

ENVIRONMENTAL SERVICES 2021 TO 2022 BUDGET

PRESENTATION TO
COMMITTEE OF THE WHOLE

Erin Mahoney
Commissioner, Environmental Services
March 4, 2021

EDOCS #12276597



AGENDA

- **Highlights of 2021-22 Budget**
- **Alignment with *2019 to 2023 Strategic Plan***
- **Operating Budget**
- **Capital Budget**
- **Wrap-Up**



HIGHLIGHTS OF THE 2021 BUDGET



Increased blue box contamination and waste tonnages as a result of COVID-19 (**\$1.8M**)



Reduced revenues as a result of deferring 2020 and 2021 rate increases (**\$43.8M**)



\$4.8M in cumulative efficiencies/true-up of revenue sources



\$2.9B 10-year capital plan (\$1.77B growth, \$1.17B asset management)

ORGANIZATIONAL CHART



LINA GAMBINO
ADMINISTRATIVE ASSISTANT



ERIN MAHONEY
COMMISSIONER

**STRATEGY
AND INNOVATION**

**OPERATIONS MAINTENANCE
AND MONITORING**

**CAPITAL PLANNING
AND DELIVERY**

**INFRASTRUCTURE
ASSET MANAGEMENT**

**ENVIRONMENTAL PROMOTION
AND PROTECTION**

**BUSINESS PLANNING
AND OPERATIONS SUPPORT**



DAVE SZEPTYCKI
DIRECTOR



BETH WEIR (A)
DIRECTOR



MIKE RABEAU
DIRECTOR



WENDY KEMP (A)
DIRECTOR



LAURA MCDOWELL
DIRECTOR



MICHELLE SWAN
DIRECTOR

THE BUDGET SUPPORTS THE 2019 TO 2023 STRATEGIC PLAN



ECONOMIC VITALITY

PRIORITY:

Increase economic prosperity

OBJECTIVES:

1. Fostering an environment that attracts businesses, grows employment opportunities and attracts people
2. Increasing access to efficient transportation options



HEALTHY COMMUNITIES

PRIORITY:

Support community health, safety and well-being

OBJECTIVES:

1. Supporting safe communities
2. Delivering and promoting affordable housing
3. Improving access to health and social support services



SUSTAINABLE ENVIRONMENT

PRIORITY:

Build sustainable communities and protect the environment

OBJECTIVES:

1. Delivering and promoting environmentally sustainable services
2. Encouraging growth in the Region's centres, corridors and built-up urban areas
3. Enhancing and preserving green space



GOOD GOVERNMENT

PRIORITY:

Deliver trusted and efficient services

OBJECTIVES:

1. Ensuring reliable, responsive, effective, efficient and fiscally responsible service delivery
2. Managing the Region's assets for current and future generations
3. Maintaining public confidence in Regional Government

BUDGET HIGHLIGHTS



PRIORITY: SUSTAINABLE ENVIRONMENT

- Investing \$2.8 billion to grow and maintain the water and wastewater networks
- Maintaining high rates of waste diversion, currently at 93%, to manage waste as a resource
- Promoting reduction and reuse initiatives to reduce the amount of waste generated
- Creating a welcoming pedestrian realm through streetscaping and greening of centres and corridors
- Planting 150,000 trees and shrubs between 2021-2022 to maintain natural resources and preserve green space
- Supporting more sustainable and efficient delivery of all Regional services through energy management



BUDGET HIGHLIGHTS



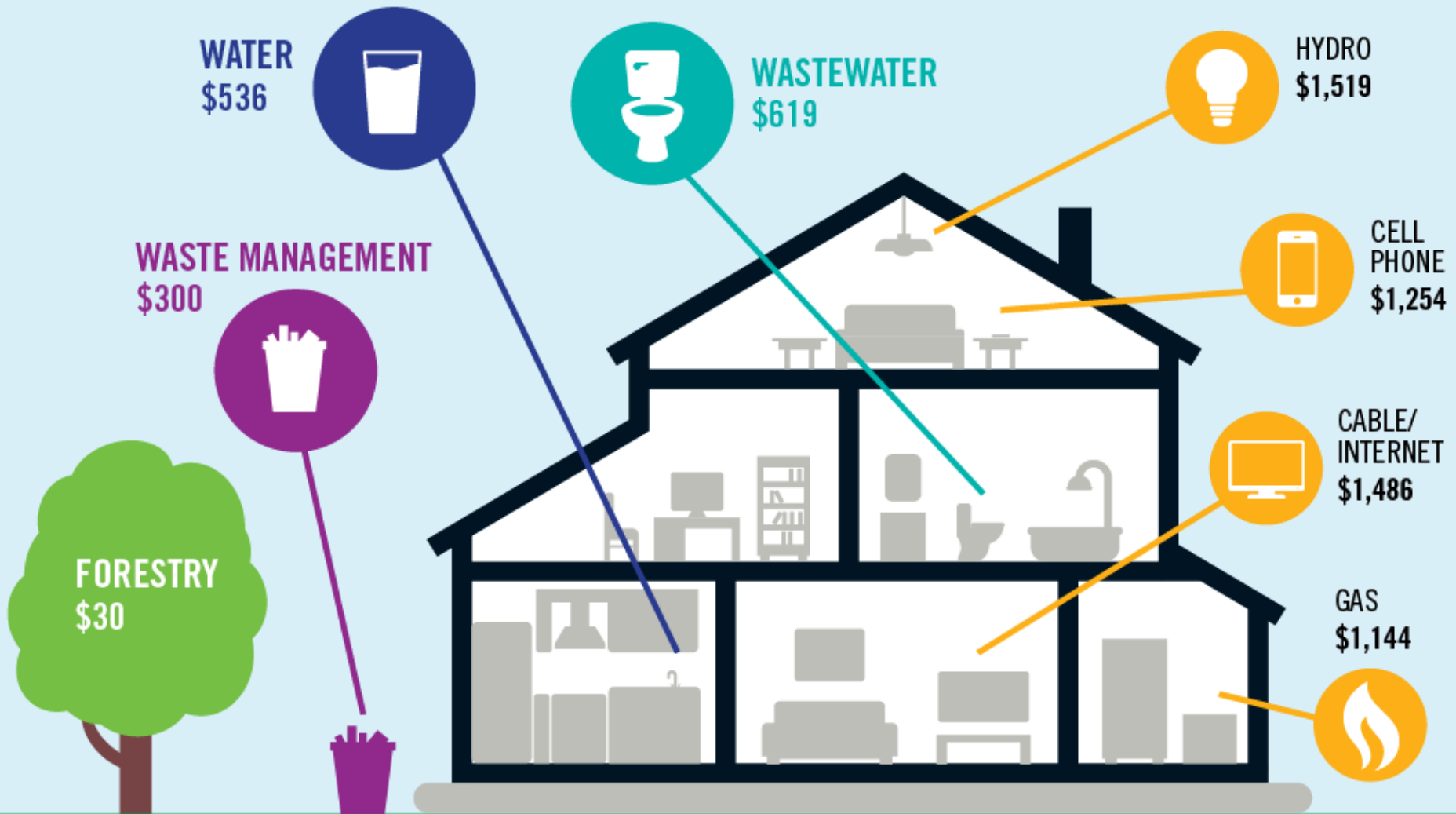
HEALTHY
COMMUNITIES

PRIORITY: **SUPPORT COMMUNITY HEALTH, SAFETY AND WELL-BEING**

- Delivering 119 billion litres of clean and safe drinking water to protect public health
- Piloting energy efficient building design concepts to support long-term goal of net-zero emissions
- Addressing climate change through the Corporate Climate Change Action Plan helps build community resilience and promotes well-being



ENSURING VALUE FOR MONEY FOR RESIDENTS



ENVIRONMENTAL SERVICES REPRESENT ONLY 1/5 OF TOTAL AVERAGE HOUSEHOLD UTILITY COSTS

HOW DO WE MEASURE UP

WATER AND WASTEWATER COSTS AS A PERCENTAGE OF HOUSEHOLD INCOME

Peel (0.43%)

Halton (0.60%)

Ottawa (0.67%)

Toronto (0.71%)

Hamilton (0.74%)

Durham (0.78%)

Windsor (1.67%)

York Region (0.78%)

Waterloo (1.01%)

Niagara (1.07%)

(2019 BMA Municipal Study)

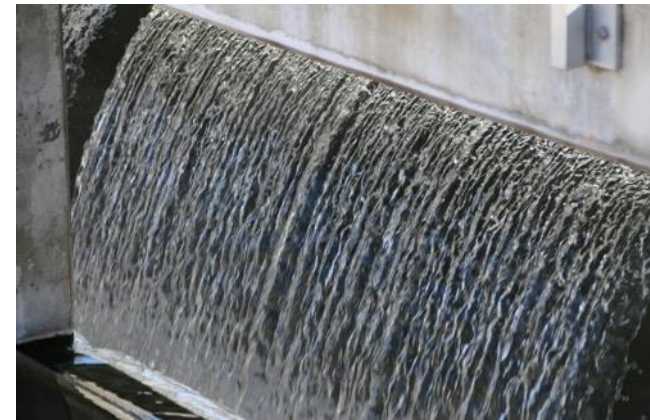


TWO-TIER WATER AND WASTEWATER SERVICES



COVID-19 PRESSURES ON 2021 BUDGET

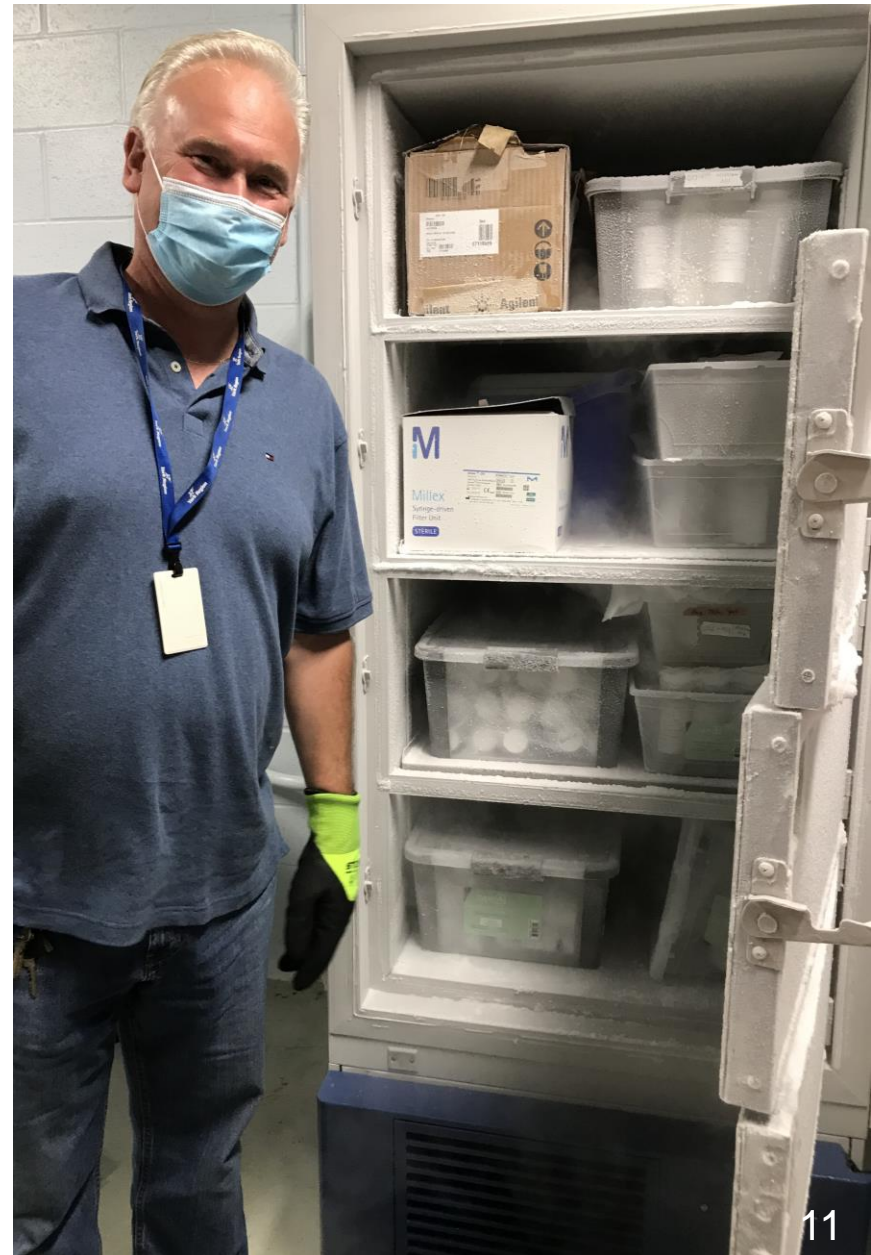
- Reduced revenues as a result of deferring 2020 and 2021 rate increases (\$43.8M)
- Increased blue box contamination and waste tonnages (\$1.8M)
- Capital project schedule impacts due to third party resource constraints



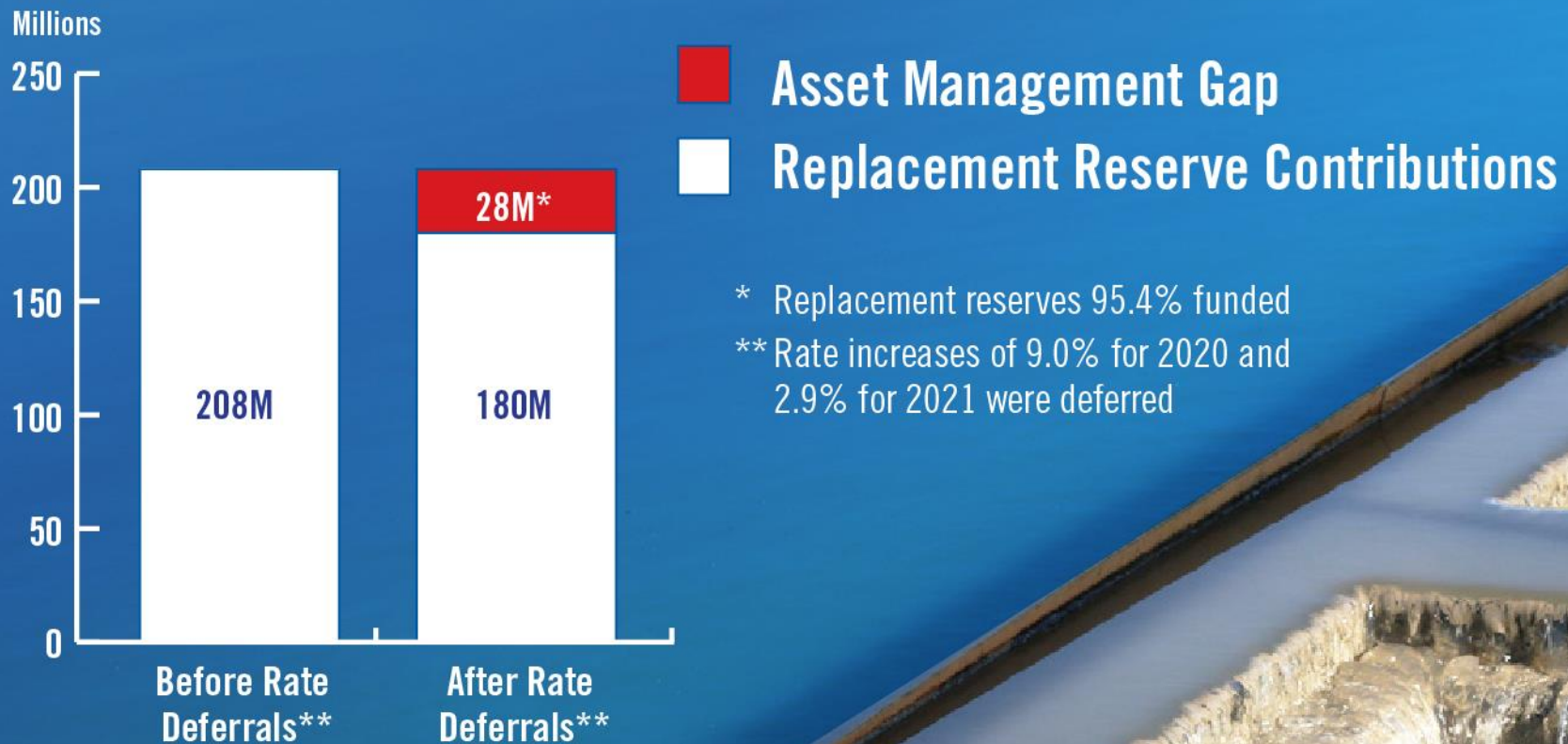
COVID-19 MITIGATION STRATEGIES ON 2021 BUDGET

- Identification of further savings and efficiencies
- True-up of revenues
- Use of reserves
- Rigorous capital schedule management and recalibration to address delays

**2021 COVID-related
impacts mitigated within
the Department**



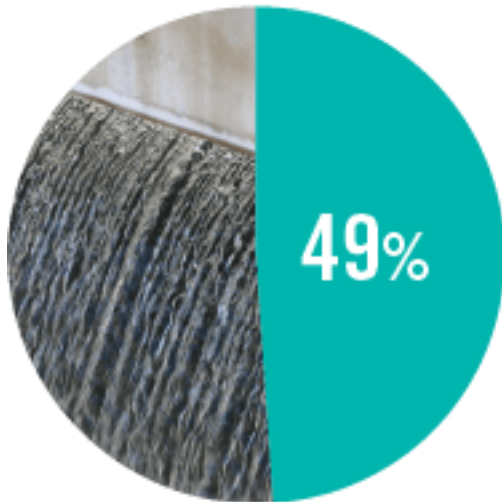
IMPACT TO WATER/WASTEWATER FULL COST RECOVERY



Multi-year rate study underway where staff will make recommendations for closing this gap

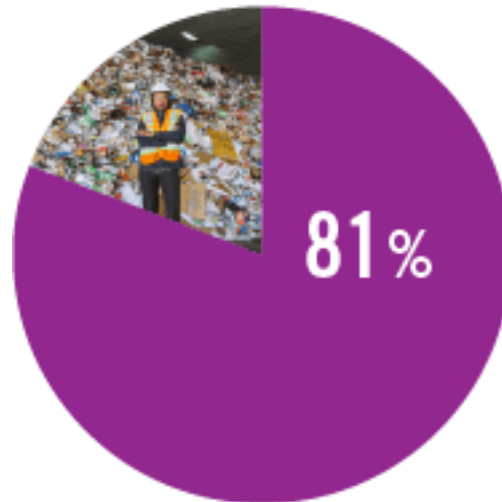
LEVERAGING PRIVATE AND PUBLIC SECTOR EXPERTISE IN DELIVERY

WATER/WASTEWATER



of direct costs for
purchased water
and treatment

WASTE



of waste management
costs are third party
contracts

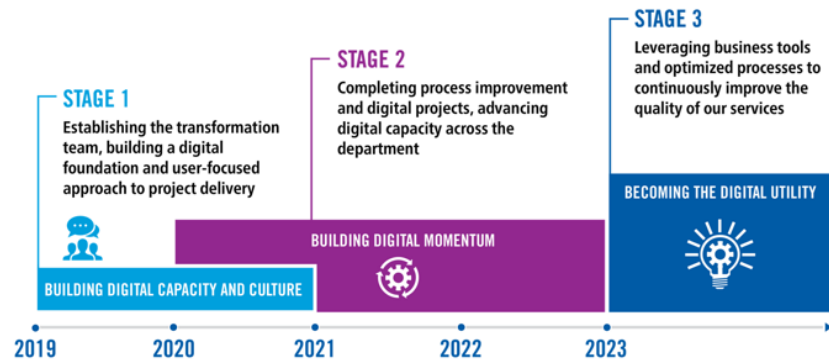
FORESTRY



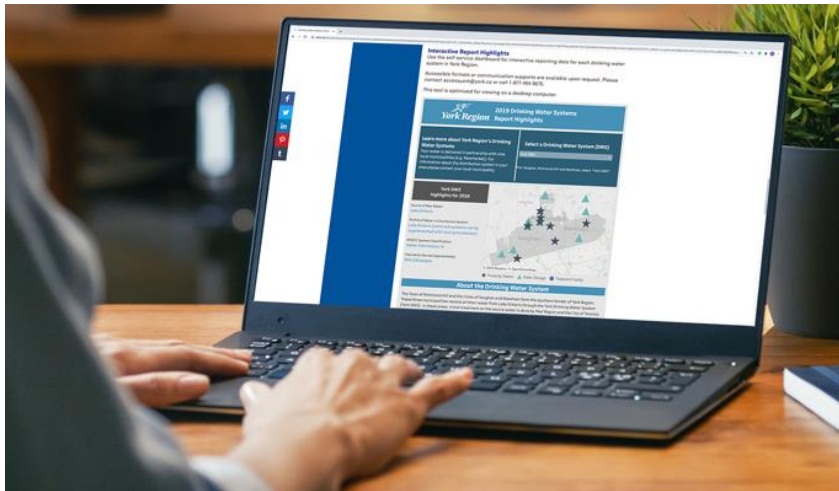
of direct costs are
contracted services for
planting, maintenance
and partnerships

DRIVING INNOVATION

DIGITAL TRANSFORMATION



\$18.1M DMAF GROUNDWATER TREATMENT FUNDING



DRINKING WATER COMPLIANCE DATA VALIDATION AND PUBLIC VISUALIZATION - OPWA TECHNICAL INNOVATION AWARD

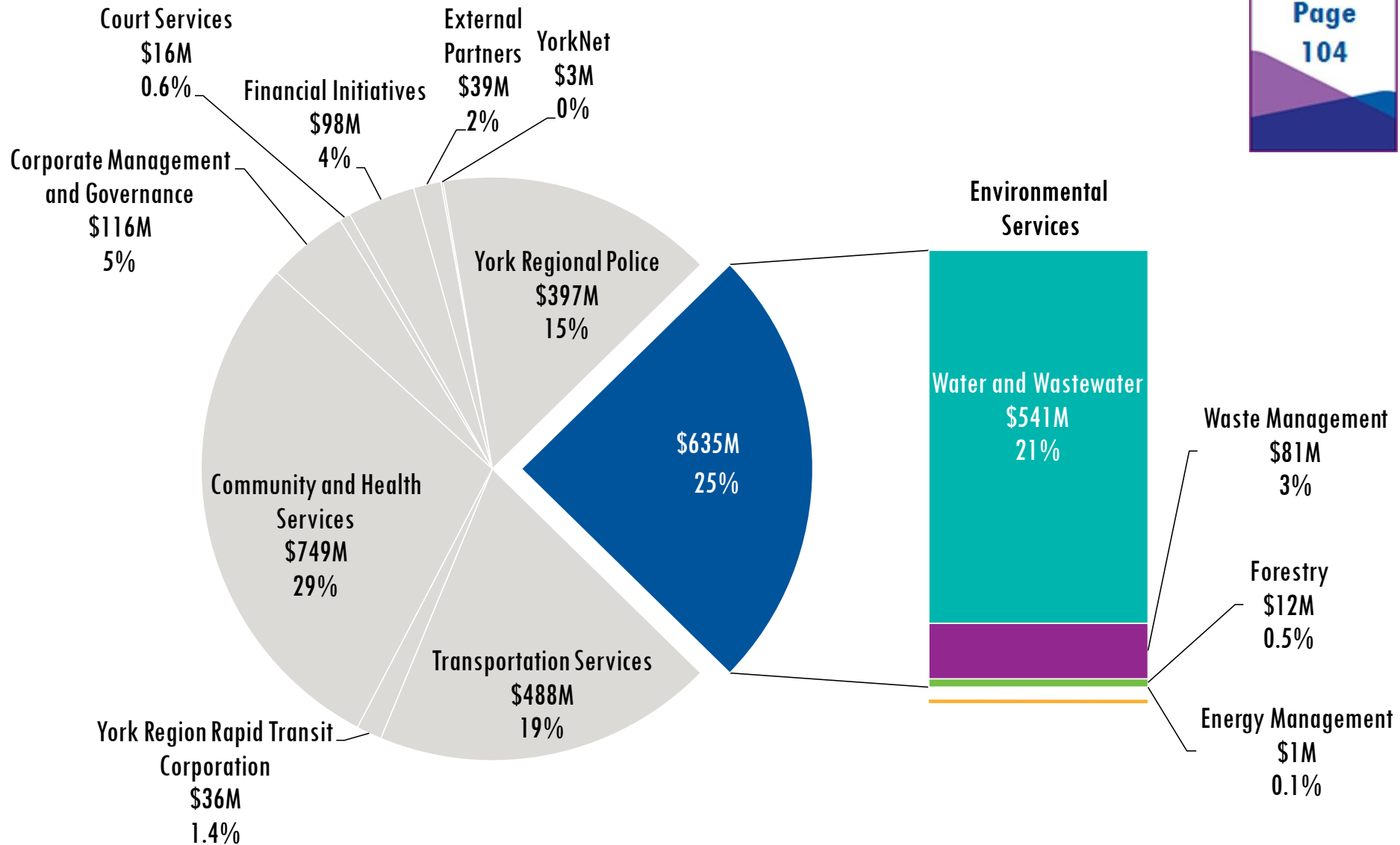


PHOSPHORUS REDUCTION ACTION PLAN - OPWA TECHNICAL INNOVATION AWARD

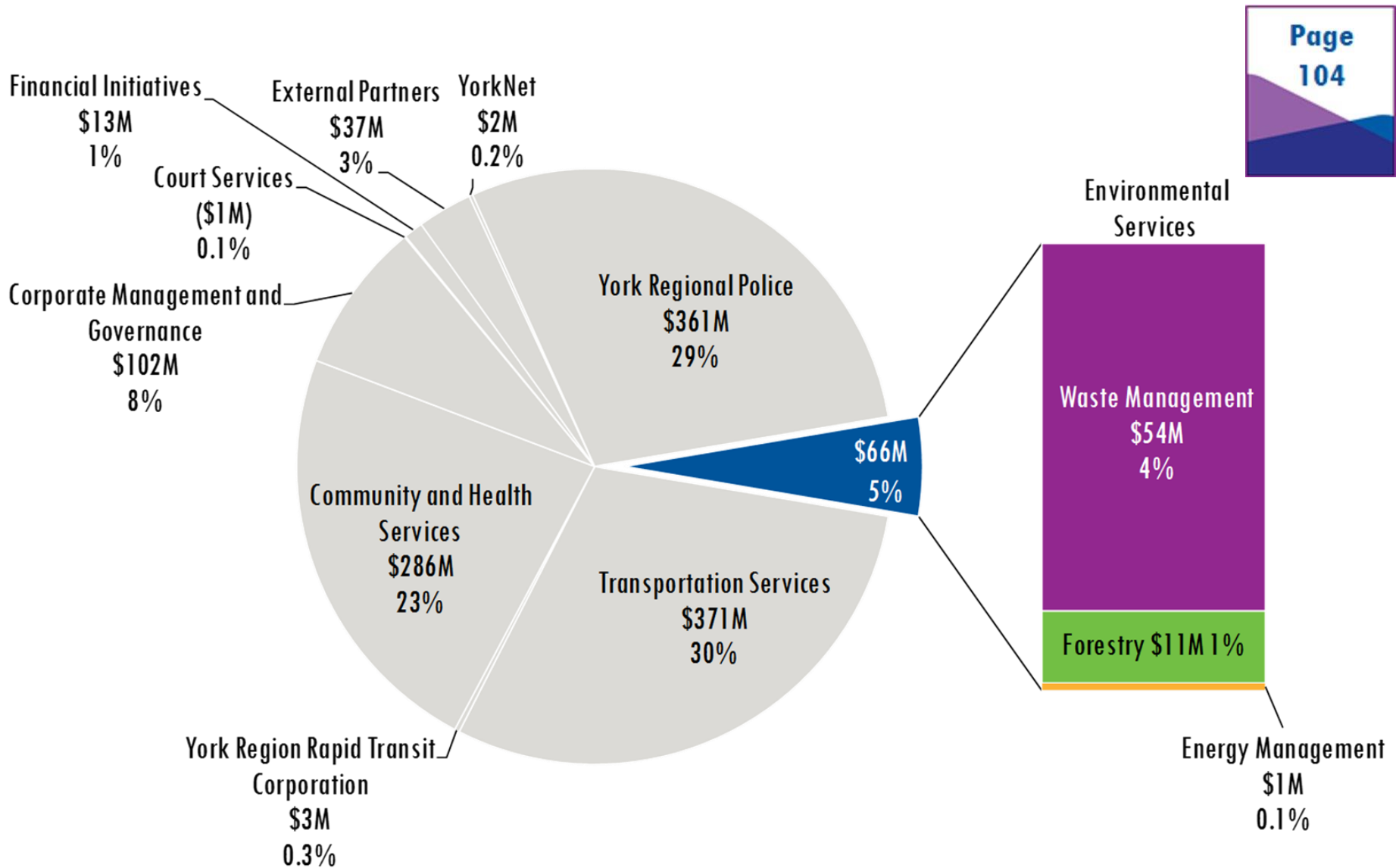
OPERATING BUDGET

A hand holding a silver pen points to a bar chart on a financial report. The report includes several charts: a bar chart with years 2016, 2017, and 2018 on the x-axis and values from 0 to 1100 on the y-axis; a line chart with multiple data series; a pie chart with segments labeled 25%, 50%, 65%, and 75%; and a bar chart with values from 0 to 1000 on the y-axis. The background is a blurred image of a desk with a pen and a ruler.

DEPARTMENTAL SHARE OF GROSS EXPENDITURES



DEPARTMENTAL SHARE OF NET TAX LEVY



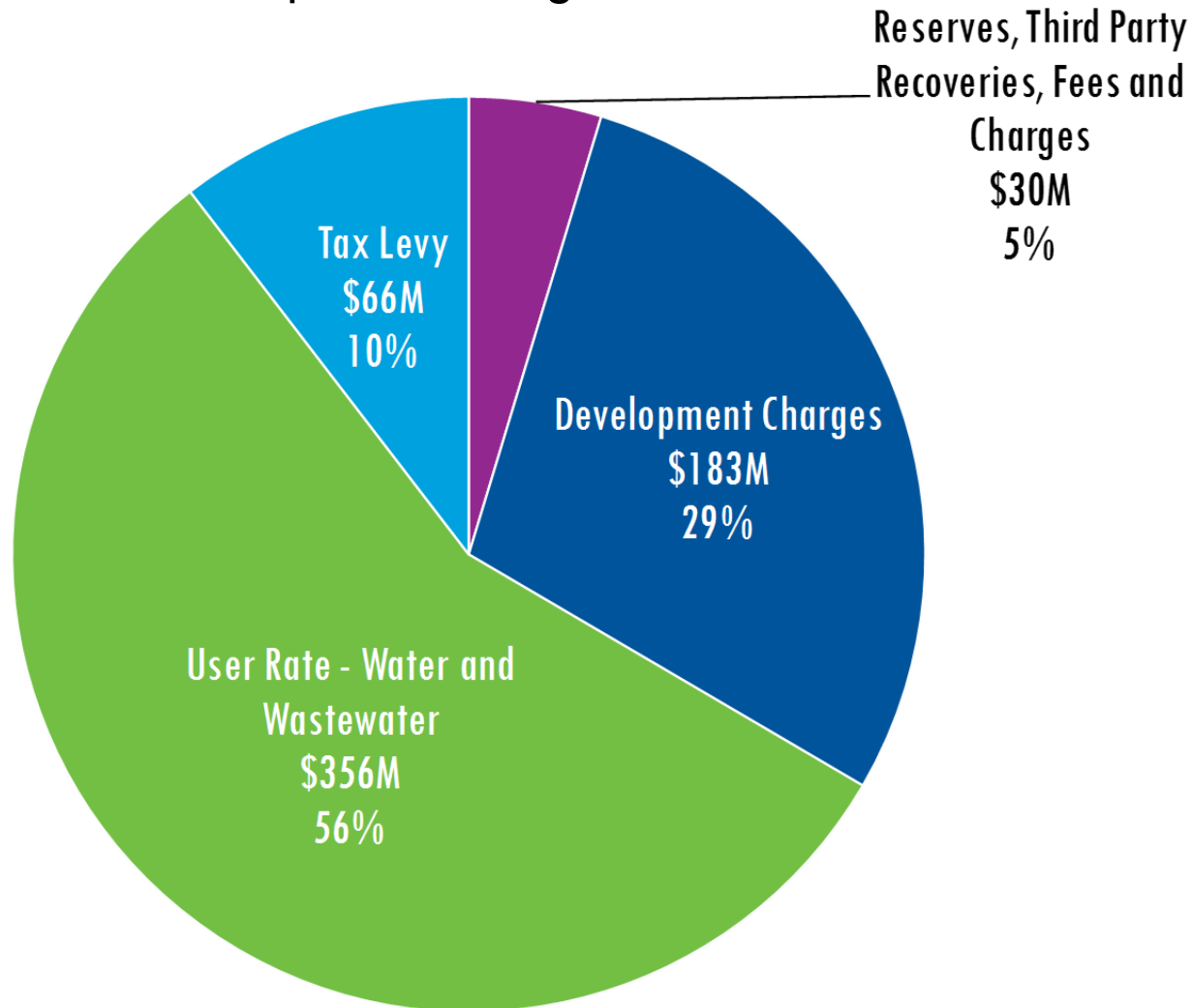
OPERATING BUDGET OVERVIEW (2019 TO 2022)

Page
104

	APPROVED		PROPOSED	OUTLOOK
	2019	2020	2021	2022
Gross Expenditures (\$M):				
Water and Wastewater	525.7	556.1	541.3	547.3
Waste Management	73.6	74.9	80.3	83.5
Forestry	10.9	11.5	12.0	13.1
Energy Management	1.5	1.5	1.4	1.5
	611.7	643.9	635.1	645.3
Non-Tax Revenues (\$M)	(549.8)	(580.2)	(568.8)	(576.4)
Net Expenditures (\$M)	61.9	63.7	66.3	68.9
Increase/(Decrease) - Year over Year			4.2%	3.9%
2020 Outlook			4.9%	3.7%
FTEs - Total	428.0	444.0	459.0	474.0
- New			15.0	15.0
2020 Outlook (new FTEs)			15.0	15.0

FUNDING OF OPERATING PROGRAMS

Environmental Services gross spending of \$635M in 2021 is funded through user rates, development charges, tax and non-tax revenues



INCREMENTAL ANNUAL BUDGET CHANGES

Page
100

\$M	PROPOSED 2021	OUTLOOK 2022
Opening Budget (Net)	63.7	66.3
Status Quo	(0.3)	7.0
Revenues	(21.2)	(16.4)
Efficiencies, Reductions & Other Adjustments	(0.9)	(1.0)
Debt Servicing Net of Development Charges	(1.2)	0.1
Fiscal Strategy	22.0	10.1
Maintaining Service Levels for Growth	4.3	2.8
Impacts of COVID-19	(0.0)	-
Proposed Budget (Net)	66.3	68.9
Total Budget Change	\$	2.7
	%	2.6
4.18%	3.94%	
Restated Outlook	66.8	69.3
Increase / (Decrease) from Outlook	-0.7%	-0.5%

2021 BUDGET CHANGE HIGHLIGHTS

Status Quo (\$0.3M)

- Adjustment to reserves
- Common area savings

Revenues (\$21.2M)

- Water and wastewater revenue increases (pre-2021 deferral)
- Increased draws from the waste stabilization reserve

Efficiencies, Reductions & Other Adjustments (\$0.9M)

- True-up of expenditure lines
- Reduction in contractor costs



2021 BUDGET CHANGE HIGHLIGHTS



Debt Servicing Net of Development Charges (\$1.2M)

- Reduction in debt funded projects

Fiscal Strategy \$22.0M

- Net increase in contributions to capital replacement reserves

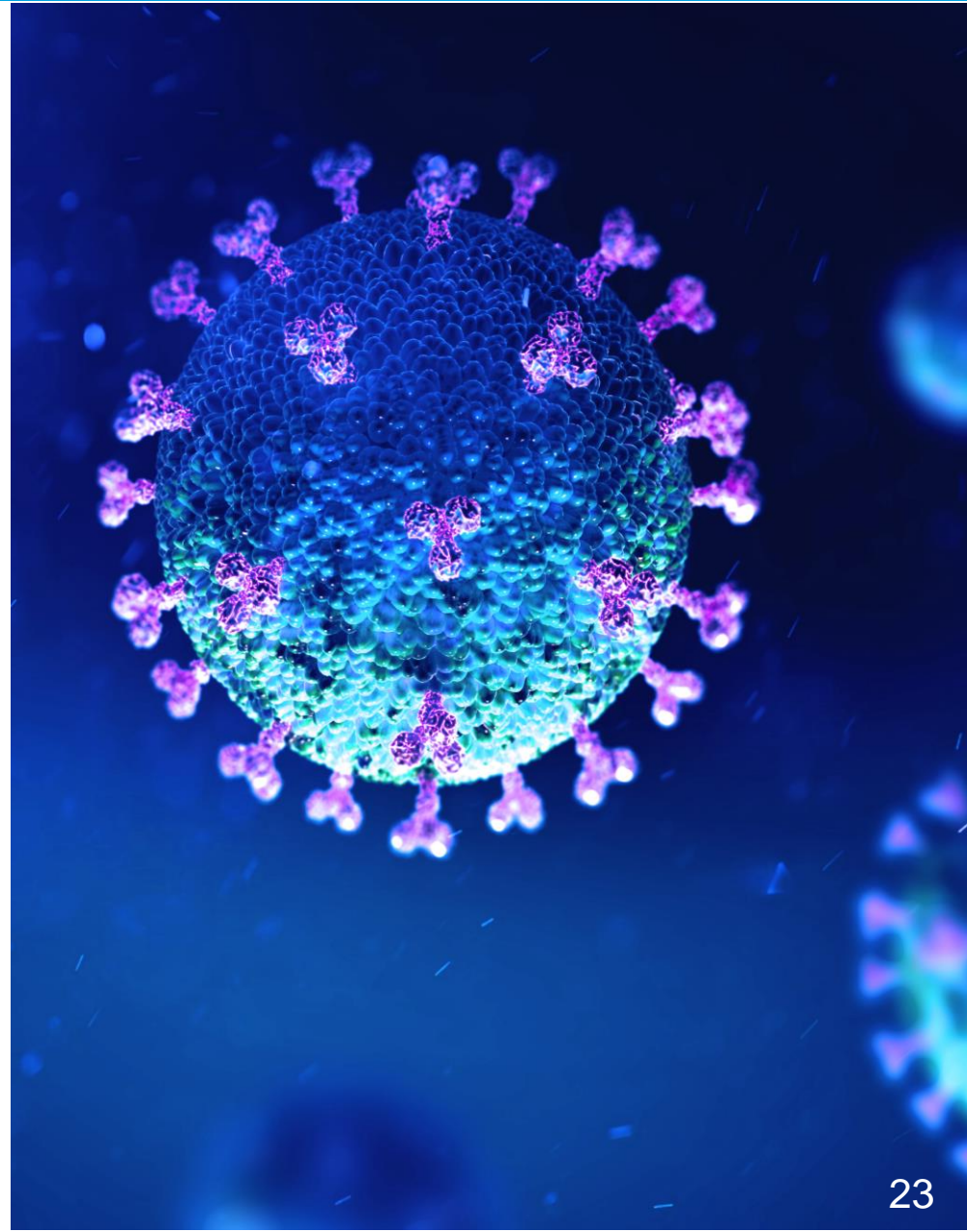
Maintaining Service Levels for Growth \$4.3M

- Staffing resource requests
- Waste tonnage increases
- Increased contract maintenance related to VivaNext

2021 BUDGET CHANGE HIGHLIGHTS

Impacts of COVID (\$0)

- Water and wastewater rate deferral for both 2020 and 2021
- Increased wastewater sampling costs
- Increased waste tonnages and contamination
- Offset through operating efficiencies, revenue true-ups, and use of reserves



SAVINGS INITIATIVES

Category 1: Efficiencies

- **\$3.8M in 2021**
\$9.7M over 3 years
- Savings and enhanced revenue used to mitigate COVID pressures including true-up of RPRA funding, increased stabilization reserve draws, operating cost true-ups

Category 2: Service Level Adjustment

- **\$1.0M in 2021**
\$2.9M over 3 Years
- Expenditure reductions to offset increased COVID-related wastewater sampling costs
- Reduced costs reported to Council in 2020 for targeted lower contamination rates at Earl Turcott as well as increased yard waste fees

Category 3: Risk Tolerance and Other

- **\$48.4M in 2021**
\$100.0M over 3 years
- Reduced contributions to asset management reserves
- Common area savings and salary gapping targets

Note: saving figures are cumulative

WATER AND WASTEWATER COSTS

TOTAL \$541M

\$73M OPERATING EXPENDITURES

Maintenance of infrastructure, running equipment and employing highly-trained staff

\$91M PURCHASED SERVICES

Purchasing more than 90% of our water from Toronto and Peel, and treating wastewater at Duffin Creek and Peel

\$197M FINANCING COSTS

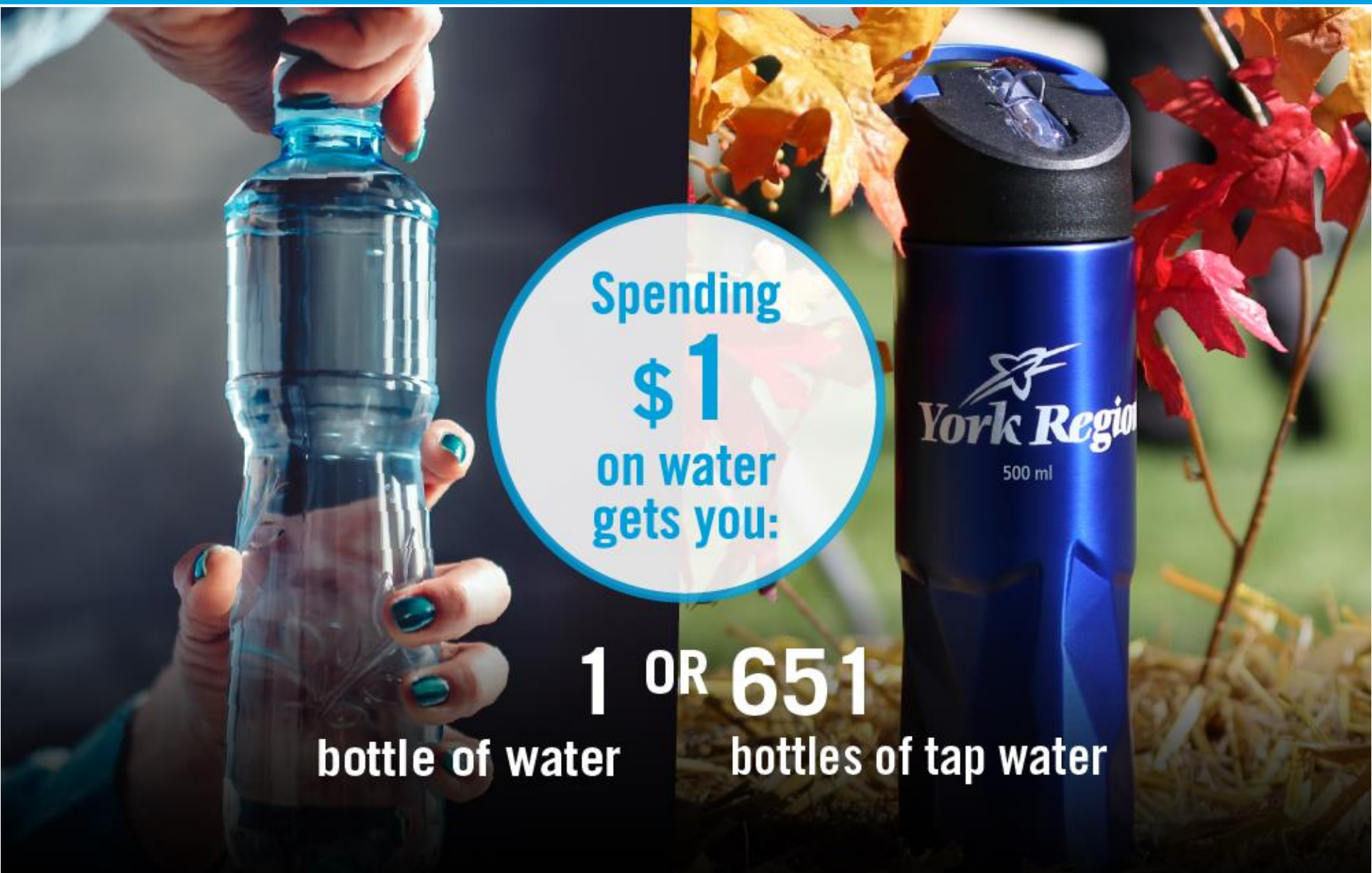
Paying the principal and interest on money borrowed to build multi-billion dollar capital program

\$180M CONTRIBUTION TO RESERVES

Reserves help to ensure money is available to repair our assets and provide services for future generations



ENSURING AFFORDABLE WATER



Spending
\$1
on water
gets you:

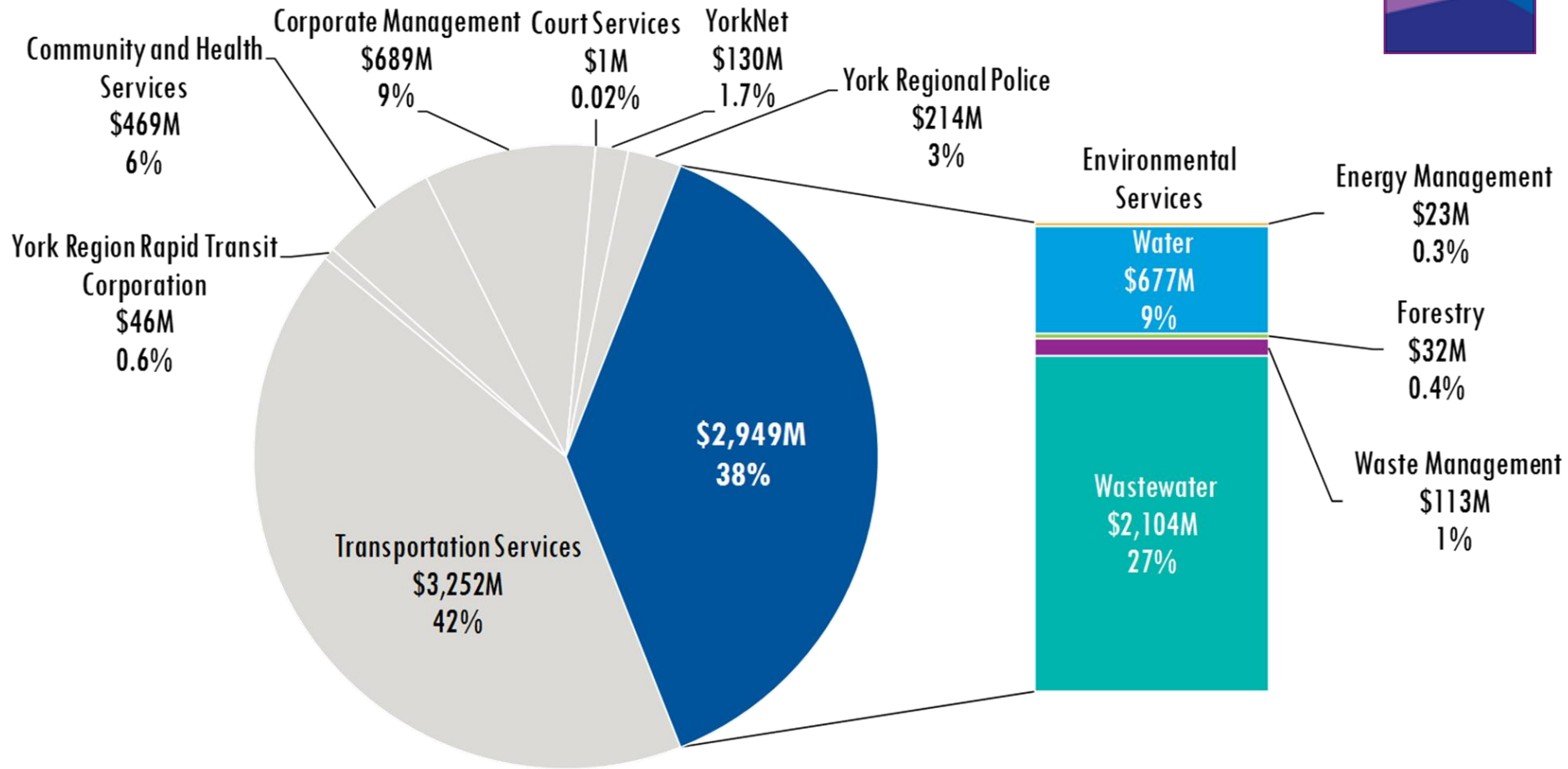
1
bottle of water

OR 651
bottles of tap water

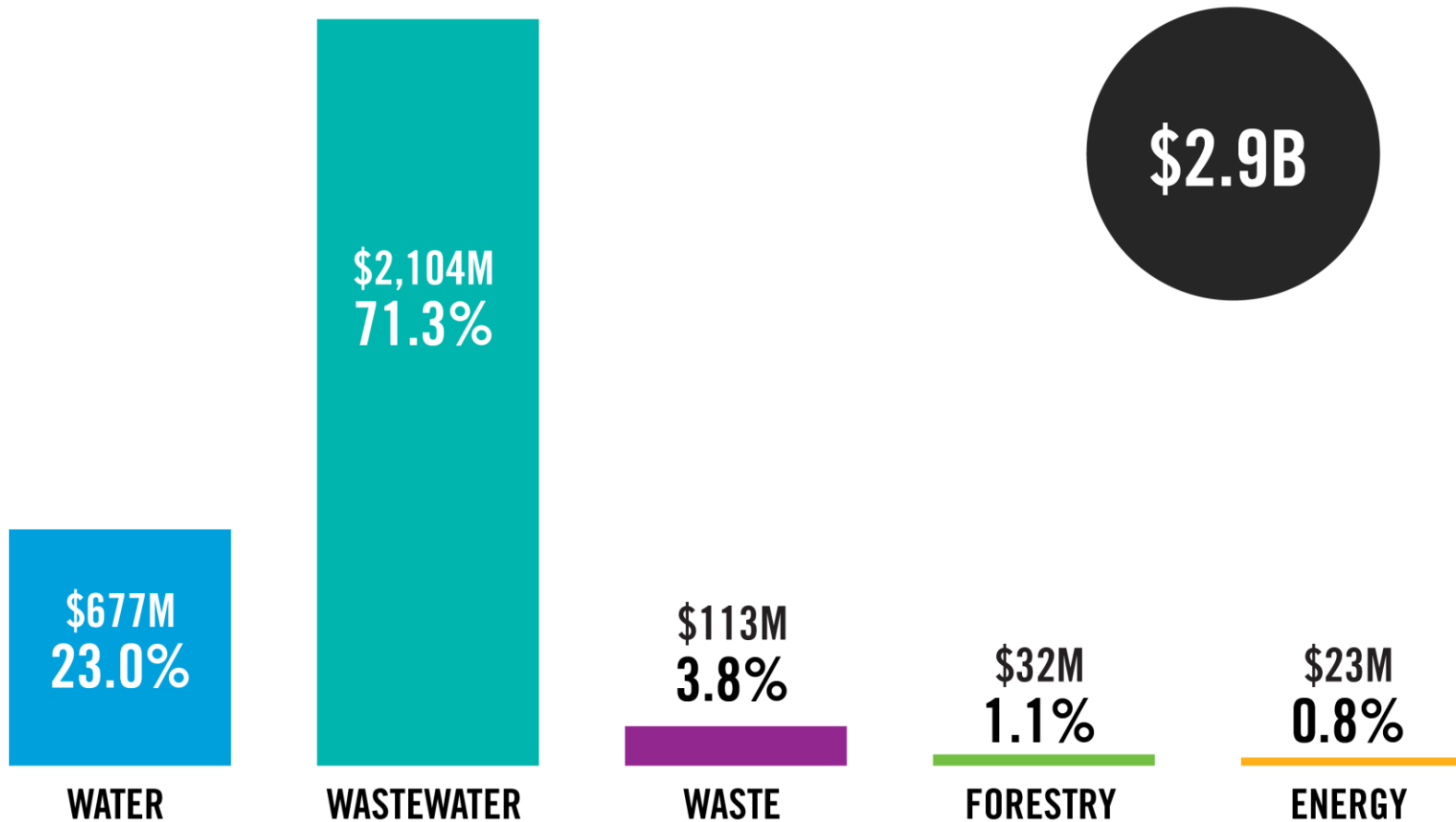
Process Train from Duffin Creek
Stage 3 new incinerator building

CAPITAL BUDGET

10-YEAR CAPITAL IS 38% OF THE REGION'S PLAN



Water and Wastewater is over 94% of capital spending
10-YEAR CAPITAL PLAN



PROPOSED CAPITAL BUDGET

Capital Budget	\$ Millions
2021 Capital	209
Ten-Year Capital Plan	2,949
2021 Capital Spending Authority	1,598



Duffin Creek Incinerators



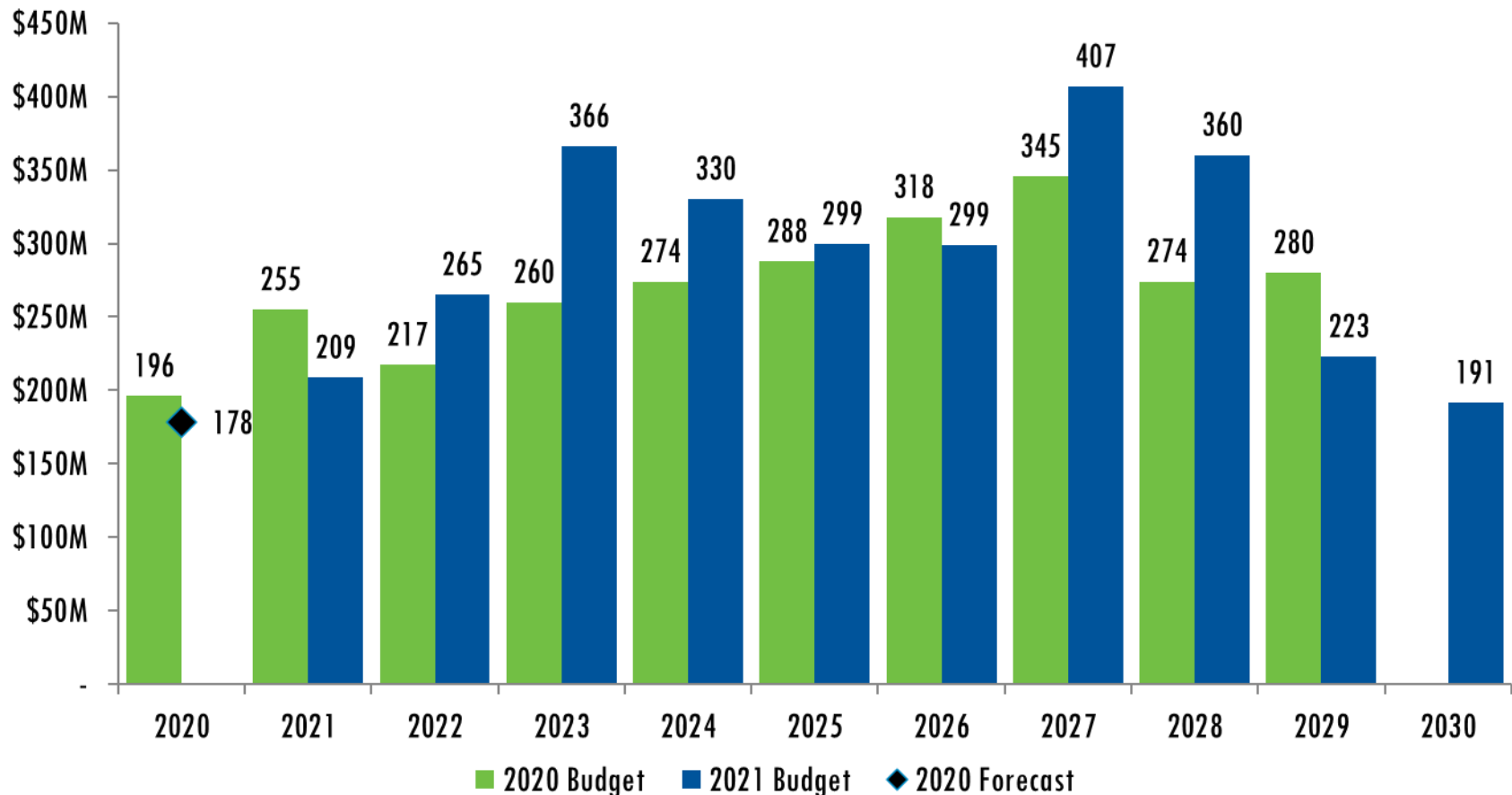
16th Avenue Sewer Rehabilitation



Conceptual Illustration of the Upper York Sewage Solutions Water Reclamation Centre

2021 CAPITAL PLAN COMPARED TO 2020 CAPITAL PLAN

- Environmental Service's 2021 10-year capital budget is \$2,949M which is \$242M more than 2020 10-year capital budget



KEY DELIVERABLES IN 10-YEAR CAPITAL PLAN



Water (\$677M)

**Asset
Management
(\$407M)**

**Northeast
Vaughan (\$103M)**

**East Gwillimbury
(\$26M)**

**Toronto Cost
Shared (\$23M)**



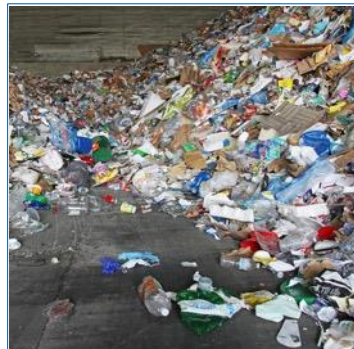
Wastewater (\$2.1B)

**Asset
Management
(\$727M)**

**Upper York WRC
(\$497M)**

**West Vaughan
(\$310M)**

**Primary Trunk
Sewer (\$181M)**



Waste (\$113M)

**Source
Separated
Organics Facility
(\$100M)**

**Asset
Management
(\$11M)**



Forestry (\$32M)

**Street Tree
Planting (\$19M)**

**Regional Forest
Property
Upgrade (\$5M)**

**York Greening
Initiative
(\$5M)**



Energy (\$23M)

**Energy Retrofit -
(\$14M)**

**Energy Efficiency
(\$9M)**



ASSET MANAGEMENT



GROWTH

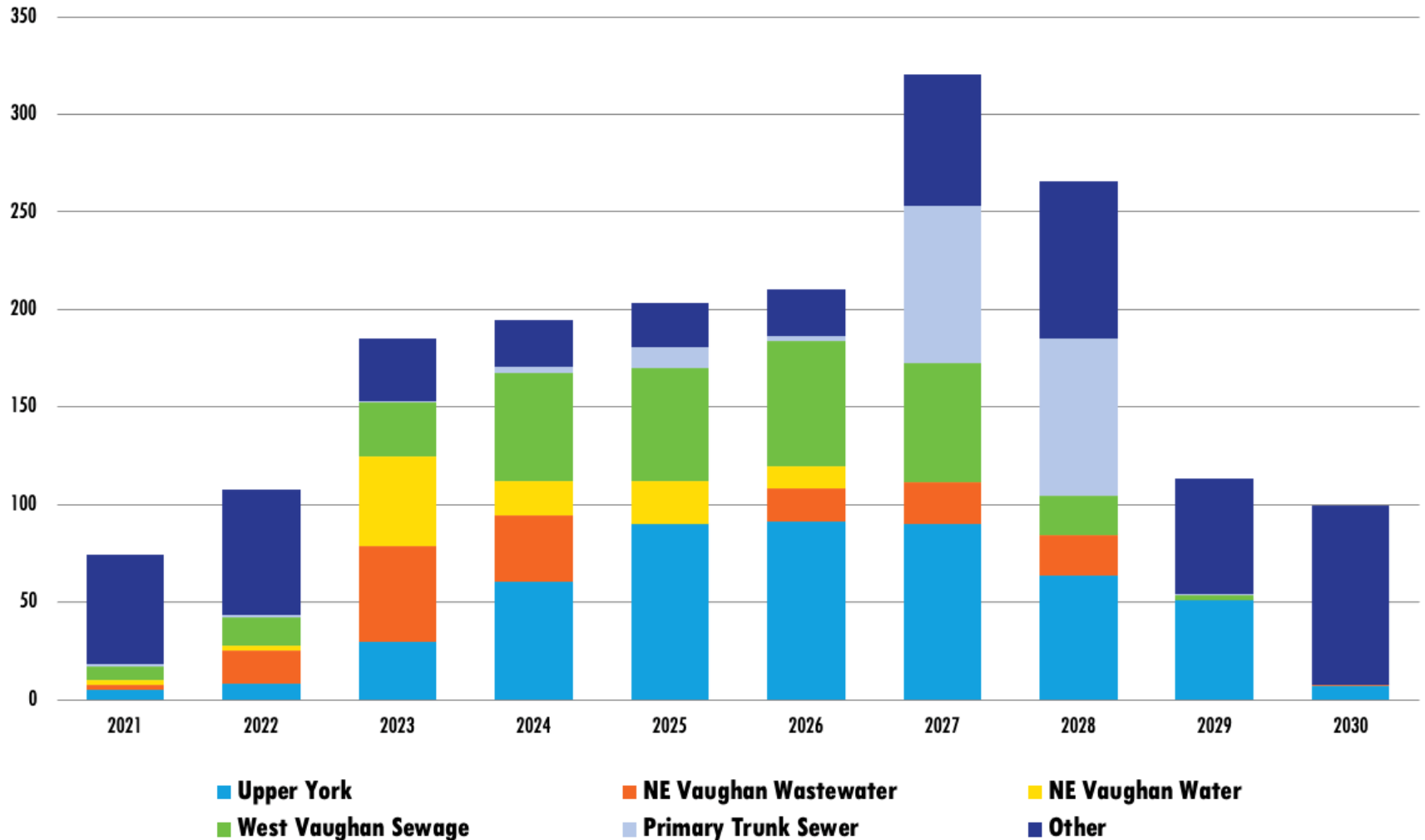
KEY INITIATIVES IN 10-YEAR CAPITAL PLAN

Initiative	2021-2030 Total (\$M)
Upper York Sewage Servicing	\$497M
York Durham Sewage System Rehabilitation Program	\$328M
West Vaughan Sewage Servicing	\$310M
Northeast Vaughan Water and Wastewater Servicing	\$265M
Duffin Creek Incinerators	\$198M
Primary Trunk Sewer	\$181M
Source Separated Organics Facility	\$100M



CAPITAL EXPENDITURES: MAJOR GROWTH PROJECTS

\$ In Millions

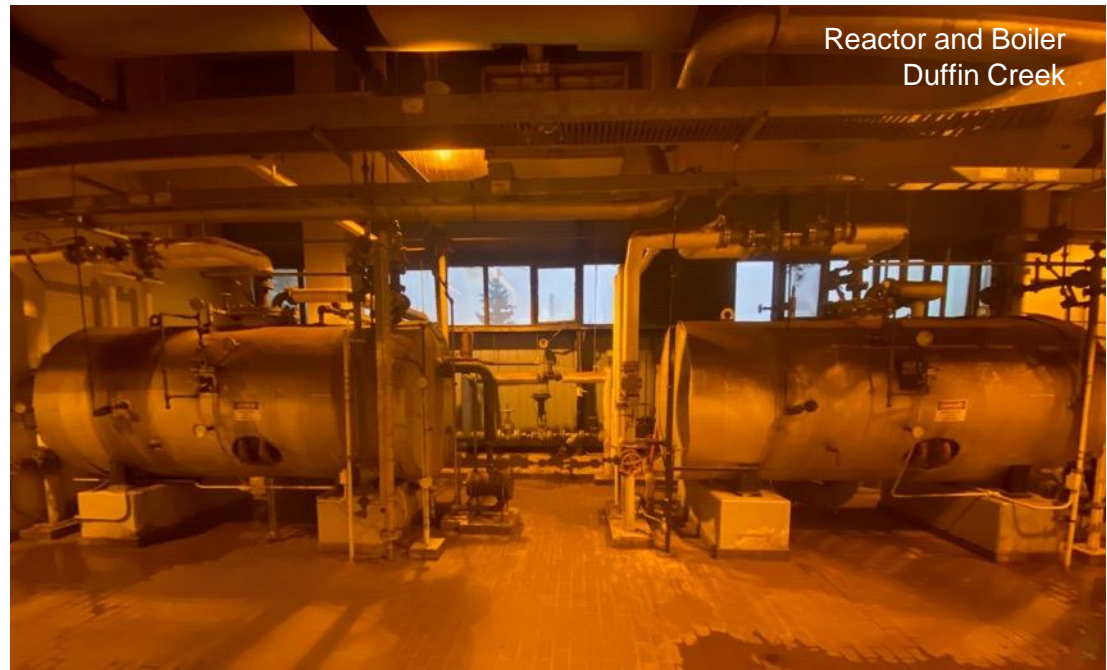


These 5 key projects make up over 2/3 of 10-year growth capital plan

ADDRESSING OUR AGING INFRASTRUCTURE



Valve Room
Fisher ET



Reactor and Boiler
Duffin Creek



Grit Vortex Screw
Mount Albert WRRF

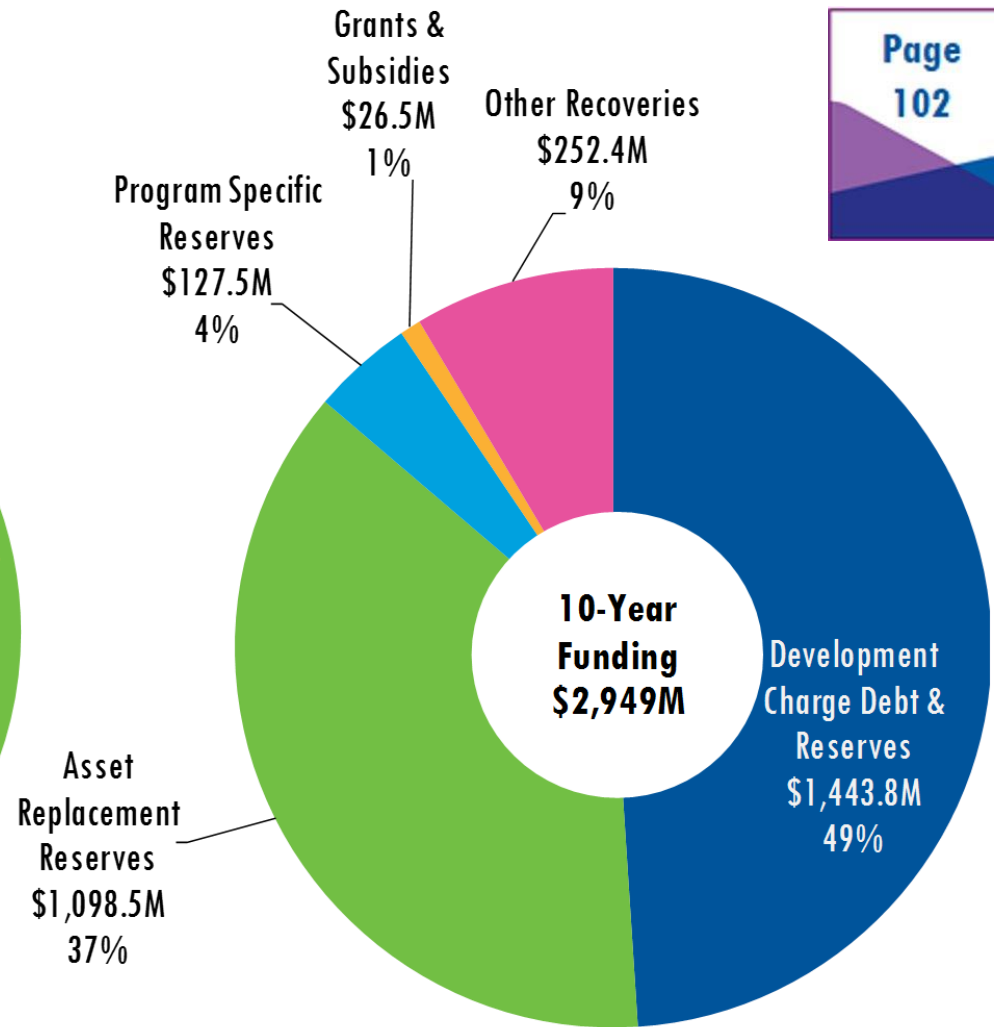
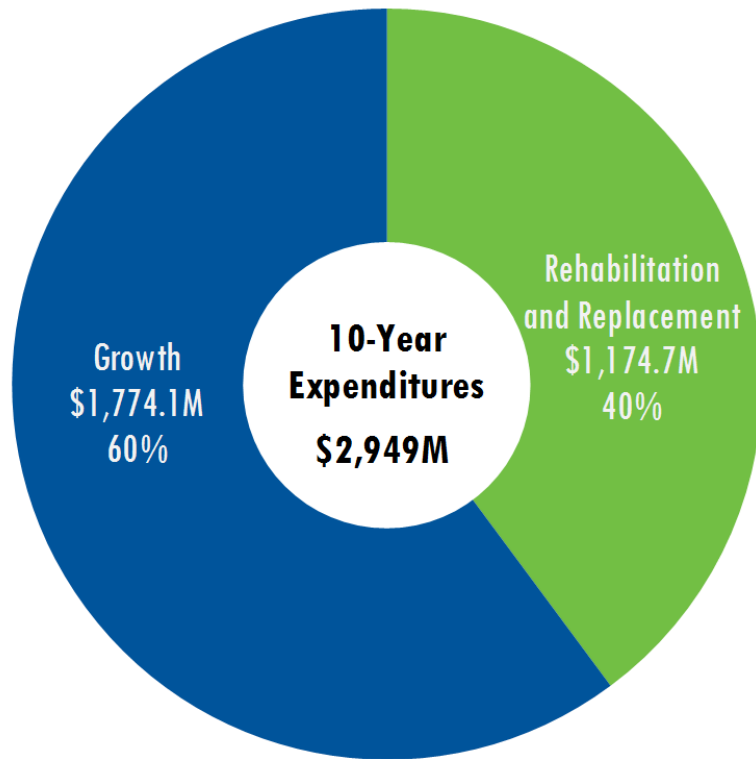


Deteriorated channel coatings
Mount Albert WRRF



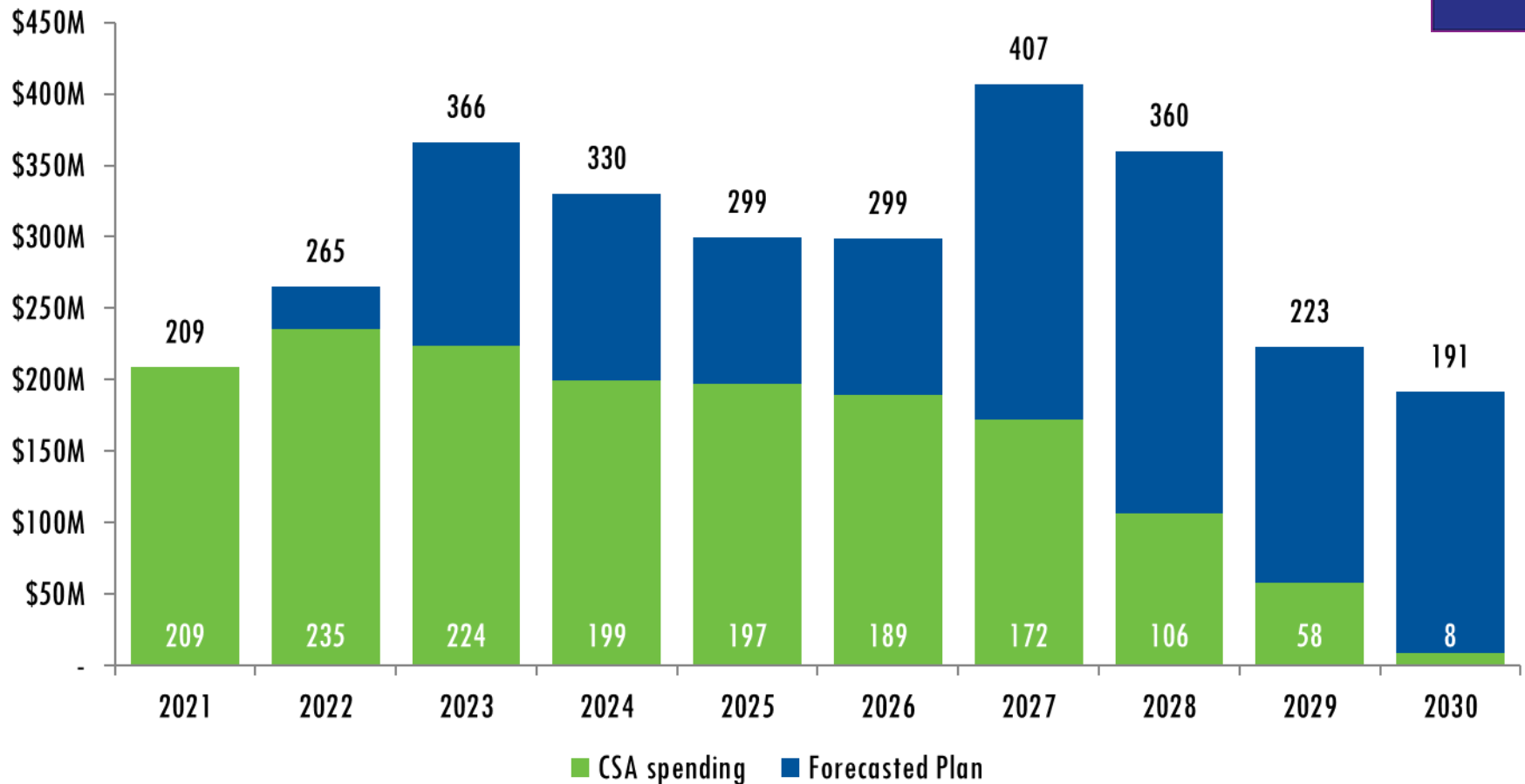
York Peel Forcemain combination
air valve condition assessment

CAPITAL EXPENDITURES AND FUNDING



CAPITAL SPENDING AUTHORITY (CSA)

Capital Spending Authority \$1,598M
10-Year Capital Expenditures \$2,949M



Note: Proposed CSA includes CSA approved as part of the Interim Appropriation Report for 2021

BUDGET SUMMARY

- Environmental Services Operating Programs are in-line with all requested targets and include efficiencies and revenue true-ups
- All remaining COVID-related impacts in water/wastewater and waste management have been mitigated through use of reserves
- New staffing requests match what was identified in previous year
- 10-year capital of \$2.9B delivers key projects including West Vaughan Sewage Servicing, Northeast Vaughan Water and Wastewater Servicing, Upper York, and Primary Trunk Sewer



ECONOMIC
VITALITY



HEALTHY
COMMUNITIES



SUSTAINABLE
ENVIRONMENT



GOOD
GOVERNMENT

DELIVERING VALUE FOR MONEY

- Operating and maintaining over \$8.2 billion in assets
- Delivering 119 billion litres of clean and safe drinking water
- Managing and protecting over 41,500 hectares of woodlands
- Proactively managing over 140 capital projects
- Managing 385,000 tonnes of waste
- Completing lighting retrofits to reduce greenhouse gas footprint



MULTI-YEAR BUDGET OVERVIEW

OPERATING BUDGET

	APPROVED		PROPOSED	OUTLOOK
	2019	2020	2021	2022
Gross Expenditures (\$M)	611.7	643.9	635.1	645.3
Non-Tax Revenues (\$M)	(549.8)	(580.2)	(568.8)	(576.4)
Net Tax Levy (\$M)	61.9	63.7	66.3	68.9
FTEs - Total	428.0	444.0	459.0	474.0
- New			15.0	15.0

CAPITAL BUDGET

2021 Capital Expenditures (\$M)	209
Total Capital Spending Authority (\$M)	1,598

BUDGET RECOMMENDATION

- 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.
- The recommended budget be consolidated by the Commissioner of Finance and Regional Treasurer for consideration by Council on March 25, 2021.