecast after draws from Water and Wastewater Stabilization Reserves ($13.4M) and Waste Management Stabilization Reserve ($1.8M) to offset departmental COVID-19 pressures.

[5] The year-end forecast excludes the federal-provincial Safe Restart funding announced in August, 2020.

Recent Federal and Provincial commitment to provide up to $63.2 million will help address the projected budget shortfall and COVID-19 impacts in 2020 and 2021

On August 12 and 14, 2020, details were announced on recent funding commitments from the federal and provincial governments to assist local economies during the pandemic. The announcements included initial phases of funding to address municipal operating shortfalls and transit pressures, a second phase of funding for the Social Services Relief Funding provided earlier this year, and new funding for child care and and EarlyON centres. Given the timing of the announcement and the limited details available at this time, the financial impacts of this funding are not reflected in the figures included in this report.

The initial phase of funding is formula-based and includes $695 million to address operating costs and pressures related to COVID-19, distributed to municipalities based on share of households in the province. Funding for upper and lower tier municipalities will be shared on a 50:50 basis, resulting in $23.5 million for the Region and an equal amount shared by the Region’s local municipalities. A further $666 million is being provided to municipalities with transit systems based on their share of transit ridership. York Region’s allocation is $17.1 million. The announcements indicated that any unused funding in 2020 may be placed in a reserve to help address pressures in 2021. The transit announcement included additional details on eligible costs and the eligible time period. It also indicated that any unused portion of the $17.1 million by March 31, 2021 would have to be returned to the province.

The announcement indicated a second phase of funding will be available to municipalities through an application process expected to start later this year. The announcement regarding the municipal operating assistance included few details, but indicated that applications will need to demonstrate that the 2020 COVID-19 operating costs and pressures exceed the per household allocation reflected in the initial $23.5 million funding. The transit announcement indicated the province will consult with municipalities on a transfer payment agreement that will govern the second phase of funding. The announcement also indicated the funding agreements are expected to help advance provincial transit objectives, including promoting ridership growth and transit sustainability.

The second phase of funding for the Social Services Relief Funding initiative includes $212 million that will augment previously announced initiatives of $298 million. The province indicated the Region will be eligible to receive up to $8.4 million in new funding, subject to approval of a business case to be provided by the Region. Together with the $4.98 million previously committed, the Region could receive a total of $13.4 million through this initiative.

In addition, the Region received a commitment for $14.2 million in Safe Restart funding to help the child care sector adapt to COVID-19. The announcement indicated the funding would be used by child care operators to purchase PPE, enhanced cleaning, additional staffing needs, and minor capital in line with Public Health requirements. This funding is expected to result in an update to the projected expenditures included in this report, as additional details become available.

These announcements are part of the $19 billion Safe Restart Agreement and subsequent provincial funding commitments announced in July, 2020 to assist local economies during the pandemic. As part of the commitment, $4 billion in joint federal-provincial funding will be available to Ontario municipalities, including $2 billion to address municipal operating needs and $2 billion for municipal transit systems.

Table 2 below summarizes the recent funding commitments. Further updates, including the status of applications for the additional phases of funding and implications for the 2021 budget process, will be provided as details become available.

Table 2

COVID-19 Funding Announcements– August 2020

Funding Program	Announced Funding $ Millions	York Region Allocation $ Millions	Spending Timeframe	Future Funding
Municipal Funding Phase 1	695.0	23.5	2020	Application-based
Transit Funding Phase 1	666.0	17.1	April 1 to September 30, 2020	Application-based
Additional funding - Social Services Relief Fund Phase 2*	212.0	8.4**	2020-2021 (incurred after July 2, 2020)	N/A
Federal Safe Restart Funding – September Reopening plan (Child Care and EarlyON)	234.6	14.2	2020 (incurred by December 2020)	N/A
Investment in Public Health Response to COVID-19	100.0	TBD	TBD	TBD
Total	**1,907.6**	**63.2**		

* Of the $362 million SSRF Phase 2 funding announced on August 12, 2020, $150 million was the 2nd tranche SSRF funding previously announced on July 2, 2020 and $212 million additional funding was announced as part of the Safe Restart Agreement on August 12, 2020.

** Initial planning allocation. Submission of a business case is required. The amount could be subject to changes based on the business case the Region will submit and the COVID-19 needs of other municipalities across the province.

A letter from the Minister of Health dated August 21, 2020 indicated the ministry will be initiating a process for public health units to request reimbursement of one-time extraordinary costs incurred in managing the response to COVID-19. The letter references the $100 million increased investment to support the public health sector's response to COVID-19. The amount of funding available under this process to help address the Region's COVID-related public health expenditures is not yet known.

COVID-19 is contributing to a projected year-end deficit of $20.3 million resulting from pressures mainly in Community & Health Services, Transportation, York Regional Police and Court Services

For mid-year, Transportation Services reported significant variances in key revenues and expenditures relative to budget. The variances were largely offsetting, resulting in net expenditures of 99%, or $2 million below, the budgeted amount. Reduced ridership and rear door boarding during the COVID-19 emergency contributed to lower transit revenues of $20.8 million, or 55%, below the budgeted amount. The reduction was mostly offset by transit service adjustments and additional savings relative to budget totalling $18.7 million. Roads year-to-date net operating expenditures were under budget by $4.1 million due to lower than expected snow removal operations and other lower than budgeted expenditures, including fleet needs, maintenance and telecommunications.

Transportation Services projects overall net expenditures to be over budget by $6.3 million by year end. Ongoing transit revenue losses, the department's decision to defer the fare increase planned for the second half of 2020 due to the ridership decline, enhanced facilities and bus cleaning, and related costs are projected to contribute to a transit net pressure of $12.4 million. The projection reflects a continuation of the recent service reductions to help offset the ridership losses. Further reductions would be difficult without affecting service frequency on major routes with a corresponding loss of ridership. The year-end forecast assumes transit ridership will follow the mid-year trend. The pressure is expected to be partially offset by lower projected expenditures in roads totalling $6.1 million. The department expects ongoing savings from the deferral of non-essential hiring and other activities. The department's year-end projection does not reflect the federal and provincial funding commitment for transit of $17.1 million announced on August 12, 2020. Details on how the Safe Restart funding will help address transit pressures and on the Region's application for Phase 2 funding will be provided as more information on the initiative becomes available.

Community and Health Services reported significant financial impacts associated with COVID-19 in its mid-year results. Net expenditures were 95% of budget, or $5.0 million below budget as higher expenditures to support the pandemic response were offset by the deferral of non-essential activities and the redeployment of resources. Key additional costs included operating the self-isolation shelter in East Gwillimbury and the transitional shelter in the Township of King, operating six emergency child care centres, managing an increased Ontario Works caseload, and the Public Health response to prevent and alleviate the outbreak of COVID-19. These expenditures were managed through the use of existing resources, Social Services Relief Funding, deferred non-essential hiring and temporary program adjustments.

Some program expenditures and payments to agencies were delayed as a result of the focus on COVID-19 response. This includes timing of payments related to the Community Investment Fund, and the delay in developing homelessness prevention initiatives such as the Home Now and Coordinated Access programs. The timing of the conversion of market rent units to Rent-Geared-to-Income housing units resulted in lower than expected rent supplement payments in Housing Services. Lower costs associated with homelessness costs were due, in part, to the Region's recent success in keeping clients housed for longer periods of time.

Community and Health Services mid-year results were also impacted by COVID-19 in other areas, with lower uptake of Ontario Works discretionary benefits and transit subsidy program.

The lower than budget expenditures were partially offset by higher than budget costs in Public Health due to the COVID-19 response and the use of tax levy to fund some payments to child care operators while they were closed.

For 2020 year-end, Community and Health Services is projecting a net expenditure variance of $13.5 million or 6% higher than budget. Key drivers include costs associated with Public Health staffing requirements for COVID-19 included in the June 25, 2020 report to Council, higher costs in Paramedic Services, the Region's long-term care homes and the Access York call center. For the Region's long-term care homes, infection prevention and control measures, personal protective equipment (PPE), and COVID isolation units are resulting in increased costs for this program. Staffing needs in the homes will be the subject of a report to Regional Council in October with a request for permanent resources to address COVID impacts. Given the timing of the report to Council and recruiting timelines, the costs of additional permanent resources are not expected to affect CHS' 2020 year-end forecast. The department also expects higher than budgeted caseloads and discretionary benefits associated with social assistance expenditures in the second half of the year as a result of COVID-19. Other areas, including Homelessness Community Programs, Housing Services, Seniors Strategy and Community Programs and Strategies and Partnerships are projecting lower than budget expenditures resulting from the deferral of expenditures in non-essential areas, including hiring and in the implementation of new programs.

The department's year-end forecast includes senior government funding confirmed to-date totaling approximately $6 million, including funding for emergency housing needs, social services programs and support for vulnerable seniors. The year-end forecast does not reflect any Safe Restart funding or public health funding for extraordinary one-time costs associated with COVID-19, given the timing of the announcements and limited details available. As noted previously on Table 2, the federal and provincial funding commitments include up to $8.4 million for Phase 2 of the Social Services Relief Fund, and $14.2 million to help support the safe reopening of child care and EarlyOn centres.

York Regional Police reported higher than budget net expenditures of $6 million, or 103% of budget at mid-year. Reduced revenues accounted for $4.1 million of the variance, including reduced fee-generating activities due to COVID-19, the timing of reserve draws and lower than expected funding from the Province. Higher than budgeted expenditures accounted for the remaining $1.9 million. The increase was primarily due to higher than expected spending on salaries and benefits of $1.6 million, reflecting the timing of payments for Canada Pension Plan and Employment Insurance benefits compared to budget and higher overtime costs due to large investigative projects.

York Regional Police projects net expenditures to be over budget by $7.3 million by year end, or 102% of budget. The figure reflects $3 million in reduced revenues due to projected ongoing impacts of COVID-19 for the remainder of the year and uncertainty regarding $0.9 million in budgeted grant funding that has not yet been confirmed by the Province. Higher costs include $3.2 million in salary and benefits costs and $1.5 million for PPE, cleaning and other expenses. The increased expenditures are expected to be partially offset by reductions totalling $1.6 million resulting from an expenditure review. York Regional Police also noted that the year-end projections exclude any potential impacts from labour bargaining currently underway.

Court Services' budget reflects an expected net recovery where budgeted revenues exceed budgeted expenditures. However, due to the Courts closure on March 16, 2020 and a reduced number of traffic tickets filed, revenues at mid-year were $2.7 million lower than budget. Combined with reduced expenditures of $0.8 million, the mid-year results reflect a net expenditure variance of $1.9 million. Compared to prior year-to-date results, there is a 47% drop for Certificate of Offence (Part 1) and 48% drop for Information (Part 3) *Provincial Offences Act* tickets filed.

For 2020 year-end, Court Services expects the recent trend to continue, with a projected reduction in revenues of $6.6 million compared to the budgeted amount and reduced expenditures of $1.2 million, resulting in a budget pressure of $5.4 million. The projections assume the current reduced Court operations will continue until the end of 2020 and do not include potential draws from the Courts Reserve. The department noted that the projections may change once Court operations are fully reopened. In-person Provincial Offences Act proceedings are scheduled to resume on September 14th.

Impacts are expected to be managed within 2020 budgets in Environmental Services, Corporate Management and other areas

In addition to mitigation strategies identified within departmental budgets, lower spending in corporate areas including the use of $5.8 million in contingency funding is expected to help offset the expected year-end impacts of COVID-19.

For mid-year, Environmental Services reported net expenditures of $1.0 million lower than budget, representing 97% of the budget. This was mainly because of lower costs for salaries and benefits costs resulting from pandemic-related recruitment slowdowns, delays in awarding landscape and tree maintenance contracts and other program delays due to COVID-19, partially offset by higher waste management processing costs for additional tonnage and contamination attributed to COVID-19. While higher waste management processing costs are expected to result in a pressure by end of the year, the yearend projection reflects a draw of $1.8 million from the Waste Management Stabilization Reserve, which was established to help mitigate risks associated with fluctuations in revenues and costs. As of June 30, 2020, the Waste Management Stabilization Reserve had a balance of $30.8 million. Information on the rate funded portion of Environmental Services' budget is provided in the Water and Wastewater section later on in this report.

Corporate Services reported $3.9 million in lower than budget net expenditures, representing 82% of the budget. The main drivers included lower-than-expected spending in facilities operations resulting primarily from COVID-19 including delayed occupancy in the Region's new administrative office, lower utilities, reduced grounds maintenance and repairs and maintenance work. Other impacts of COVID-19 included lower salaries and benefits costs due to delays in hiring, cancellation of corporate and staff training, and other program delays. The lower costs were partially offset by increased spending resulting from COVID-19 including staff overtime and increased facility cleaning costs. Corporate Services is expected to be closer to budget by year end as expenditures planned for the first half of the year are later realized.

Finance reported net expenditures of $2.6 million below budget, or 90% of the net budget, due to lower expenditures in salaries and benefits, professional contracted services, telecommunications, software maintenance expenses and other expenses (e.g., lower travel ad training expenses).

Factors contributing to below budget net spending in other areas included lower salaries and benefits due delays in hiring and vacancies, lower spending in corporate areas, partially offset by net overspending by YRRTC as a result of the timing of debt payments which are expected to be on budget by year-end.

Water and Wastewater expenditures and revenue are below budget at mid-year and revenues are anticipated to remain below budget by year-end 2020 due to the deferral of the previously approved rate increase

User rates fund Water and Wastewater expenditures. This service has no tax levy impact. Any operating variances are addressed by contributions to or draws from water and wastewater reserves. The results included in this report incorporate Council's deferral of the previously approved rate increase of 9% that would have taken effect on April 1, 2020. Staff estimated the revenue loss from the rate deferral to be about $25 million in 2020. The figures in this report include the impact of both revenue and expenditure changes. Staff will report back in the fall with additional information on the impact of foregoing a rate increase in 2020.

Table 3 outlines mid-year results for Water and Wastewater.

Table 3
Mid-Year Results – Water and Wastewater

Water and Wastewater	Budget $ Thousands	Actuals $ Thousands	Variance $ Thousands
Expenditures			
Expenditures*	216,643	209,022	7,621
Contributions to reserves	91,197	95,239	(4,042)
Gross Expenditures	**307,840**	**304,261**	**3,579**
Revenues			

Water and Wastewater	Budget $ Thousands	Actuals $ Thousands	Variance $ Thousands
Revenues*	(307,840)	(299,024)	(8,816)
Draws from reserves	-	(5,237)	5,237
Total Revenues	**(307,840)**	**(304,261)**	**(3,579)**
TOTAL (After contributions to reserves)	-	-	-

* Excluding corporate allocations recovered from user rates

Water and wastewater expenditures were $7.6 million lower than budget mainly due to recruitment slowdowns resulting from COVID-19 and staffing changes, including temporary layoffs. Also contributing to the lower expenditures were Duffin Creek Wastewater Treatment Facility costs being below budget due to a credit received for the 2019 year-end reconciliation process (payments are made to Durham Region based on budget and are adjusted based on actual expenditures in the following year).

Revenue was $8.8 million under budget primarily as a result of the deferral of the previously approved rate increase in 2020.

To ensure water and wastewater operations are fully supported by user rates, with no impact to the net tax levy, draws from and contributions to water and wastewater reserves are made, as required. To address the variances in water and waste water operations at mid-year, reserve contributions and draws were higher than budget by $4.0 million and $5.2 million, respectively.

For 2020 year-end, any unexpected variances in water and wastewater net expenditures will be offset by contributions to or draws from reserves, as required. While lower expenditures are expected to partially offset the projected $25 million revenue loss associated with the rate deferral, draws from the stabilization reserves are expected to be higher than previous years. A report to Council expected in the fall, will provide additional information on the impact of foregoing a rate increase in 2020, including potential implications on reserves.

CAPITAL MID-YEAR RESULTS

The 2020 Capital Plan is progressing despite challenges from COVID-19

As of June 30, 2020, the Region’s gross capital expenditures were $262.5 million, or 82% of the year-to-date capital budget of $321.6 million. The year-end forecast for gross capital expenditures is $709.3 million, or 85% of the capital budget. Mid-year expenditures are in line with last year’s mid-year result of 80%.

On June 25, 2020, Council approved the Mid-Year Capital Reprofiling report. This report reallocated funding from capital projects that were progressing slower than anticipated to those progressing faster than expected or that were rescheduled to proceed more quickly. As part of the report, changes to Capital Spending Authority (CSA) and/or the current year capital budget for reprofiled projects were approved. Capital reprofiling helps departments maximize delivery of the capital plan.

The budget figures contained in this report reflect reallocations and adjustments approved in the Mid-Year Capital Reprofiling report in June, but do not reflect the additional capital reprofiling requests outlined later in this report.

As at June 30, 2020, capital expenditures were under budget by $59.1 million, with 23% of this variance related to COVID-19

The mid-year underspending of $59.1 million is mainly due to project delays in Transportation Services, Environmental Services, York Region Rapid Transit Corporation (YRRTC), and Corporate Services. Table 4 summarizes year-to-date results by department. Further details of mid-year departmental results and year-end forecasts are provided in Attachment 2.

Table 4

Mid-Year Results – Capital

Department	Mid-Year Budget $ millions	Mid-Year Variance $ millions	Expended % Mid-Year	Expended % Year-End Forecast	Expended % Year-End 2019 Actual
Transportation Services	141.6	26.0	82%	91%	73%
Environmental Services	103.5	12.6	88%	91%	101%
Community and Health Services	13.4	2.1	84%	50%	45%
Finance	8.1	4.8	40%	52%	50%
Corporate Services	19.4	5.7	70%	83%	82%
Court Services	0.02	0.02	24%	47%	44%
York Region Rapid Transit Corporation	23.1	5.9	74%	93%	58%
YorkNet	4.3	1.6	62%	104%	31%
York Regional Police	8.2	0.3	96%	56%	57%
TOTAL	**321.6**	**59.1**	**82%**	**85%**	**72%**

Note: numbers may not add due to rounding

Mid-year expenditures for Transportation Services reflected several projects proceeding faster than anticipated, including the asset management program. This was offset by other projects that experienced timing delays compared to the budget, mainly due to inclement spring weather, utility relocations taking longer than expected and work not progressing as quickly as expected. Property acquisition for the Southwest Satellite Yard was delayed due to negotiations proceeding slower than expected. The purchase of Conventional Buses was also behind schedule due to COVID-19.

Environmental Services' mid-year underspending was mainly due to Duffin Creek Stage 3 Solids work for the Mercury Removal project, property acquisitions for Northeast Vaughan and West Vaughan Servicing projects, and various rehabilitation projects. This was offset by the York Durham Sewage System Forcemain Twinning project progressing faster than anticipated.

York Region Rapid Transit Corporation's mid-year underspending was primarily due to delays on preliminary design and engineering for the Yonge North Subway Extension following the uploading of project delivery to Metrolinx.

Corporate Services' mid-year underspending, influenced primarily by the COVID-19 pandemic, was driven by deferred capital spending associated with a two-month construction site closure at the Region's new 17150 Yonge Street building location. Building occupancy is scheduled for August 2020.

Capital delivery is forecasted to be 85% of the approved 2020 capital budget

Capital expenditures are forecasted to be $709.3 million, or 85% of the $837.3 million 2020 budget. The forecasted 2020 year-end expenditures are slightly lower than 2019 forecasted year-end expenditures of 89%. Actual expenditures at 2019 year-end were 72% of the budget. Given the nature of capital construction and the current COVID-19 situation, some variance between actual and budgeted expenditures can be expected.

Transportation Services is forecasting year-end underspending of $36.2 million, or 9% of its capital plan in 2020. The variance is primarily due to a road widening project on Keele Street (Steeles Avenue to Highway 407) that has been delayed due to CN Rail delaying execution of an agreement for the grade separation and associated utility relocation at the grade separation location. Some work was delayed in 2019 due to poor weather that has increased the expenditures in 2020 to complete the work. The Conventional Bus Replacement program is projected to be under budget primarily due to the deferral of nine buses to future years as well as favourable pricing. Actual year-end expenditures on construction projects, which form the bulk of the capital plan, may change due to unexpected site conditions, unusual weather condition or COVID-related labour or supply chain issues.

Environmental Services is forecasting year-end underspending of $18.1 million, or 9% of their 2020 budget, mainly due to Toronto's revised schedule for the Toronto Water Supply Cost Share program and delays in land negotiations for various rehabilitation projects, including the York Durham Sewage System rehabilitation program and Southeast Collector

Rehabilitation. This will be partially offset by the York Durham Sewage System Forcemain Twinning project, which progressed faster than anticipated. The total project cost for this project remains the same.

Community and Health Services is forecasting year-end underspending of $32.9 million, or 50% of their 2020 budget, due in part to the impact of COVID-19. $14.8 million of the underspending is related to Housing Services project delays to the Men's Emergency Housing Replacement, Stouffville Affordable Housing Development, Unionville Seniors Affordable Housing, and Woodbridge Redevelopment project. Delays to the Woodbridge project relate to commercial space fit-up and public art, as the affordable housing component was completed and occupied in 2019. Paramedic Services accounts for $13.4 million of the underspending, mainly due to delays with site plan approvals, permits and tendering processes on paramedic response stations ($9.6 million). Seniors Services and Public Health are forecasting underspending of $2.4 million and $2.3 million respectively, due mostly to project and procurement delays.

Finance is forecasting year-end underspending of almost $12 million, or 48% of their 2020 budget. This is primarily due to delays in equipment refresh including, computer, cellular, printer, telephone and network (servers and storage). In addition, there were a number of delays with other corporate and departmental system projects due to staffing resources being reallocated to COVID-related work.

Corporate Services is forecasting year-end underspending of almost $7.0 million, or 17% of their 2020 budget is primarily due to delays with construction of Mackenzie Health Elevator Pavilion project. The construction schedule for this project has been revised to coincide with completion of the Mackenzie Vaughan hospital.

York Region Rapid Transit Corporation is forecasting year-end underspending of $3.7 million or 7% of their 2020 budget. The forecasted underspending is primarily due to Yonge Subway Extension preliminary design and engineering ($2.3 million under budget due to delays related to uploading project delivery to Metrolinx) and Rapid Transit Initiatives ($2.2 million under budget due to delays on park and ride facilities and transit-oriented development studies). Cornell Terminal and SmartCentres VMC Terminal are forecast to be overspent by a combined $0.8 million at year-end.

YorkNet is forecasting year-end overspending of $0.46 million, or 4% over their 2020 capital budget. The overspending is due to the Connect to Innovate project progressing faster than anticipated, and resulting in an earlier completion date. To accommodate the accelerated timeline, YorkNet is requesting moving forward capital budget and CSA from 2021 to 2020. This is included in the Fall Capital Reprofiling section of this report.

York Regional Police is forecasting underspending of their capital plan by $18.6 million, or 44% of the 2020 budget. The forecasted underspending is due to delays with construction tender for the #1 District Multi-Function Facility ($12.6 million) and various smaller project delays on modernization of equipment and software installations, mainly due to delays in vendors' installation schedules related to districts/headquarters closures because of COVID-19.

FALL CAPITAL REPROFILING

Council approval is required for CSA debt authority changes under reallocations within a program group in Attachment 3

Attachment 3 provides details on the projects in Category 1, where the reallocation will result in a change to the project's 2020 CSA debt requirements. In total, the Category 1 program group reallocations would result in no net change in the 2020 budget or 2020 CSA.

Council approval is required for reallocations in Attachment 4, including an increase of $0.9 million to 2020 CSA debt

Attachment 4 provides details on the proposed reallocations in Category 2, where expenditures, funding or CSA is being reallocated outside of a program group. Both the expenditure requests (including changes to CSA) and associated changes in funding sources require Council approval as they fall outside of the authority provided under the budget approval.

The reallocations in Attachment 4 result in no change to 2020 expenditures and 2020 Capital Spending Authority, and an increase of $0.9 million in 2020 CSA debt.

Council approval is required for projects noted in Attachment 5, to increase 2020 Capital Budget and CSA by $1.6 million and $0.8 million, respectively

In select cases, an increase to the budget or Capital Spending Authority may be requested where no offset is available within the capital budget. These Category 3 requests are outlined in Attachment 5, and are considered on an individual basis. They are reviewed in relation to the Region's fiscal strategy, particularly the impact on debt and reserve levels.

As mentioned earlier in this report, YorkNet is requesting an additional $0.75 million in 2020 capital expenditures due to accelerated timelines for the Connect to Innovate project which will allow for earlier project completion. YorkNet is requesting moving the $0.75 million for both annual budget and CSA from 2021 to 2020. Total multi-year CSA would be unchanged.

Due to delays on the Cornell and SmartCentres VMC Terminals in 2019, York Region Rapid Transit Corporation is requesting an additional $0.8 million for the Bus Rapid Transit Facilities and Terminals project in its 2020 budget and CSA to reach substantial completion. The total cost of each project is unchanged.

5. Financial

As of June 30, 2020, total net expenditures for Regional operations were $582.3 million, or 98% of the year-to-date budget. Departmental year-end projections indicate that total net expenditures will be $1,208.8 million or 102% of budget, representing a deficit of $20.3 million, including the impact of COVID-19. The recently announced federal and provincial funding commitments of $49 million for the first round of the Safe Restart Agreement, the $14.2 million to support a safe restart of child care services, and any funding for one-time extraordinary COVID-related public health expenditures would be used to help address the projected year-end deficit and COVID-19 impacts. If there is a remaining deficit after applying funding available through the Safe Restart Agreement, use of the Tax Stabilization and/or Fiscal Stabilization Reserves or other reserves may be considered and brought forward to Council for approval.

As of June 30, 2020, gross capital expenditures were $262.5 million, or 82% of the year-to-date capital budget. The departmental year-end forecast for gross capital expenditures is $709.3 million, or 85% of the 2020 capital budget of $837.3 million.

Reprofiling and reallocation of the 2020 capital budget as outlined in Attachments 3 and 4 will not result in a change to 2020 budgeted capital expenditures or CSA, but will result in an increase of $0.9 million in 2020 CSA debt. The changes outlined in Attachment 5 will result in an increase in 2020 capital budget by $1.6 million and an increase in CSA by $0.8 million.

Department staff will continue to work with Finance staff to monitor expenditures and risks to ensure that overall expenditures are managed within approved levels.

6. Local Impact

There is no direct local municipal impact associated with this report. The Region's budget funds essential services and capital infrastructure for residents and businesses in all local municipalities in the Region. The reprofiling changes outlined in this report help ensure that infrastructure delivery is maximized within the approved expenditures throughout the Region.

7. Conclusion

The Region will continue to monitor the financial impacts of the COVID-19 pandemic and the expected impact the budget. The federal-provincial Safe Restart funding would be used to help offset the pressures. Depending on the magnitude of the year-end deficit, use of the Tax Stabilization and/or Fiscal Stabilization Reserves or other reserves may be considered and brought forward to Council for approval. Continued financial impacts related to COVID-19 are expected in 2021, and will be addressed in the Region's 2021 budget.

Reallocations between capital projects are an established practice. As the budget year progresses, the intent is to reallocate funding from projects that are progressing slower than anticipated, or where cost savings have been realized, to projects that are progressing faster than planned or experiencing cost pressures, thereby maximizing delivery of the capital plan.

Summaries of the 2020 operating and capital financial results and capital project reallocations have been appended to this report.

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

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

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

August 25, 2020
Attachments (5)
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