Laura Mirabella
Commissioner of Finance and Regional Treasurer
January 31, 2019
Part 1: Overview of the 2019-2022 Budget

Part 2: The Budget
   - Operating Budget
   - Capital Budget

Part 3: Fiscal Strategy
   - Debt Management
   - Reserve Management

Part 4: Infrastructure Acceleration Option

Part 5: Budget Review Process and Conclusion
OVERVIEW: 2019-2022 BUDGET
## THE PROPOSED BUDGET AT A GLANCE

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proposed tax increase</td>
<td>3.37%</td>
<td>2.96%</td>
<td>2.96%</td>
<td>2.96%</td>
</tr>
<tr>
<td>Gross Expenditures</td>
<td>$2.3B</td>
<td>$2.4B</td>
<td>$2.5B</td>
<td>$2.6B</td>
</tr>
<tr>
<td>Net Expenditures</td>
<td>$1.1B</td>
<td>$1.2B</td>
<td>$1.2B</td>
<td>$1.3B</td>
</tr>
<tr>
<td>Ten-Year Capital Plan</td>
<td>$6.6B</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital Budget for 2019</td>
<td>$867M</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
• The average assessed value of a residential property in the Region is $687,000

• A tax levy increase of 3.37% in 2019 equates to $81 per household, on average
FISCAL IMPACTS AT A GLANCE

Outstanding 2018 debt: $2.7B

New DC debt in the next 10 years: $1.8B

Tax-levy debt in the next 10 years: $0

Rate-supported debt in the next 10 years: $0

Increase in reserves in the next 10 years: $3.0B

Debt Management Plan compliant with the Province’s ARL regulation
OPERATING BUDGET
### Proposed Operating Budget

<table>
<thead>
<tr>
<th></th>
<th>2019 Proposed</th>
<th>2020 Outlook</th>
<th>2021 Outlook</th>
<th>2022 Outlook</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Expenditures ($M)</td>
<td>2,338</td>
<td>2,435</td>
<td>2,511</td>
<td>2,605</td>
</tr>
<tr>
<td>Non-Tax Revenue ($M)</td>
<td>(1,206)</td>
<td>(1,253)</td>
<td>(1,276)</td>
<td>(1,315)</td>
</tr>
<tr>
<td>Net Expenditures ($M)</td>
<td>1,132</td>
<td>1,183</td>
<td>1,236</td>
<td>1,290</td>
</tr>
<tr>
<td>Assessment Growth ($M)</td>
<td>(23.0)</td>
<td>(17.6)</td>
<td>(18.0)</td>
<td>(18.0)</td>
</tr>
<tr>
<td>Net Expenditures after Assessment Growth ($M)</td>
<td>1,109</td>
<td>1,165</td>
<td>1,218</td>
<td>1,272</td>
</tr>
<tr>
<td>Proposed Tax Levy Increase (%)</td>
<td>3.37</td>
<td>2.96</td>
<td>2.96</td>
<td>2.96</td>
</tr>
</tbody>
</table>

Note: Proposed tax levy increase reflects revenue from assessment growth.
SHARE OF GROSS AND NET EXPENDITURES BY SERVICE AREA IN 2019

**Share of Gross Expenditures ($2.3B)**

- **York Regional Police**: $371M (16%)
- **Transportation Services**: $451M (19%)
- **Community and Health Services**: $621M (27%)
- **Corporate Management and Governance**: $110M (5%)
- **Environmental Services**: $76M (3%)
- **Financial Initiatives**: $95M (4%)

**Total 100%**

**Share of Net Expenditures ($1.1B)**

- **York Regional Police**: $337M (30%)
- **Transportation Services**: $314M (28%)
- **Community and Health Services**: $214M (19%)
- **Corporate Management and Governance**: $97M (9%)
- **Environmental Services**: $62M (5%)
- **Financial Initiatives**: $58M (5%)
- **Other***: $49M (4%)

**Total 100%**

*Other includes Court Services, Boards & Authorities, YorkNet, and YRRTC*
LESS THAN HALF OF GROSS EXPENDITURES ARE FUNDED THROUGH TAX LEVY

2019 Operating Revenue Sources
($2.34 Billion)

- Tax Levy: 48.4% ($1.13B)
- User Rates (Transit, Water & Wastewater): 18.4% ($0.43B)
- Grants & Subsidies: 17.1% ($0.40B)
- Development Charge Reserve Draws: 10.7% ($0.25B)
- Fees, Charges & Other Reserves: 5.4% ($0.13B)
PROGRAM SPENDING SUPPORTS GROWTH

Net Expenditure Components

Boards, Authorities and Other
Fiscal Strategy
Program Spending
WHAT’S NEW IN 2019

Police
- 53 new YRP staff, including 23 for cannabis in 2019

Cannabis Reserve
- Funding to address unanticipated cannabis pressures

Paramedics
- 12 new paramedics to address growth

Access York
- Additional resources to enhance access to Regional services

Innovation Investment Fund
- New $1M per year investment to support innovation

ventureLAB
- Increased annual support and additional entrepreneur funding through ventureLAB
PROVIDING SERVICES MORE EFFICIENTLY

Roads
- Continued installation of sensors and message boards

YRP and Courts
- Implementing video link capability and electronic information transfer

YorkTrax
- Streamlining the development review process

Social Assistance
- Reducing paperwork and giving Ontario Works clients more time with caseworkers

One Water
- Implementing a pilot project to promote water reuse
PROPOSED FTE GROWTH

<table>
<thead>
<tr>
<th>Year</th>
<th># of Full-Time Equivalents</th>
<th>York Regional Police</th>
<th>Enhancements and Transformation</th>
<th>Maintaining Service Levels for Growth</th>
<th>Conversions and other</th>
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</thead>
<tbody>
<tr>
<td>2019</td>
<td>155.5</td>
<td>26.0</td>
<td>16.0</td>
<td>60.5</td>
<td>53.0</td>
</tr>
<tr>
<td>2020</td>
<td>135.0</td>
<td>13.0</td>
<td>14.0</td>
<td>74.0</td>
<td>34.0</td>
</tr>
<tr>
<td>2021</td>
<td>115.0</td>
<td>8.0</td>
<td>11.0</td>
<td>62.0</td>
<td>34.0</td>
</tr>
<tr>
<td>2022</td>
<td>99.0</td>
<td>9.0</td>
<td>9.0</td>
<td>47.0</td>
<td>34.0</td>
</tr>
</tbody>
</table>
THE REGION PROVIDES PROGRAMS AND SERVICES ACROSS MANY AREAS

Core Services:
- Children’s Services
- Court Services
- Economic Development
- Forestry
- Housing
- Long Term Care
- Paramedic Services
- Planning
- Police
- Public Health
- Regional Roads
- Social Assistance
- Transit
- Waste Management
- Water

$3.2B Total Budget*

*2019 Budget Year
CAPITAL BUDGET
# Proposed Capital Budget

## 2019 Capital Budget

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
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</thead>
<tbody>
<tr>
<td>2019-2028 Ten-Year Capital Plan</td>
<td>$6.6B</td>
</tr>
<tr>
<td>2019 Capital Approval</td>
<td>$867M</td>
</tr>
<tr>
<td>2019 Capital Spending Authority</td>
<td>$2.3B</td>
</tr>
</tbody>
</table>
TRANSPORTATION & ENVIRONMENT ARE OVER 80% OF THE TEN-YEAR PLAN

2019-2028 Capital Plan: Spending by Department

- Transportation Services: $2.8B (42%)
- Environmental Services: $2.6B (39%)
- Corporate Management: $572M (9%)
- Community and Health Services: $351M (5%)
- York Regional Police: $173M (3%)
- York Region Rapid Transit Corporation: $142M (2%)
- YorkNet: $52M (1%)
- Court Services: $1M (0.02%)

Total Spending: $572M - $2.8B
2019-2028 CAPITAL PLAN INCLUDES $6.6 BILLION IN SPENDING

Capital Plan by Need Category
$6.62B
- Rehabilitation & Replacement: $2.86B (43%)
- Growth: $3.76B (57%)

Capital Plan by Funding Category
$6.62B
- Development Charge Debt and Reserves: $2.76B (42%)
- Asset Replacement Reserves: $2.63B (40%)
- Tax Levy Reserves: $0.69B (10%)
- Other: $0.20B (3%)
- Grants, Subsidies and Federal Gas Tax: $0.34B (5%)
## TOP PROJECTS BY EXPENDITURE IN CAPITAL PLAN

<table>
<thead>
<tr>
<th>Project</th>
<th>Department</th>
<th>Ten-Year Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Growth Projects:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Road Widenings</td>
<td>Transportation Services</td>
<td>$705M</td>
</tr>
<tr>
<td>Upper York Sewage Servicing</td>
<td>Environmental Services</td>
<td>$600M</td>
</tr>
<tr>
<td>West Vaughan Sewage Servicing</td>
<td>Environmental Services</td>
<td>$246M</td>
</tr>
<tr>
<td>Northeast Vaughan Wastewater Servicing</td>
<td>Environmental Services</td>
<td>$161M</td>
</tr>
<tr>
<td>Intersection Improvements</td>
<td>Transportation Services</td>
<td>$68M</td>
</tr>
<tr>
<td><strong>Rehabilitation and Replacement Projects:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Infrastructure Assets Renewal and Replacement</td>
<td>Transportation Services</td>
<td>$455M</td>
</tr>
<tr>
<td>Pavement Renewal and Replacement</td>
<td>Transportation Services</td>
<td>$155M</td>
</tr>
<tr>
<td>Conventional Bus Replacement</td>
<td>Transportation Services</td>
<td>$197M</td>
</tr>
<tr>
<td>Viva Bus Replacement</td>
<td>Transportation Services</td>
<td>$100M</td>
</tr>
<tr>
<td>Trunk Sewer</td>
<td>Environmental Services</td>
<td>$291M</td>
</tr>
<tr>
<td>Duffin Creek Incinerators</td>
<td>Environmental Services</td>
<td>$179M</td>
</tr>
</tbody>
</table>
FISCAL STRATEGY
The goal is to allocate future costs evenly over time on a real per capita basis.

Debt forecast is highly sensitive to development charge collections and future capital spending.

Infrastructure investment needs to match the pace of growth and associated development charge collections.

Three types of reserves:
- Asset Management Reserves
- Debt Reduction Reserve
- Development Charge Reserves

Intergenerational Equity

Capital Management

Fiscal Strategy

Debt Management

Reserve Management
York Region is forecast to accommodate the highest share of growth in the Greater Golden Horseshoe (GGH)
THE REGION IS GROWING, BUT LESS THAN FORECAST

Average Annual Population Growth Comparison
2012-2017

GTA Annual Population Growth
Growth Plan: 97,600
StatsCan Estimate: 100,600

Source: Growth Plan Amendment II, StatsCan Table: 17-10-0084-01 (formerly CANSIM 051-0062)
THE REGION’S HISTORIC DEBT PROFILE

Historical Outstanding Debt

Non-DC
Historical Outstanding Debt

DC Only
Historical Outstanding Debt

$0.5B $0.7B $0.9B $1.0B $0.9B $1.2B $1.3B $1.8B $2.0B $2.2B $2.5B $2.6B $2.7B $2.9B $2.7B

$0.0B $0.5B $1.0B $2.0B $3.0B $4.0B $5.0B

$0.0B $0.5B $1.0B $1.5B $2.0B $2.5B $3.0B

$0.0B $1.0B $2.0B $3.0B
YORK’S DEBT PER CAPITA IN 2017 WAS COMPARATIVELY HIGH

<table>
<thead>
<tr>
<th>City</th>
<th>S&amp;P Global Ratings</th>
<th>Moody’s Investor Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>York</td>
<td>AA+</td>
<td>Aaa</td>
</tr>
<tr>
<td>Ottawa</td>
<td>AA</td>
<td>Aaa</td>
</tr>
<tr>
<td>Toronto</td>
<td>AA</td>
<td>Aa1</td>
</tr>
<tr>
<td>Waterloo</td>
<td>N/A</td>
<td>Aaa</td>
</tr>
<tr>
<td>Peel</td>
<td>AAA</td>
<td>Aaa</td>
</tr>
<tr>
<td>Hamilton</td>
<td>AA+</td>
<td>N/A</td>
</tr>
<tr>
<td>Halton</td>
<td>AAA</td>
<td>Aaa</td>
</tr>
<tr>
<td>Durham</td>
<td>AAA</td>
<td>Aaa</td>
</tr>
</tbody>
</table>

Source: Municipal financial statements.
York’s non-DC debt per capita in 2017 was comparatively low.

<table>
<thead>
<tr>
<th>City</th>
<th>User Rate</th>
<th>Tax Levy</th>
<th>Gas Tax</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ottawa</td>
<td>$750</td>
<td>$1,250</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Toronto</td>
<td>$500</td>
<td>$2,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Waterloo</td>
<td>$250</td>
<td>$1,500</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hamilton</td>
<td>$0</td>
<td>$1,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Halton</td>
<td>$250</td>
<td>$750</td>
<td></td>
<td></td>
</tr>
<tr>
<td>York</td>
<td>$0</td>
<td>$500</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Durham</td>
<td>$250</td>
<td>$250</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Peel</td>
<td>$0</td>
<td>$250</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**S&P Global Ratings**
- Ottawa: AA
- Toronto: AA
- Waterloo: N/A
- Hamilton: AA+
- Halton: AAA
- York: AA+
- Durham: AAA
- Peel: AAA

**Moody’s Investor Service**
- Ottawa: Aaa
- Toronto: Aa1
- Waterloo: Aaa
- Hamilton: N/A
- Halton: Aaa
- York: Aaa
- Durham: Aaa
- Peel: Aaa

**Source:** Municipal financial statements.
THE CAPITAL PLAN KEEPS DEBT BELOW THE 2017 PEAK

Outstanding Net Debt Projection

- 2017 Actual
- 2018 Est.
- 2019 Proposed
WATER AND WASTEWATER PROJECTS ACCOUNT FOR 74% OF NET DEBT

2018 Net Debt by Service
$2.7 Billion*

- Wastewater: $1,172M (44%)
- Water: $812M (30%)
- Roads & Transit: $292M (11%)
- Rapid Transit: $296M (11%)
- Other: $113M (4%)

*2018 Net Debt is estimated and will be finalized in early 2019
DEVELOPMENT CHARGE COLLECTIONS DEPEND ON GROWTH

Historic York Region Development Charge Collections and P&I payments

- Residential
- Non-residential
- Development Charge Annual Principal and Interest Payment
RESERVE MANAGEMENT
In 2017, York Region’s reserves were second only to Toronto’s.

**Reserve Comparison with Select Municipalities**

<table>
<thead>
<tr>
<th>Municipality</th>
<th>DC Reserve</th>
<th>Non-DC Reserve</th>
<th>Per capita ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Toronto</td>
<td>$4.52B</td>
<td>$3.5B</td>
<td>1,541</td>
</tr>
<tr>
<td>York</td>
<td>$2.44B</td>
<td>$2.02B</td>
<td>2,023</td>
</tr>
<tr>
<td>Durham</td>
<td>$1.89B</td>
<td>$1.77B</td>
<td>2,770</td>
</tr>
<tr>
<td>Peel</td>
<td>$1.89B</td>
<td>$1.275</td>
<td>1,275</td>
</tr>
<tr>
<td>Halton</td>
<td>$1.23B</td>
<td>$2.156</td>
<td>2,156</td>
</tr>
<tr>
<td>Ottawa</td>
<td>$1.08B</td>
<td>$1.100</td>
<td>1,100</td>
</tr>
<tr>
<td>Hamilton</td>
<td>$0.99B</td>
<td>$1.765</td>
<td>1,765</td>
</tr>
<tr>
<td>Waterloo</td>
<td>$0.35B</td>
<td>$586</td>
<td>586</td>
</tr>
</tbody>
</table>

*Source: 2017 Financial Information Return*
RESERVES CONTINUE TO GROW

Total Reserve Balance

- **Actual**
  - 2013: $1.7B
  - 2014: $1.7B
  - 2015: $1.9B
  - 2016: $2.1B
  - 2017: $2.4B
  - 2018: $2.5B
  - 2019: $2.5B
  - 2020: $2.7B
  - 2021: $2.9B
  - 2022: $3.1B
  - 2023: $3.4B
  - 2024: $3.9B
  - 2025: $4.3B
  - 2026: $4.7B
  - 2027: $5.1B
  - 2028: $5.5B

- **Forecast**
  - 2019: $2.9B
  - 2020: $3.1B
  - 2021: $3.4B
  - 2022: $3.9B
  - 2023: $4.3B
  - 2024: $4.7B
  - 2025: $5.1B
  - 2026: $5.5B

**DC Reserve**

**Non-DC Reserve**

- **Actual**
  - 2013: $1.7B
  - 2014: $1.7B
  - 2015: $1.9B
  - 2016: $2.1B
  - 2017: $2.4B
  - 2018: $2.5B
  - 2019: $2.5B
  - 2020: $2.7B
  - 2021: $2.9B
  - 2022: $3.1B
  - 2023: $3.4B
  - 2024: $3.9B
  - 2025: $4.3B
  - 2026: $4.7B
  - 2027: $5.1B
  - 2028: $5.5B

- **Forecast**
  - 2019: $2.9B
  - 2020: $3.1B
  - 2021: $3.4B
  - 2022: $3.9B
  - 2023: $4.3B
  - 2024: $4.7B
  - 2025: $5.1B
  - 2026: $5.5B
The region is on track to become a net investor by 2020.
OPTION: INFRASTRUCTURE ACCELERATION
• In the 2018 Budget, Council expressed an interest in accelerating roads projects without adding to debt.

• The 2018 Budget included a Roads Acceleration Reserve option to accelerate in-plan capital projects.
The Infrastructure Acceleration Reserve:

- provides the option to accelerate up to $200 million of growth projects without the need to issue additional debt
- would be repaid from development charge collections in the year the projects were originally identified in the plan
- could be used as a revolving reserve to fund additional projects when the reserve is repaid
- is scalable according to Council priorities
The Infrastructure Acceleration Reserve provides up to $200M to advance future capital projects.

### INFRASTRUCTURE ACCELERATION RESERVE

- **Infrastructure Levy (additional 1% Tax Levy)**
  - 2019: $10.7M
  - 2020: $22.5M
  - 2021: $35.1M
  - 2022: $49.0M
  - Total: $117.3M

- **Draw from Debt Reduction Reserve in 2022**
  - $82.7M

**$200M**
- Advance capital projects
- Repaid by future DC collections
The average assessed value of a residential property in the Region is $687,000.

A 4.37% tax levy increase in 2019 equates to $105 (vs $81) per household, on average.
# Overview with Optional Infrastructure Levy

<table>
<thead>
<tr>
<th>Budget Year</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proposed 2019</td>
<td>3.37%</td>
<td>2.96%</td>
<td>2.96%</td>
<td>2.96%</td>
</tr>
<tr>
<td>With Infrastructure Levy</td>
<td>4.37%</td>
<td>3.96%</td>
<td>3.96%</td>
<td>3.96%</td>
</tr>
</tbody>
</table>
BUDGET REVIEW PROCESS AND CONCLUSION
COUNCIL / COMMITTEE REVIEW PROCESS

Council
January 31, 2019

Committee of the Whole
February 14, 2019
Community and Health Services
Environmental Services
Transportation Services
York Region Rapid Transit Corporation

Committee of the Whole
February 21, 2019
York Regional Police
Conservation Authorities
YorkNet
Corporate Management, Financial Initiatives, Court Services and Other

Council
February 28, 2019
SUMMARY OF THE PROPOSED 2019 BUDGET

• A multi-year budget to align with the term of Council and the Strategic Plan
• Proposed tax levy increase of 3.37%, 2.96%, 2.96% and 2.96% representing a prudent operating plan to promote value for money and address risks
• A robust capital plan that addresses both growth-related and asset management needs
• Lower future debt levels and higher reserve balances
• Infrastructure Acceleration Reserve option for Council’s consideration
END OF PRESENTATION

For more information please contact
Office of the Budget at
OfficeoftheBudget@york.ca