

The Regional Municipality of York

Regional Council
March 25, 2021

Report of the Commissioner of Finance

2021 to 2022 Regional Budget

1. Recommendations

1. Council approve the operating and capital budgets as follows:
 - a. The 2021 operating budget tabled on February 25, 2021, detailed in the [2021 to 2022 Budget Book](#), amended as outlined in the Memorandum dated March 9, 2021, summarized in Attachment 1.
 - b. The 2021 capital expenditures and Capital Spending Authority by project and by program group and associated funding sources detailed in the [2021 to 2022 Budget Book](#), as summarized in Attachment 2, and the authority to reallocate funding between projects in a program group as detailed in this report.
2. Council endorse the 2022 operating outlook tabled on February 25, 2021, detailed in the [2021 to 2022 Budget Book](#), amended as outlined in the Memorandum dated March 9, 2021 and summarized in Attachment 1.
3. Council approve debt authority and reserve items as follows:
 - a. Incremental debt authority of \$352.2 million required for 2021 Capital Spending Authority by project as specified in Column (B) of Attachment 3.
 - b. Total debt authority for capital projects up to the amounts specified in Column (C) of Attachment 3 in accordance with the Capital Financing and Debt Policy.
 - c. Approve a contribution of \$184.8 million to the Sinking Fund Reserve for the purpose of meeting the Region's 2021 sinking fund obligations.
 - d. Authorize the funding of capital projects that have been previously approved for debt financing from reserves where there are sufficient funds available and at the discretion of the Commissioner of Finance and Regional Treasurer.
4. Council endorse the reconciliation of the 2021 Budget to the full accrual basis of accounting, as required under *Ontario Regulation 284/09*, as summarized in the [2021 to 2022 Budget Book](#).
5. Council authorize the Commissioner of Finance and Regional Treasurer to:

- a. Make any necessary adjustments within the total approved net Budget to reflect organizational changes and any other reallocation of costs.
- b. Apply for, accept and adjust the Budget for any additional provincial and/or federal funding provided there is no tax levy impact.
- c. Report back to Council in-year, as required, to provide flexibility in capital project implementation to adapt to changing and unforeseen circumstances and to maximize delivery of capital projects.

2. Summary

This report seeks Council approval of the 2021 to 2022 Budget, which was tabled on February 25, 2021 and amended as outlined in the Memorandum to the Committee of the Whole dated March 9, 2021, as summarized in Attachment 1.

Key Points:

- On February 25, 2021, the 2021 operating budget was tabled, proposing a tax levy increase of 2.96% in 2021 and 2022.
- On March 11, 2021, the Committee of the Whole received a Memorandum which proposed reducing the 2021 tax levy increase to 1.54% to reflect new Provincial pandemic funding. Staff were requested to review the Budget given the additional pandemic funding to achieve a 0% tax levy increase in 2021 while still providing a 1.54% incremental contribution to capital reserves.
- On March 25, 2021, Council received a Memorandum outlining an option to achieve a 0.0% tax levy increase in 2021 and associated impacts.
- Council approval of the 2021 operating budget is requested, along with endorsement of the 2022 outlook.
- Capital budget approval is sought for 2021 and for multi-year Capital Spending Authority to commit to longer-term contracts and for future borrowing needs.
- Council approval of the full accrual reconciliation is requested to comply with *Ontario Regulation 284/09*.
- Authority is sought to provide the Commissioner of Finance and Regional Treasurer with flexibility to restate the budget, including reallocations from contingency if required, and make adjustments for any provincial and/or federal funding, provided there is no tax levy impact.

3. Background

The 2021 to 2022 Budget was developed over the past several months

The Region's Budget was developed over the past several months, with the timeline for budget development and approval as follows:

- Departmental submissions – August to October 2020
- Treasurer and CAO reviews – November 2020 to January 2021
- Draft 2021 to 2022 Budget tabled at Council – February 2021
- Committee of the Whole reviews – March 2021

On December 19, 2019, Council endorsed an operating outlook for 2021 to 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 as a result of 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 the implications of COVID-19 as well as assumptions around senior government funding.

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

In March 2020, the Region declared a State of Emergency in response to COVID-19. The pandemic had significant impacts on Regional services as well as in-year financial management and budget development processes in 2020. Many of the impacts of COVID-19 are expected to continue throughout 2021. Expected pressures on the 2021 operating budget total \$183.8 million and include increased costs for public health, social services and internal support and general municipal expenses. Revenue impacts include deferral of the previously planned water and wastewater rate increase and transit fare revenue losses. These pressures are offset through provincial funding, draws from reserves, and departmental mitigations to help minimize tax levy increases.

The 2021 to 2022 Budget was tabled on February 25, 2021 with a proposed 2021 tax levy increase of 2.96%

The budget as tabled on February 25, 2021 included proposed tax levy increases of 2.96% for both 2021 and 2022, consistent with the outlook previously endorsed by Council.

Committee of the Whole reviewed the proposed Budget

After the tabling of the Budget on February 25, 2021, Committee of the Whole reviewed the Budget for each business area on March 4 and March 11, 2021. During the review process,

the Committee recommended the Budget as tabled for each department, for consolidation by the Commissioner of Finance and Regional Treasurer for consideration by Council on March 25, 2021 in this report.

A Memorandum to Committee of the Whole dated March 9, 2021 proposed reducing the 2021 tax levy increase to reflect new Provincial pandemic funding

Committee of the Whole received a [Memorandum](#) dated March 9, 2021 outlining additional Provincial funding announced in early March 2021 to help offset COVID-19 impacts. This included \$21.1 million for general operating costs and pressures, and \$16.7 million for transit impacts. As outlined in the Memorandum, this funding would offset the budget increases for COVID-19 related needs, provide additional budget flexibility in 2021 and would reduce the proposed tax levy increase to 1.54% for 2021. The tax levy increase of 1.54%, or \$18.3 million, would fund increased contributions to capital reserves, to help pay for both growth-related infrastructure and asset replacement needs.

The proposal also included an additional draw of \$17.4 million from the Pandemic Management Reserve in 2022 to ensure the impact of the reduced tax levy increase in 2021 does not create a pressure above the 2.96% tax levy increase outlook in 2022. Given the one-time nature of this funding, no change to the 2.96% tax levy increase included in the 2022 outlook is recommended.

On March 11, 2021, Committee of the Whole requested staff to review the Budget to achieve a 0% tax levy increase in 2021 while still providing a 1.54% incremental contribution to capital reserves

In response to this Memorandum, Committee of the Whole requested that staff review the option to achieve a 0% tax levy increase in 2021 while ensuring an \$18.3 million incremental contribution to capital reserves. The results of that review are included in a separate Memorandum dated March 23, 2021 to be considered by Council on March 25.

This report was prepared to reflect the memorandum dated March 9, 2021. Should Council choose another option as outlined in the separate Memorandum provided on March 25, 2021, a revision to the recommendations of this report may be required.

The proposed 2021 tax levy increase is lower than the endorsed outlook

As noted above, use of recently announced provincial funding to help cover COVID-19 related operating costs reduces the proposed tax levy increase to 1.54%. This is lower than the 2.96% endorsed outlook in the 2020 to 2022 Budget. The proposed 2022 increase is consistent with the 2.96% endorsed outlook included in the 2020 to 2022 Budget.

The outlook for 2022 will form the basis for the 2022 budget process

The 2021 to 2022 Budget includes a two-year operating budget. Council approval is sought for the 2021 Budget along with endorsement of the outlook for 2022. The 2022 endorsed outlook will form the basis of the 2022 budget process, which will commence in May 2021.

As shown in Table 1, an outlook of one year is being presented, as 2021 is the third year in the current term of Council. Each year, Council will consider the proposed budget for the upcoming year and the outlook for the remaining years of Council's term.

Table 1
Annual Operating Budget Approval

Budget Year to be Approved	Outlook Years Presented
2021	1 (2022)
2022	0

4. Analysis

OPERATING AND CAPITAL BUDGET

The Budget responds to service needs across the Region

The Budget supports a wide range of services for York Region residents and businesses. The Budget also provides funding for growth needs as well as some new initiatives and aligns resources to deliver on priorities outlined in the 2019 to 2023 Strategic Plan.

The list below highlights select initiatives included in the budget to support the priorities in the 2019 to 2023 Strategic Plan:

Increase economic prosperity

- Fostering an environment that attracts businesses and grows employment by continuing to implement the Region's Economic Development Action Plan
- Investing \$9.7 million to build an additional 114 kilometres of fibre network in 2021, including 137 Regional, 63 local and 6 York Regional Police connections, increasing connectivity in rural areas and helping to facilitate economic opportunity for businesses and citizens
- Investing \$3.3 billion over the next 10 years into roads and transit infrastructure to support the efficient movement of people and goods
- Maintaining 4,300 lane kilometres of urban and rural roads

Support community health, safety and well-being

- Leading COVID-19 case and contact management, mass immunization program, as well as enforcement of COVID-related restrictions, education and regular communication with residents

- Building two new paramedic stations and redeveloping two more over the next two years, and adding 31 paramedic staff over the same timeline to ensure the Region continues to meet response time targets
- Maintain safe operations at Newmarket Health Centre and Maple Health Centre through the addition of 46 temporary staff
- Constructing close to 500 new affordable housing units within the Region to grow the housing network from about 6,900 units today to almost 7,400 by 2025
- Support and expand programs for people who are homeless or at risk of homelessness, including intensive case management and coordinated access, to divert people from needing emergency housing
- Adding 57 staff over two years to York Regional Police to address population growth, workload pressures and maintain quality police administrative services
- Delivering 119 billion litres of clean and safe drinking water annually to protect public health

Build sustainable communities and protect the environment

- Investing \$2.8 billion in water and wastewater infrastructure over the next ten years to support the continued growth of the communities and renew the existing water and wastewater network
- Maintaining the current waste diversion rate from landfill at 94%, despite softening markets for our recyclables, working with the province, local municipalities and producers to facilitate a smooth transition to full producer responsibility
- Investing in streetscaping and green infrastructure, including planting 150,000 trees and shrubs in the next two years, to prevent and reduce the impacts of climate change, and to maintain and enhance green spaces

Deliver trusted and efficient services

- Focusing on effective response to COVID-19, including
 - providing support to residents and businesses and leading the Region's recovery efforts through providing safe, continuous services;
 - providing reliable technological support to staff and residents, and
 - adapting budget and programs in response to pandemic, including redeployment of staff to help with additional pressures
- Continuing to grow the Region's asset base and ensuring financial sustainability through prudent debt and reserve management, today and long into the future

The 10-year capital plan continues to include investments in growth and rehabilitation and replacement initiatives

Below is the list of the largest projects in the Regional capital 10-year plan. While Transportation Services has the largest share of the capital plan at \$3.3 billion and has many projects, most of the largest projects are in Environmental Services:

- Upper York Water Reclamation Centre
- York Durham Sewage System Rehabilitation
- West Vaughan Sewage Servicing
- Northeast Vaughan Water and Wastewater Servicing
- Duffin Creek Incinerators
- Primary Trunk Sewer
- Housing York Inc. Strategic Plan
- Source Separated Organics Facility

This year's capital plan does not yet include the Yonge Subway Extension. A preliminary agreement has been signed that includes a commitment from the Region to fund its share of the municipal contribution. Once planning has proceeded further, the contribution amount is finalized, and the Region can begin collecting associated development charges, the project will need to be included in future capital budgets.

The capital appendix of the 2021 to 2022 Budget provides a comprehensive list of the capital projects in the capital plan.

The use of program groups supports improved capital delivery

The Budget seeks approval of 2021 single-year capital expenditures and 2021 Capital Spending Authority. Capital Spending Authority (CSA) is the authority from Council to commit funding to a capital project. The authority may span several years for large projects, with the length of commitment varying by project.

In addition to individual capital projects, program groups that combine individual projects with similar business needs have been identified.

As in previous years, approval is sought to provide the ability to reallocate expenditures between projects in a program group, subject to the following conditions:

- No change in the 2021 and ten-year capital plan total cost of the program group
- No change in the 2021 Capital Spending Authority for the program group

- The reallocation is between projects with similar funding sources

The flexibility provided by program groups enables departments to better manage variations in project timing and deliver a higher proportion of the capital plan.

Attachment 2 summarizes 2021 Capital Spending Authority by program group and 2021 single-year capital expenditures. Details on individual projects that make up the program groups are included in the 2021 Budget Book tabled with Council (appendix pages 229 to 318).

DEBT AUTHORITY AND RESERVES

Incremental debt authority of \$352.2 million is required for capital projects with 2021 Capital Spending Authority

Each year Capital Spending Authority is requested for the projects in the capital plan. Values in Column B of Attachment 3 show the year to year changes in debt authority by project. Debt authority may change because project costs have increased or decreased, or because the split between debt and other funding sources has changed.

The incremental debt authority of \$352.2 million, shown in column B of Attachment 3, represents the change from the remaining debt authority in the 2020 budget of approximately \$1.07 billion, to \$1.42 billion that is needed to support 2021 Capital Spending Authority.

Actual debt ultimately required may be less than the total debt authority being sought

The total amount of debt Council is being asked to approve includes an increment over and above the debt projected in the 2021 budget, as a risk mitigating feature. This is done principally to provide debt flexibility so approved capital projects can continue if anticipated funding is not available as soon as expected.

This practice also allows staff to optimize the use of development charge reserves by shifting available reserve funding to those projects ready to proceed rather than committing reserves to a specific project that may be delayed or not as active in a particular year. Any excess debt authority will be cancelled once it is no longer needed as part of the following year's budget.

\$184.8 million has been included in the 2021 budget to meet the Region's Sinking Fund contribution requirements

Section 424(4) of the *Municipal Act, 2001* requires that the Treasurer advise Council each year of the amount that must be raised for sinking fund purposes.

The Region finances with term debentures that have sinking fund features, as this type of debt is generally required to attract large investors. For each new term debenture issue, a sinking fund is established, with a fixed amount contributed each year until the maturity date

of the debenture. The sum of the annual contributions, together with interest earned on those contributions, is used to repay the debenture at maturity.

The 2021 sinking fund contributions required for debt issued by York Region are shown in Table 2. Of the total amount shown, the Region must contribute \$182.2 million for debt issued for its own capital projects. The balance will be for debt issued on behalf of local municipalities, which they will raise through their own budgets.

Regional sinking fund contributions are part of the debt repayment expenditures included in the 2021 Budget.

Table 2
2021 Sinking Fund Contribution Requirements

Municipality	\$
Township of King	\$2,046,809.38
Town of Georgina	560,605.07
Subtotal	\$2,607,414.45
York Region	182,239,412.59
Total Contribution Requirements	\$184,846,827.03

REPORTING REQUIREMENTS

The Budget is also presented in the same format as the financial statements in the Community Report

There are important differences between how municipalities, including York Region, set out their spending plans at the beginning of the year in their budgets and then report on the results in their financial statements at year-end.

Ontario Regulation 284/09 allows municipalities to exclude amortization expenses, post-employment benefit expenses and solid waste landfill closure and post-closure expenses from the budget. The regulation requires the Region to prepare a reconciliation on the excluded expenses.

York Region's Budget is prepared on a modified accrual basis of accounting, where the financial statements are presented in accordance with Public Sector Accounting Standards using the full accrual method. The main adjustment relates to the treatment of capital spending. The modified budget treats capital spending as an expense in the year it occurs. Conversely, the full accrual method capitalizes qualified capital spending and amortizes the tangible capital assets over their useful lives.

The Accrual Budget Presentation chapter, starting on page 61 of the 2021 to 2022 Budget Book, fulfills the regulation's requirements and presents budget information in the same format as the financial statements in the annual Community Report. This is intended to

provide increased clarity, consistency and comparability between the Budget and financial statements. Using the full accrual basis of accounting, the Region's budget reflects a 2021 annual surplus of \$559.3 million, mainly because \$617.9 million in costs for acquisition of tangible capital assets (excluded under the full accrual calculation of the surplus), are greater than the \$333.7 million of amortization expense budgeted for the year.

IN-YEAR BUDGET ADJUSTMENTS

Flexibility is requested to make any necessary administrative budget adjustments to reflect organizational changes and other reallocation of costs

During the year there may be changes required for the Budget that do not impact on gross operating spending, tax levy, or permanent staffing. These adjustments to the Budget can arise from changes to organizational structure, the flexibility needed to adapt to new technology solutions, and operational needs. Delegated authority for the Commissioner of Finance and Regional Treasurer to make any such changes is requested in this report, including reallocations from contingency to address risks.

Flexibility is requested to apply for, accept and adjust the Budget for any additional provincial and federal funding

Opportunities to apply for new provincial and/or federal funding could arise throughout the year. Delegated authority is requested to enable the Commissioner of Finance and Regional Treasurer to apply for grants during 2021. This could enable the Region to respond to grant application opportunities on a more timely basis. This authority would be limited to grant applications where there is no tax levy impact. These grant applications would be reported to Council at the earliest opportunity.

Delegated authority to the Commissioner of Finance and Regional Treasurer is also sought to accept and adjust the Budget for any provincial and/or federal funding. The proposed authority would allow the Region to quickly implement any funding increases announced by senior governments for regionally delivered programs or capital projects. The ability to accept and implement new funding is helpful if the funding commitment from senior governments is time-limited and there is a risk that the full amount may not be available if it is not disbursed by a certain date.

The authority would be used in situations where accepting the funding would require no increase to the tax levy. For example, an increase in funding for a program in the operating budget would result in an increase in gross spending and a corresponding increase in revenue, with no impact on the net tax levy. This approach is recommended to help ensure the timely implementation of potential new or COVID-19 related operating initiatives.

It would also help to ensure the timely implementation of new capital initiatives such as the Rapid Housing Initiative and the Investing in Canada Infrastructure Program – COVID-19 Resilience Infrastructure Stream which are fully funded by senior levels of government.

Flexibility is requested in capital project implementation to maximize delivery of capital projects in light of changing and unforeseen circumstances

This report recommends that Council authorize the Commissioner of Finance and Regional Treasurer to prepare an in-year report, as required, seeking Council approval of reallocations between capital projects, changes in debt requirements, as well as capital expenditure and Capital Spending Authority requests that are beyond the scope of program group authority. This will provide flexibility in capital project implementation to adapt to changing and unforeseen circumstances and to maximize delivery of capital projects.

The 2021 to 2022 Budget supports the Strategic Plan

The Budget allocates resources to allow the organization to achieve the strategic objectives outlined in the 2019 to 2023 Strategic Plan. Its aim is to ensure that the resources needed to achieve the goals of the Strategic Plan are available when needed. In developing the budget, departments and other service providers assess their existing and planned activities in light of the Strategic Plan priorities, which helps to determine the best use of available resources.

5. Financial

Committee of the Whole has recommended the 2021 to 2022 Budget

The 2021 to 2022 operating budget was recommended as tabled. The operating budget results in a 2021 tax levy increase of 1.54%, as summarized in Attachment 1. The operating budget also includes an outlook tax levy increase of 2.96% in 2022. The outlook will form the basis of the following year's budget and will be reviewed as part of the 2022 budget process.

The 2021 capital budget was recommended as tabled. It includes \$763 million in 2021 spending and multi-year Capital Spending Authority of \$3.0 billion, as summarized in Attachment 2 and detailed in the [2021 to 2022 Budget Book](#) presented on February 25, 2021.

The Budget also recommends incremental debt authority of \$352.2 million for the 2021 Capital Spending Authority.

6. Local Impact

The Region provides essential services and capital infrastructure for residents and businesses in all local municipalities within York Region. The 2021 to 2022 Budget endeavours to address pressures related to COVID-19 and growing demands for service while ensuring reasonable tax levy requirements and sustainable multi-year capital investment.

7. Conclusion

This report provides the results of budget review by Committee of the Whole and related recommendations regarding the 2021 to 2022 Budget. The Budget is summarized in this report and Council approval is recommended.

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

Approved for Submission: 
Bruce Macgregor
Chief Administrative Officer

March 23, 2021
Attachments (3)
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