

The Regional Municipality of York

Committee of the Whole
Environmental Services
March 4, 2021

Report of the Commissioner of Finance

2021 to 2022 Budget – Environmental Services

1. Recommendations

1. Committee of the Whole recommend the budget as submitted for Environmental Services as follows:
 - a. The 2021 operating budget and the 2022 operating outlook, as summarized in Attachment 1.
 - b. The 2021 capital expenditures and the 2021 Capital Spending Authority, as summarized in Attachment 2.
2. The recommended budget be consolidated by the Commissioner of Finance and Regional Treasurer for consideration by Council on March 25, 2021.

2. Summary

This report provides a summary of the 2021 to 2022 Operating and Capital Budget for Environmental Services for consideration by Committee. Details of the budget can be found on page 95 of the 2021 to 2022 Budget Book.

Key Points:

- The budget enables Environmental Services to deliver safe, reliable and high-quality water and wastewater, waste management and forestry services to people and communities in the Region; it also allows for delivery of the organization's energy use programs, and for leading the Region's corporate asset management planning.
- The 2021 proposed gross operating expenditures for Environmental Services are \$635.1 million, which is 24.6% of total Regional operating expenditures
- The proposed net operating budget is \$66.3 million, or 5.3% of the Region's net expenditures after non-tax revenues of \$568.8 million
- The proposed capital budget is \$208.5 million in 2021, or 27.3% of the proposed Regional capital budget, and proposed Capital Spending Authority is \$1,597.6 million

3. Background

Environmental Services delivers safe, reliable and high-quality water and wastewater, waste management and forestry services to people and communities in the Region. It is also responsible for the organization's energy use programs and, with Transportation Services, for leading the Region's corporate asset management planning.

On December 19, 2019, Council endorsed an operating outlook for 2021-2022

As part of the [2020-2022 Budget](#), Council endorsed an outlook for the overall Regional operating budget for 2021 to 2022. This outlook reflected budget amounts for Regional departments and key service areas.

The budget timeline was adjusted due to uncertainties related to COVID-19

The 2021 Budget Direction report, approved by Council on May 14, 2020, indicated that the budget be tabled in February 2021 and reviewed at the Committee of the Whole meetings in March, with final 2021 budget approval by Council scheduled for March 25, 2021.

In a typical non-election year, the budget is tabled with Council in November and approved in December. The later tabling and approval date helped address the high level of uncertainty and limited information on implications of COVID-19 as well as assumptions around senior government funding.

The budget was tabled with Council on February 25, 2021

The proposed 2021 to 2022 Operating and Capital Budget was tabled with Council on February 25, 2021. It was received and referred to the March meetings of Committee of the Whole for consideration and recommendation.

The proposed multi-year operating budget includes an outlook for 2022

The operating budget includes the proposed 2021 budget and an outlook for 2022. The outlook will be reviewed through the 2022 budget process. Each year, Council will consider the proposed budget for the upcoming year and the outlook for the remaining years of Council's term.

For the 2021 to 2022 budget, Council is asked to approve the 2021 proposed operating budget and endorse the 2022 outlook.

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

Many capital projects span several years of planning, design and construction, requiring multi-year spending authority.

Capital Spending Authority is requested for projects with contractual and other clear or certain multi-year commitments. As in previous years, Council is asked to approve proposed capital expenditures and funding for 2021 and the multi-year Capital Spending Authority.

4. Analysis

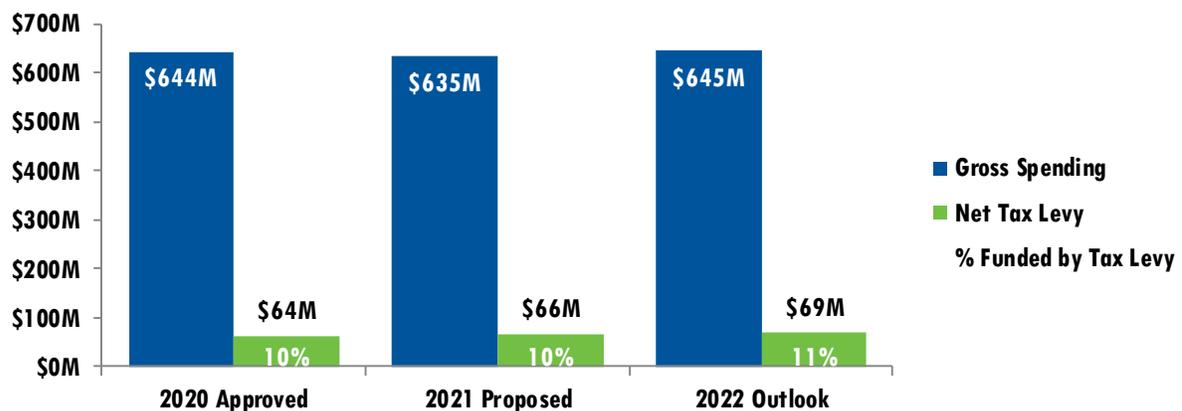
OPERATING BUDGET

Approval of 2021 gross expenditures of \$635.1 million and net expenditures of \$66.3 million is requested

The budget includes gross operating expenditures, or total budget, and net expenditures, which correspond to the portion of the budget paid by the tax levy. Non-tax revenues fund the difference. For Environmental Services, non-tax revenues come from water and wastewater user rates.

The 2021 proposed gross operating expenditures for Environmental Services are \$635.1 million, or 24.6% of total Regional expenditures. The proposed 2021 net expenditures of \$66.3 million are 5.3% of the total. The tax levy funds 10.4% of Environmental Services' 2021 gross expenditures, as shown in Figure 1 below.

Figure 1
2021 to 2022 Gross and Net Operating Expenditures



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

The COVID-19 pandemic had major impacts on York Region in 2020, and many of these are expected to continue in 2021 and to some extent in 2022. Significant pressures to Environmental Services include the following:

- Deferral of the planned 9% water and wastewater rate increase for 2020 and the 2.9% planned increase for 2021 will result in an over \$40M reduction in user rate revenues in 2021. This pressure has been mitigated in the budget through reduced

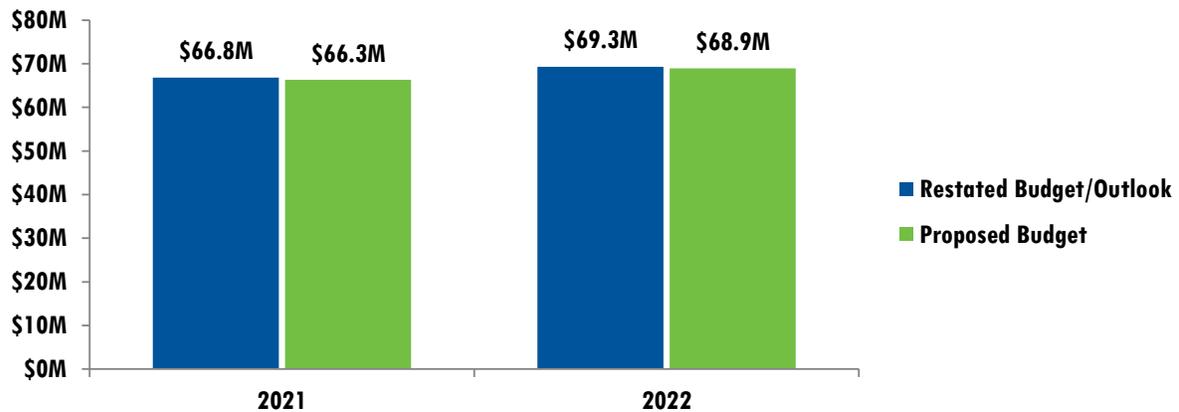
contributions to the asset management reserves. Further considerations and recommendations on future multi-year water and wastewater rate increase will be brought to Council in 2021.

- Increased tonnages and contamination in waste processing have resulted in an additional pressure in 2021 of approximately \$1.8M. These pressures are being mitigated through a combination of departmental savings and efficiencies, true-up of revenue sources, as well as through offsets from the stabilization reserves.

Environmental Services' proposed 2021 operating budget is lower than the previously endorsed outlook

As illustrated in Figure 2 below, Environmental Services' proposed 2021 net budget is \$0.5 million lower than the endorsed outlook. The 2022 outlook is also lower than the outlook endorsed as part of the 2020 to 2022 Budget by \$0.4 million in 2022.

Figure 2
2021 to 2022 Proposed Net Budget Compared to Outlook



The department's proposed 2021-2022 net budget is slightly below the outlook owing largely to savings in salary gapping and common expenses. The known continuing impacts of COVID-19 and increased costs due to higher processed waste tonnages, are expected to be mitigated within the proposed budget.

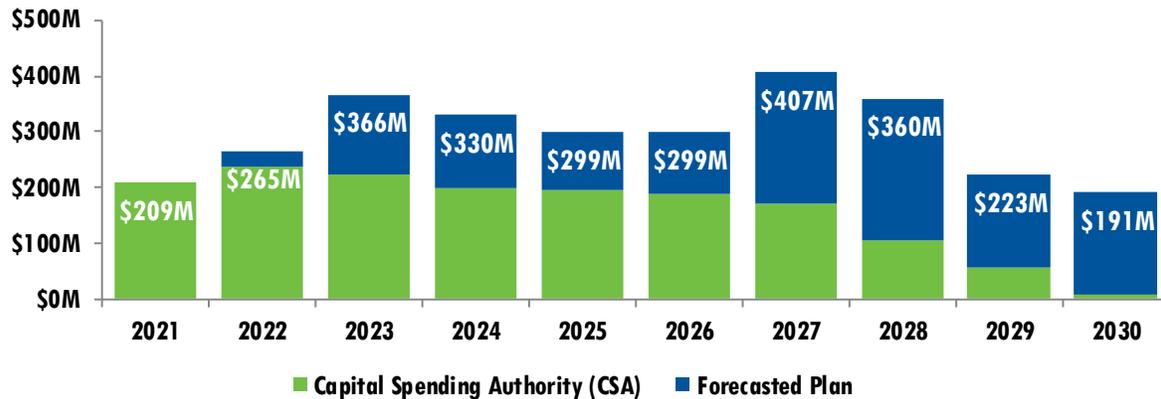
CAPITAL BUDGET

Approval of 2021 capital expenditures of \$208.5 million and Capital Spending Authority of \$1,597.6 million is requested

Environmental Services' capital budget enables infrastructure projects in support of growth and renewal of facilities and equipment including treatment plants, pumping stations, water mains, wastewater collectors, waste facilities, and green infrastructure.

The proposed Capital Spending Authority for Environmental Services is \$1,597.6 million as shown in Figure 3, or 53.4% of the Region's total Capital Spending Authority.

Figure 3
Ten-Year Capital Plan and Capital Spending Authority (CSA)



Attachment 2 summarizes the Capital Spending Authority by program and shows the associated funding sources for Environmental Services. Details on individual projects are available in the 2021 to 2022 Budget Book starting on page 259.

The proposed budget supports the 2019 to 2023 Strategic Plan

The budget for Environmental Services mainly supports the Sustainable Environment community result area of the 2019 to 2023 Strategic Plan. More information is provided in the 2021 to 2022 Budget Book.

5. Financial

The proposed 2021 net operating budget for Environmental Services totals \$66.3 million, as summarized in Attachment 1.

The proposed 2021 capital budget of \$208.5 million and 2021 Capital Spending Authority with an associated multi-year commitment of \$1,597.6 million are summarized in Attachment 2. Expenditures not identified as part of Capital Spending Authority and contained within the Ten-Year Capital Plan are provided in the Budget Book for planning purposes and may be brought forward for formal approval in subsequent budget years.

6. Local Impact

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

7. Conclusion

This report sets out the proposed 2021 operating and capital budgets and the 2022 outlook for Environmental Services. To facilitate completion of the budget process, it is recommended that the Committee's recommendations be forwarded to Council for consideration on March 25, 2021.

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

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Recommended by:

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Commissioner of Finance and Regional Treasurer



Erin Mahoney, M. Eng.
Commissioner of Environmental Services



Approved for Submission:

Bruce Macgregor
Chief Administrative Officer

February 18, 2021
Attachments (2)
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