Attachment 2

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

The Regional Municipality of York

TREASURER'S REPORT

Reflecting York Region's longstanding commitment to fiscal prudence, results for the year ended December 31, 2020 show continued strengthening of York Region's balance sheet despite the impacts of the COVID-19 global pandemic.

When the provincial government imposed strict public health measures and ordered widespread closures early in 2020 in response to the pandemic, York Region took quick action to help offset higher Public Health costs and lower revenues. Non-essential hiring was delayed and activities that were not needed or not possible because of public health restrictions were curtailed. Pressure of the Region's budget was also eased by pandemic-related funding from senior governments.

These factors allowed York Region to stay within its original budget for 2020 and prepare for expected continuing pressures in 2021 relating to COVID-19. The 2020 Regional budget as approved by York Regional Council was presented in a way that showed how cash inflows, including the property tax levy, were balanced against all expected cash outflows. On this basis, York Region experienced an operating surplus of $88.0 million in 2020. In December 2020, Regional Council authorized the contribution of the 2020 operating surplus to a newly established Pandemic Management Reserve.

The financial results in this report are presented on the full accrual basis of accounting. For comparability with final results, the 2020 Budget Book provided expected revenues, spending and annual surplus on a full accrual basis, which provides the basis of comparison in this report. This report also shows 2020 financial results against the original budget as approved by Regional Council.

On the full accrual basis of accounting, York Region's revenues exceed expenses, resulting in an annual surplus of $720.3 million from operations over the year. As a result, the Region's accumulated surplus reached $8.6 billion at the end of 2020, up from $7.9 billion at the end of 2019. The Region's financial assets, including cash, cash equivalents and investments, rose by $692.5 million.

The discussion and analysis that follows, as well as the financial statements themselves, represent key parts of our accountability to residents and businesses.

OVERVIEW OF TREASURER'S REPORT, FINANCIAL STATEMENTS AND STATISTICAL REVIEW

TREASURER'S REPORT

The Treasurer's report expands on the information provided in the Region's financial statements by:

- Outlining the strategic framework guiding the Region's financial management
- Giving highlights of the Region's financial performance in 2020
- Discussing financial results for 2020 compared to 2019 and the 2020 budget, focusing on the Consolidated Statement of Financial Position and the Consolidated Statement of Operations
- Explaining the framework for planning and reporting on financial activities and the Region's responsibilities for managing its finances and safeguarding assets
- Looking at possible risks to the Region's long-term financial sustainability and how they are managed

YORK REGION FINANCIAL STATEMENTS

York Region's financial statements follow this Treasurer's report. The financial statements describe the Region's financial position at the end of the year and show how it changed from the previous year. The notes that follow the financial statement are an integral part of the Region's financial reporting.

Consolidated Statement of Financial Position

This statement is the Region's balance sheet, listing its assets, liabilities and accumulated surplus as of December 31, 2020.

Consolidated Statement of Operations

This statement reports the Region's revenues and expenses for the year. The net difference is either an annual surplus or annual deficit. Revenues exceeded expenses in the year ended December 31, 2020, resulting in an annual surplus.

Consolidated Statement of Change in Net Debt

This statement reconciles the change in net debt for the current and prior year. Under public sector financial reporting in Canada, "net debt" is defined as the difference between a reporting entity's financial assets and its liabilities. This differs from how the Region uses the term "net debt" in other documents to mean its issued debt, excluding borrowings on behalf of local municipalities and net of sinking fund assets.

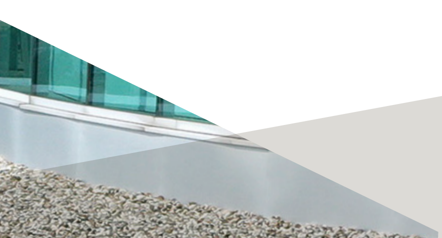
Consolidated Statement of Cash Flows

This statement outlines the Region's sources of cash, shows how they were applied to meet cash needs and gives the resulting change in cash and cash equivalents by year-end.

ADDITIONAL FINANCIAL STATEMENTS

This document includes two additional sets of financial statements, they are for:

- The sinking fund, which is held and reported on separately from other Regional assets. The fund's purpose is to allow the Region to meet the repayment requirements of its sinking fund debt. Sinking-fund debt requires that funds equivalent to a share of the debt be set aside on a prearranged schedule before the maturity date. The *Municipal Act, 2001*, requires sinking funds to be audited annually
- Funds held in trust by the Region for residents of Newmarket Health Centre and Maple Health Centre, the Region's two long-term care homes and donations to those facilities. The Region invests these funds on behalf of the residents and interest earned is credited to the funds



STRATEGIC FRAMEWORK

For the 2020 fiscal year, the main elements guiding York Region's financial management were:

- Vision 2051 and the 2019-2023 Strategic Plan
- The 2020 Budget
- The Regional Fiscal Strategy

VISION 2051 AND THE 2019-2023 STRATEGIC PLAN

The Region's long-term direction is provided by Vision 2051, which sets out where the Region aspires to be by 2051.

Every four years, to coincide with the new term of Regional Council, the Region develops a four-year Strategic Plan with the purpose of turning the Region's long-term vision and goals into day-to-day activities. The priorities of the 2019 - 2023 Strategic Plan are economic vitality, a sustainable environment, healthy communities and good government.

The diagram below provides further details.

2020 BUDGET

The Regional budget provides the financial framework to accomplish the Strategic Plan and ultimately support Vision 2051.

Multi-year budgeting is a vital aspect of the financial framework. At the start of each council term, York Regional Council reviews a four-year plan consisting of a proposed budget for the upcoming year and an outlook for the remaining three years. In each of the following three years, the outlook is reduced by one year.

While the four-year framework gives overall direction, Regional Council has the flexibility to make changes each year as conditions warrant.

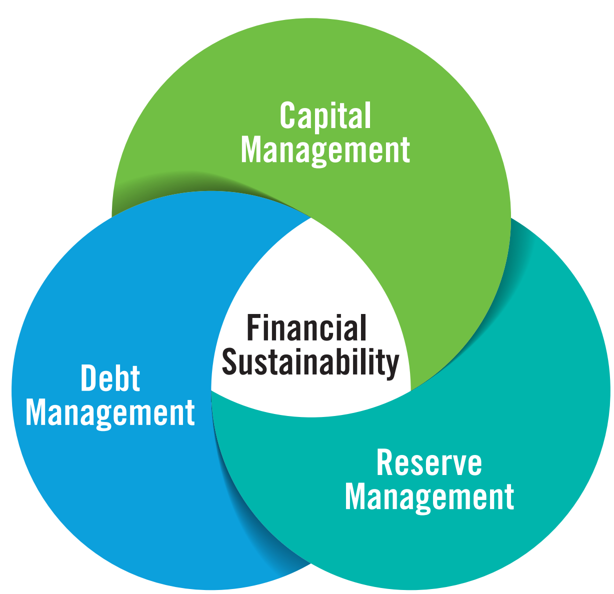
The Region's budget shows major cash inflows and outflows and determines the tax levy needed to achieve the balance between these. It gives decision-makers and other readers a clear picture of where cash resources are expected to come from and how they will be applied to all activities, including capital and operations, to meet current and future needs.

This annual report provides a set of statements on the full accrual basis that together give a full picture of financial activities and results for the year. This aligns with the recommendations of the Public Sector Accounting Board, which develops accounting standards for governments in Canada.

For consistency with financial reporting, the annual Budget Book includes a section entitled "Accrual Budget Presentation" in which figures for expected revenue, expense and annual surplus are provided on the same basis as in the annual report. This report compares results for 2020 to the accrual-based budget.

REGIONAL FISCAL STRATEGY

The purpose of the Regional Fiscal Strategy, adopted in 2014 and updated annually, is to help York Region achieve long-term financial sustainability in an equitable way over time. It brings together three related elements, as shown in the diagram below.



The strategy recognizes the importance of fairness over time (intergenerational equity): no generation is left worse off through the actions of another. This works in both directions — today's residents should not be unduly burdened to pay for projects that will largely benefit later residents and future residents should not be unduly burdened with the costs of projects that largely benefited past residents.

Capital management is important because the Region must often build major infrastructure like roads, transit and water and wastewater systems in advance of the expected population and employment growth they will serve. Although most of the growth-related costs are expected to be covered by development charges when growth occurs, debt is often used to bridge the timing gap. Making investments at the best possible time, based on realistic forecasts, helps to reduce debt levels and debt service costs.

Reserves are funds that are built up over time for specific purposes, including paying capital-related costs to avoid issuing debt. Under the strategy, the Region has significantly increased the level of reserves dedicated to asset renewal and replacement. A corporate-wide asset management plan, endorsed by Regional Council in 2018, provides guidance on the size and timing of the needed investments. The strategy also saw the creation of a debt reduction reserve. Funded from the tax levy, it is mainly used to cover growth-related capital costs that are not eligible for development charge funding.

The Region's long-term **debt management plan** takes into account borrowing needs over the following 10 years, complies with Regional and provincial policies and considers risks to the plan and ways of mitigating them.

2020 HIGHLIGHTS

Realizing the potential fiscal impacts of the pandemic that was declared early in 2020, York Region acted quickly to reduce spending across the organization so resources would be available to compensate for pandemic-related pressures on the 2020 budget.

The gross impacts of higher spending and below-forecast revenue totaled $190.2 million over the year. This reflected much higher-than-expected public health and social program spending, as well as unplanned spending on personal protective equipment and other health and safety measures.

On the revenue side, York Region Transit operations had to continue as an essential service despite a sharp drop in ridership that reduced fare revenues to far below forecast. Court Services revenue was impacted by Provincial and Ontario Court of Justice Emergency Orders that extended timelines under the *Provincial Offences Act,* including fine due date. In light of concerns about the financial impacts of the lockdown on households, Regional Council also decided to defer a water rate increase and suspend interest charges on late property tax payments.

The Region was able to compensate for these impacts by pausing programs that could not be delivered under lockdown conditions, redeploying staff to Public Health and other areas to help with the immediate pandemic response, reducing service on many transit routes, offering on-demand transit services to replace others and freezing non-essential hiring.

By year end, revenues on the full accrual basis of accounting were $2.8 billion, down $67.4 million from the expected $2.9 billion. Revenues included pandemic-related transfer payments of $90.6 million from senior levels of government.

The revenue decrease was more than offset by a reduction of $288.7 million in spending from the expected $2.4 billion.

As a result of the strong operating performance, by year-end York Region had:

- Increased its financial assets, including cash, cash equivalents and investments, by $692.5 million, to bring the total to $5.2 billion
- Created a new Pandemic Management Reserve with a 2020 year-end balance of $88.0 million that is available for continuing pandemic-related budget pressures
- Decreased its net debt as defined for public sector reporting purposes by $371.1 million and
- Seen an increase of $720.3 million in its accumulated surplus

CHANGES IN FINANCIAL POSITION

The Consolidated Statement of Financial Position gives a picture of the Region's balance sheet at December 31, 2020. The table below provides a summary.

Consolidated Statement of Financial Position

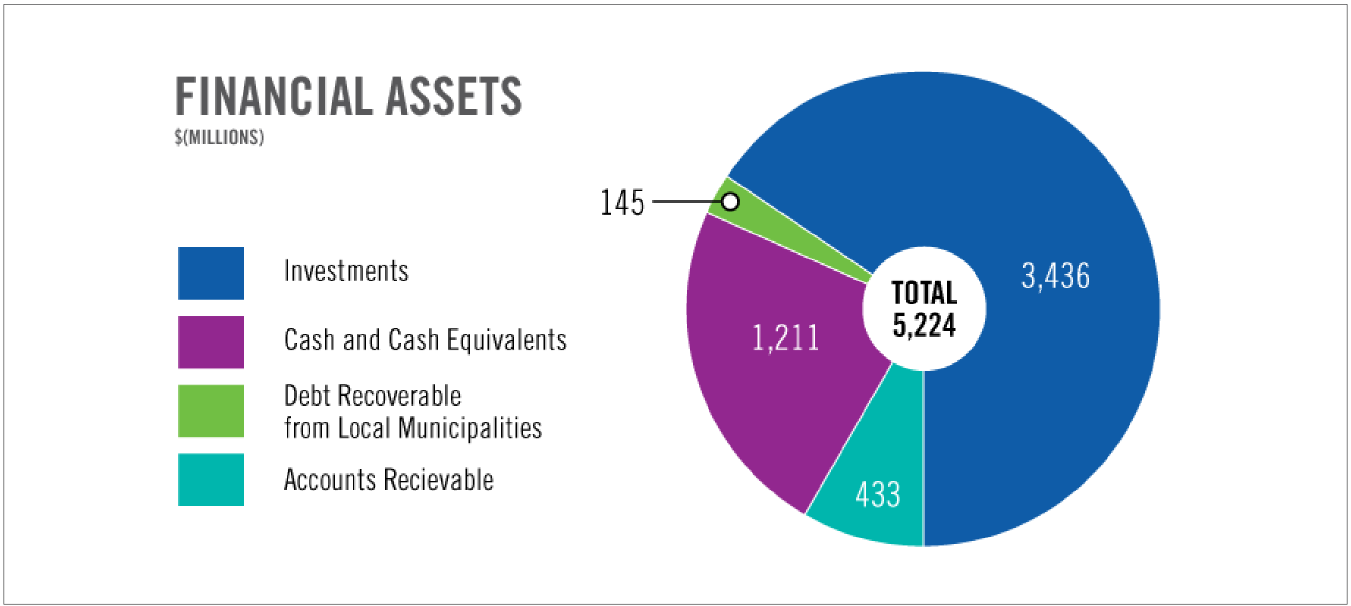
($ Millions)	2020 Actual	2019 Actual	Variance	% Change
Items				
Financial Assets	5,224.0	4,531.5	692.5	15.3%
Liabilities	5,415.3	5,093.9	321.4	6.3%
Net Debt	(191.4)	(562.4)	371.1	(66.0%)
Tangible Capital Assets	8,797.8	8,449.8	348.0	4.1%
Other Non-Financial Assets	22.4	21.2	1.2	5.7%
Accumulated Surplus	8,628.8	7,908.5	720.3	9.1%

Note: numbers may not add due to rounding

The Statement of Financial Position reports the financial and non-financial assets, including tangible capital assets, available to the Region. It also lists obligations in the form of liabilities, including debt. Because the Region's total assets are greater than its liabilities, the statement shows an accumulated surplus.

FINANCIAL ASSETS RISE BY 15.3%

The Region's financial assets include cash and cash equivalents, investments and amounts owed to the Region by third parties, including debt issued by the Region on behalf of local municipalities. The pie chart below shows the breakdown:



Note: numbers may not add due to rounding

These assets totalled $5.2 billion at the end of 2020, up by $692.5 million or 15.3% from the previous year.

The main driver of the increase was growth in investments, which went from $2.8 billion at the end of 2019 to $3.4 billion a year later. This resulted from the Region building reserves, especially for asset renewal and growth-related infrastructure, through contributions from the operating budget. The Region also invests funds from third parties that are for specific purposes and are received before the spending is needed.

TANGIBLE CAPITAL ASSETS

The approved 2020 budget included a capital plan for the year of $826.3 million. Under Public Sector Accounting Standards, which are used to prepare the financial statements and accrual-based budget, $677.8 million of the plan was classified as spending on tangible capital assets for financial reporting purposes, with the balance allocated to capital-related operating expense.

Of the total $677.8 million plan, $477.7 million was for growth-related projects, while the balance was to go to renewing and/or replacing existing assets. The growth-related portion was largely funded by development charges and $213.3 million in new borrowings, the latter largely to benefit from historically low interest rates. The cost of renewals and replacements was covered from asset replacement reserves.

By year end, $444.6 million or 65.6% of the accrual-based budget was spent, with the underspending due to delays and deferrals in Transportation Services projects, delays in housing land purchases and construction, and additional time to secure permits and resolve construction issues on Environmental Services wastewater Rehabilitation Projects. The share of spending achieved against plan was slightly lower than in recent years.

Financial reporting makes a distinction between assets under construction and assets in use. As an asset is completed and goes into service, the cost to build or acquire it moves from assets under construction into the appropriate category of assets in use. Note 14 to the consolidated financial statements shows these categories and their value at year-end.

Assets under construction totalled $1.2 billion at year end. The table below lists the five largest additions to the assets under construction account and provides a comparison to the originally budgeted amount.

2020 Top 5 Capital Spend $(Millions)

Project	Department	Additions	Capital Budget (1)
York Durham Sewage System Forcemain Twinning	Environment	67.0 (5)	35.3 (2)
Major Mackenzie Drive - Canadian Pacific Railway to Hwy 400	Transportation	44.7 (5)	42.7
Conventional Bus Replacement	Transportation	26.1	37.7 (3)
Asset Renewal and Replacement	Transportation	25.1	25.3
Newmarket Bus Terminal	Transportation	14.8	15.0 (4)

(1) Capital budget is based on the 2020 budget approved by Council on December 19, 2019.

(2) Council approved a mid-year reallocation of $30.6 million resulting in a total capital budget in 2020 of $65.9 million.

(3) Council approved a mid-year reallocation of $5.4 million resulting in a total capital budget in 2020 of $32.3 million.

(4) Council approved a mid-year reallocation of $0.4 million resulting in a total capital budget in 2020 of $15.4 million.

(5) Additional spending was within overall Capital Spending Authority

Several projects were completed and put into use in 2020. The table below lists the five largest completions and the year that work first began on the project.

2020 Top 5 Additions to Assets in Use $(Millions)

Project	Department	Additions	Project Start Date
Administration Centre at 17150 Yonge Street	General Government	207.5	2004
16th Avenue Phase 1 Sewer Rehabilitation Project	Environment	55.7	2013
St John's Side Road - Bayview Ave. to Woodbine Ave.	Transportation	27.7	2008
Conventional Bus Replacement	Transportation	26.1	2020
Leslie Street - Wellington Street to St. John's Sideroad	Transportation	24.8	2008

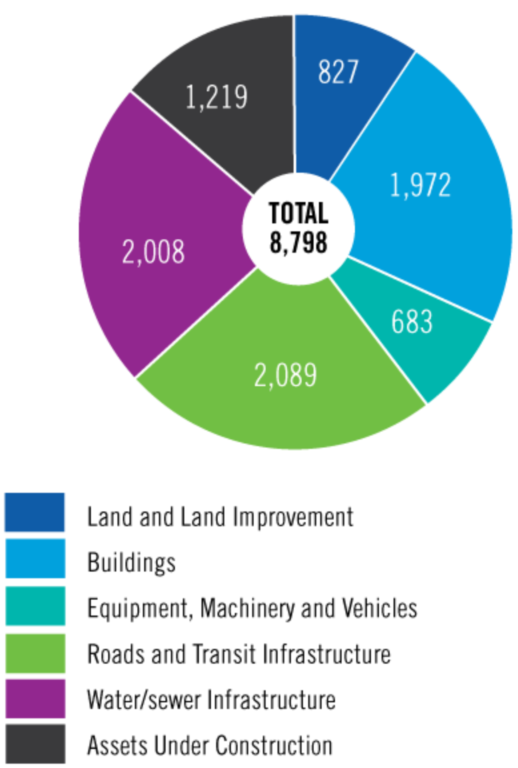
In addition to projects in York Region's 10-year capital plan, the Region also delivers construction of rapidways and associated infrastructure that make up the Viva bus rapid transit network. These are fully funded by the provincial Metrolinx agency. Any resulting improvement to assets owned by the Region, such as a repaved roadway where rapidways have been built, is added to the Region's tangible capital assets portfolio as work is completed.

Net book value as reported on the Consolidated Statement of Financial Position is the cost of an asset less its accumulated amortization. After taking into account additions of capital assets, amortization expense of $320.6 million and the disposal of assets during the year, the net book value of the Region's assets rose by $348.0 million, taking the total to $8.8 billion at the end of 2020.

The following graphs show the breakdown in the net book value of assets by category and service area:

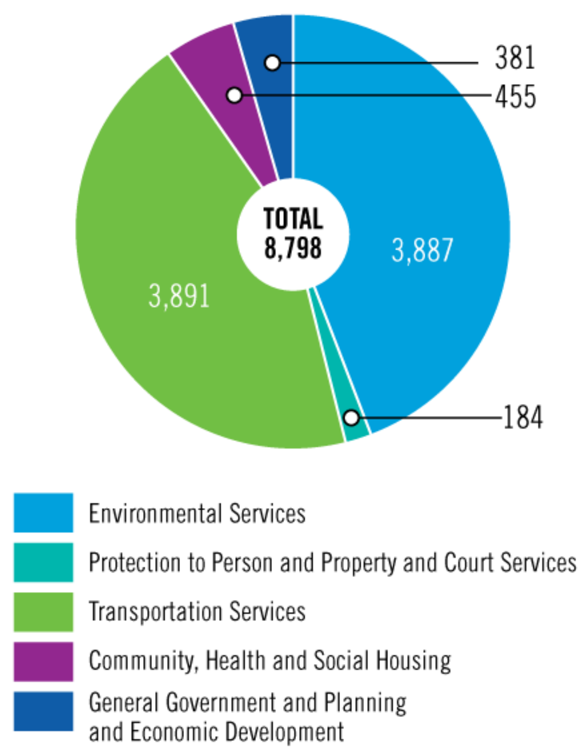
NBV OF TANGIBLE CAPITAL ASSETS BY CATEGORY

$(MILLIONS)



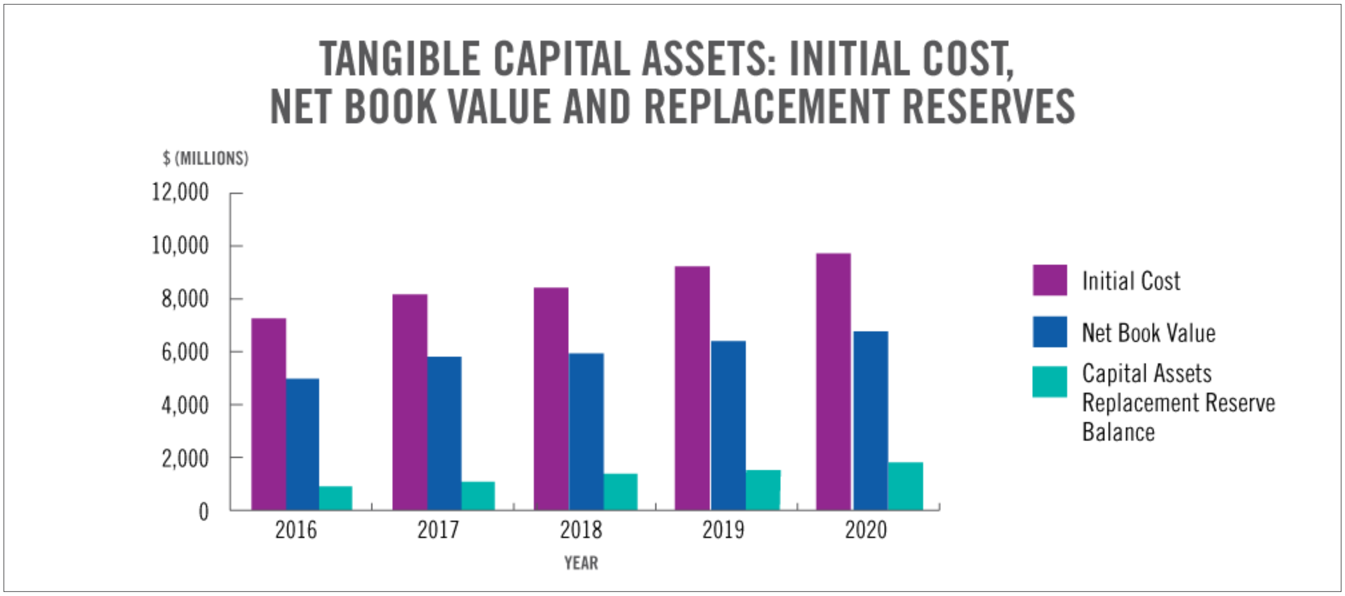
NBV OF TANGIBLE CAPITAL ASSETS BY SERVICE AREA

$(MILLIONS)



Five-year trend in net book value and asset condition

As the graph below shows, the net book value of the Region's assets has steadily increased over the past five years, resulting largely from major investments in roads, transit and water and wastewater infrastructure.



Note: The Region's asset replacement reserves exclude land, land improvements, and assets under construction. For comparability, these items have also been excluded from initial cost and net book value in the graph above.

One measure of the Region's potential financial vulnerability is the ratio of the net book value of assets to their initial cost. This ratio provides an estimate of the time remaining in which of assets are available to provide services, with a low ratio suggesting that assets are being used up and not replaced. The ratio for the Region has held fairly steady over the past five years at between 68.9% and 72.0%, and the 2020 result of 69.9% falls within that range.

This means the Region is consistently adding or replacing assets, which helps to offset the decline in the net book value of existing assets. As more projects are completed, the rate of increase in net book value may slow. This is typical in a rapidly growing municipality like York Region and may be followed by several years of equally important but lower outlays for rehabilitations of those assets. During this period, net book value may stabilize or even decline slightly.

Another measure of whether a government is prepared for asset-related needs is the amount of dedicated reserves available for asset management and whether the level of reserves reflects the expected need.

The Region's asset management planning has progressed significantly in recent years and provincial requirements have become more specific. The Region's first Corporate Asset Management Plan, formalizing asset management planning practices across all departments, was approved by Regional Council in June 2018. Estimates of asset replacement values in the plan were based to the extent possible on actual asset condition, which is considered a more accurate measure of investment need than age, as used in the financial statements.

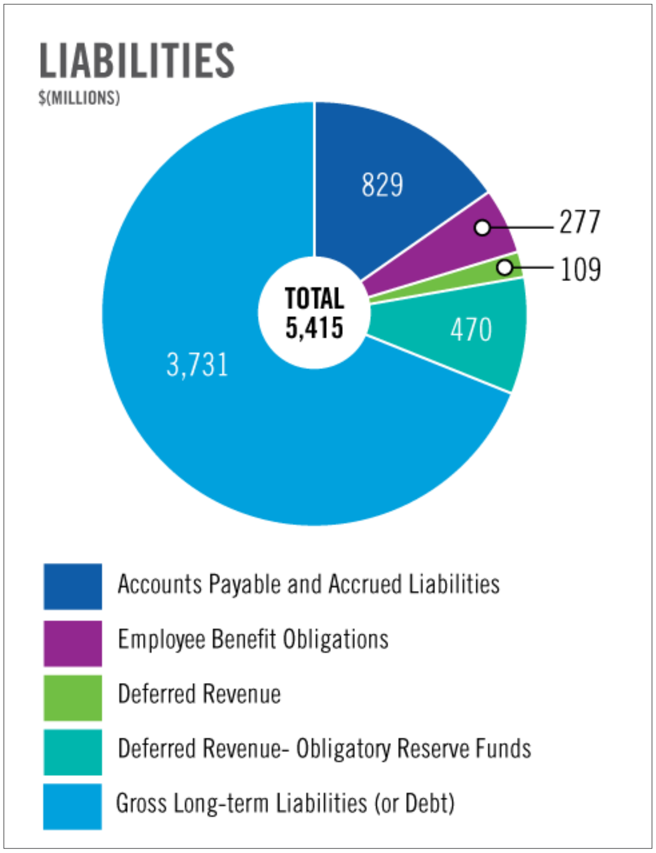
The 2018 plan represented a major step in developing a long-term financial plan to maintain, rehabilitate and eventually replace assets so that the Region can continue providing quality programs and services now and into the future.

Annual contributions to capital reserves provide the funding needed to fully deliver the Region's 10-year capital plan. The goal is to reach a level of contributions that meets the full needs while also achieving intergenerational equity.

Current asset replacement reserves balances are lower than either the depreciated cost or the estimated replacement value of the Region's assets. The long-term costs of asset rehabilitation and replacement tend to be higher than either of those measures, indicating a need for increased contributions to asset replacement reserves.

LIABILITIES INCREASED SLIGHTLY

The Region's liabilities include accounts payable and accrued liabilities, employee benefit obligations, deferred revenue and gross long-term liabilities or debt. The pie chart below shows the breakdown:



Note: numbers may not add due to rounding

Total liabilities increased by $321.4 million or 6.3%, ending the year at $5.4 billion.

LIABILITIES OTHER THAN DEBT

Liabilities other than debt increased by $141.9 million, ending the year at $1.7 billion.

Employee benefit obligations include the expected costs of extended health and dental coverage for retirees, vested sick leave benefits, long-term disability claims, vacation payable and workers' compensation obligations. These obligations increased by $35.0 million or 14.4% from 2019, reflecting increases in actuarial estimates of future costs and the expectation of higher health care costs. These estimates are based on long-term expectations and updated at three-year intervals.

Deferred revenue represents funds received from third parties and set aside for specific purposes at a later date. For accounting purposes, the funds are recorded on the asset side of the Consolidated Statement of Financial Position in financial assets, balanced by the deferred revenue. They are excluded from the list of reserves that the Region maintains for its own use because their use is restricted by third-party agreements.

There are two components of the deferred revenue on the Region's Consolidated Statement of Financial Position: general deferred revenue and deferred revenue-obligatory reserve funds.

The general deferred revenue account decreased by $17.0 million or 13.5% from 2019. Most of the decrease relates to Metrolinx, the provincial transit agency, which has fully funded several bus rapidway projects in the Region. Funding is recorded in the "deferred capital grants" portion of the general deferred revenue account, from which the Region draws as projects are built. In 2020, the decrease reflected ongoing completion of funded projects.

Deferred revenue-obligatory reserve funds include development charges that are collected to pay for future growth-related projects and gas tax revenues to be used for transit and other specified purposes. This component of deferred revenue increased by $120.9 million or 34.7% by year-end 2020. This was due to an increase of $113.1 million in the development charges balance, representing new collections and accrued receivables for deferred development charges of $382.3 million less the $269.2 million that was taken into revenue and a net $7.8 million increase in gas tax funds.

DEBT

Total debt, which is reported in the Consolidated Statement of Financial Position as gross long-term liabilities, increased by $179.6 million to reach $3.7 billion by the end of 2020.

Total debt includes funds borrowed by the Region on behalf of local municipalities. The local municipal borrowings, which totalled $144.5 million at the end of 2020, are matched by an asset in the same amount that represents their future debt repayments.

Most of the Region's own borrowings are in the form of sinking fund debentures, which require the borrower to set aside funds over time to be used for repayment when the debt matures. The reserve representing these dedicated funds grew by $105.8 million in 2020.

Netting off the sinking fund asset and excluding local municipal borrowing, the Region's net outstanding debt ended the year at $2.8 billion. The Region issued $410.0 million in new debt in 2020. Of this, $196.7 million was borrowed to replace existing debt and $213.3 million represented new development-charge-supported borrowings.

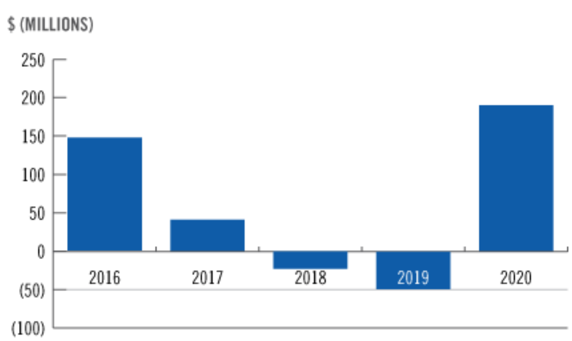
Despite the slight overall increase, the Region met its commitment to keep its own debt, net of sinking fund assets and local municipal debt, below the peak of $2.9 billion that was reached in 2017.

Five-year trend in debt

Reduced reliance on debt is one element of the Regional Fiscal Strategy, because it supports long-term fiscal sustainability.

The graph below, which reflects debt issuance/repayment according to the Consolidated Statement of Cash Flows, shows that the Region issued successively less debt each year from 2016 to 2017. In 2018 and 2019, it used cash reserves and development charge funding to reduce debt. In 2020, the Region increased overall debt to finance new growth capital and to refinance a debenture that matured in 2020. The Region also locked in lower borrowing rates for a refinancing coming due in 2021.

NET CASH INFLOWS/(OUTFLOWS) FROM FINANCING ACTIVITY



Five-year trend in interest expense to own-source revenues

The ratio of interest expense to own-source revenues (such as property taxes, water and wastewater user charges, transit fares, investment income other user fees and provincial fines) is a marker of financial vulnerability. When interest expense grows faster than a government's own-source revenues, it may have to divert too much of its revenues to paying interest costs, limiting its ability to fund other priorities.

The Region's ratio was 6.3% in 2020, continuing a decline from 8.4% in 2016. This is attributable to both growth in Regional own-source revenues and, for the fourth year in a row, a drop in interest expense. Note 8 to the consolidated financial statements shows interest expense fell to $117.2 million in 2020 from $120.4 million the previous year.

This ratio is calculated without including development charge revenue, which is a key source of funding for debt servicing. Including these revenues would reduce the ratio to 5.6%, down from 7.4% in 2016.

NET DEBT

Under public sector financial reporting in Canada, "net debt" is defined as the difference between a reporting entity's financial assets and its liabilities. (In some contexts, the Region uses the term "net debt" to mean its issued debt, excluding borrowings on behalf of local municipalities and net of sinking fund assets.)

The Region's net debt as defined for public sector reporting purposes was $191.4 million at the end of 2020, representing the difference between its $5.2 billion in financial assets and $5.4 billion in debt and other liabilities.

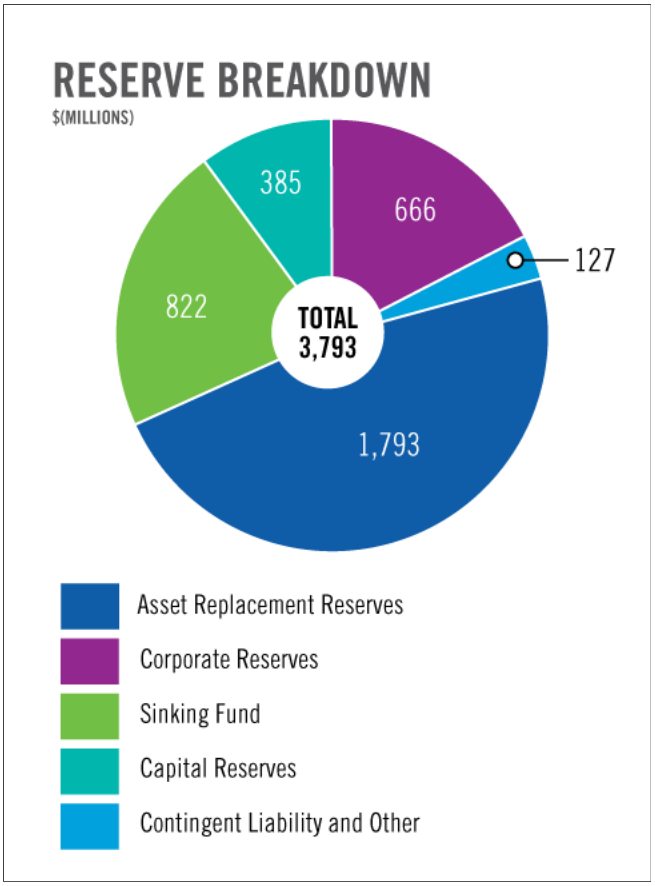
Net debt decreased by $371.1 million from the year-end level of $562.4 million in 2019 because financial assets, particularly investments, grew at a faster rate than total liabilities. Net debt provides a measure of the future revenues required to pay for past transactions and events, so a decrease in net debt is an improvement in financial position.

ACCUMULATED SURPLUS

The Region's accumulated surplus increased by $720.3 million or 9.1% from 2019 to reach $8.6 billion at the end of 2020. The increase is equal to the annual surplus and is calculated based on Public Sector Accounting Standards. (It differs from the operating surplus, which represents any excess in revenue or underspending in relation to the operating budget.)

The accumulated surplus is the total of past annual surpluses. It represents the difference between the Region's assets, including tangible capital assets, and its obligations, including debt. As such, it represents the net resources the Region has to provide future services.

The Region has identified a number of specific future needs and earmarked a portion of the total accumulated surplus for them. These amounts are called reserves and reserve funds, and at 2020 year-end they totalled $3.8 billion, up from $3.3 billion a year earlier. The pie chart below provides a breakdown by reserve type.



Asset replacement reserves are funded from two main sources: a portion of user rates goes into reserves for water and wastewater renewal and replacement, while a share of the tax levy is contributed to reserves for replacing other assets, such as roads. Total asset replacement reserves stood at $1.8 billion by year-end, having increased by $252.8 million or 16.4%, during the year. This increase was made up of contributions and interest earned totalling $452.3 million, less $199.5 million used for asset management purposes during the year.

The Region's sinking fund reserve, which is a segregated fund that can only be used to repay existing debt, is the next largest balance. It grew by $105.8 million or 14.8% in 2020 to reach $821.8 million by year end.

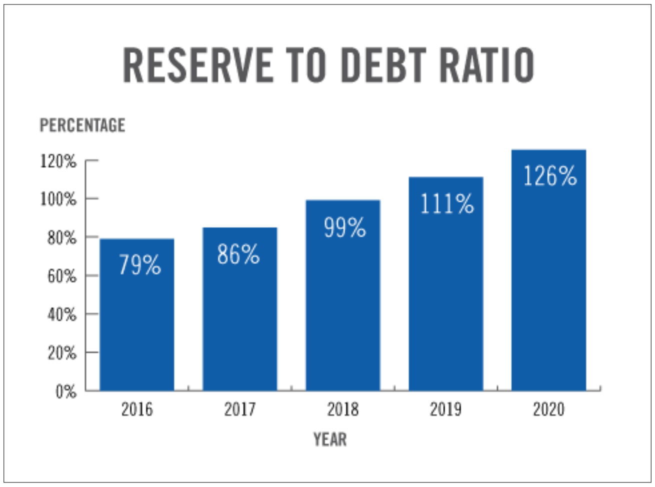
Capital reserves, which include funding for capital programs such as social housing development, solid waste management and hospitals, decreased by $29.6 million or 7.1% in 2020. This was largely due the hospital reserve, which was established in 2009 to help fund capital projects at the hospitals in the Region and funded every year through contributions from the tax levy. The fund was drawn down by $52.4 million in 2020 to reflect completion of major capital work at the new Cortellucci Vaughan Hospital and final payment to the Markham Stouffville Hospital.

The balance reflects additional reserves that the Region maintains to smooth fluctuations in operating revenue and expense items and to build funding over time for special projects. These additional reserves include the new Pandemic Management Reserve that Regional Council established in December 2020. This reserve, funded through funds unspent at 2020 year-end, is available for future spending needs and/or revenue shortfalls due to COVID-19. Its balance at 2020 year-end was $88.0 million. Reflecting the addition of the Pandemic Management Reserve and other contributions, these reserves rose by a total of $167.6 million, or 26.8%, over the year.

Reserves to debt

The ratio of reserves to debt is an important marker of fiscal sustainability. Because Ontario municipalities can borrow only for capital projects, a high ratio shows sufficient funds are available for future capital needs from reserves, avoiding excessive reliance on debt. It also ensures that if revenues were to decline, other resources would be available to meet a municipality's obligations. Conversely, a municipality with a low ratio is more vulnerable to a revenue decline and/or high borrowing needs.

The Regional Fiscal Strategy has steadily improved the reserves-to-debt ratio for the Region, as the graph below shows:



Note: The Region's asset replacement reserves exclude funding for the replacement of land or land improvements, and for new assets under construction. The debt figure represents Region-only debt, excluding local municipality debt and housing-related debt and net of sinking fund assets.

The Region's strong ratio at the end of 2020 shows that it remained in a net investor position and has resources to manage short-term fluctuations in revenue and help cover future capital needs.

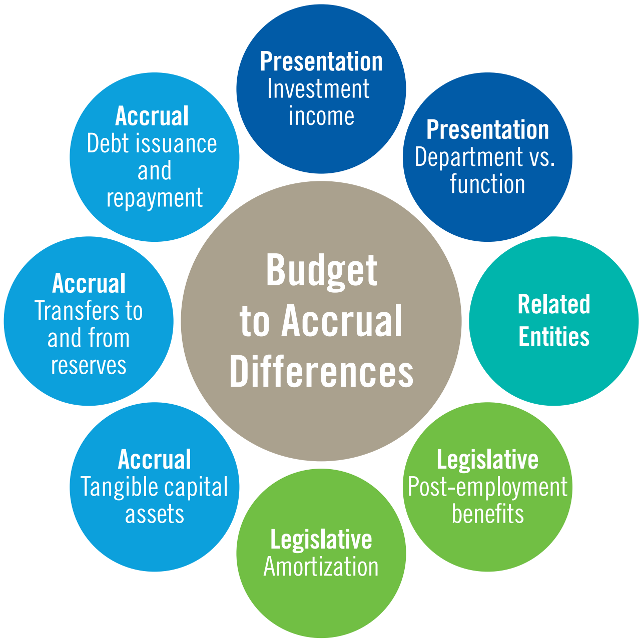
CONSOLIDATED STATEMENT OF OPERATIONS

The sections below explain the differences between revenues and spending in the budget and this report, and provide a comparison of operating results to both the budget plan and the previous year.

COMPARING ACTUAL RESULTS TO THE BUDGET

The budget is prepared on what is called the "modified accrual basis" of accounting. This approach looks mainly at expected cash inflows and outflows and uses the property tax levy to achieve a balance. This is different from the accrual treatment for the consolidated financial statements, which are prepared in accordance with the standards set by the Public Sector Accounting Board.

As a result of the different approaches used to prepare the budget and report on results, comparing actual operating results to the budget plan requires a reconciliation. This reconciliation also captures other differences between the budget and financial statements, as the graphic below shows:



The major differences between the full accrual financial statements and the modified accrual budget as approved by Regional Council include:

Presentation

- Under full accrual accounting, investment income is a revenue item and is treated as such in the financial statements. In the approved budget, a portion of this is an offset to General Government expense.
- The annual report and the full accrual budget set out expense by function instead of department. The approved budget is presented by department. This has only a minor impact in most areas.

Related entities

- Under full accrual accounting, the financial activities of three Regionally owned entities, York Region Rapid Transit Corporation, Housing York Inc. and YTN Telecom Network Inc., are fully consolidated with the results of the department to which they are related. The treatment of the first two of these entities is different in the approved budget.

Legislative

- Under the *Municipal Act,* two items may be excluded from a municipal budget because they require no cash outlay, as long as Council is informed: post-employment benefits, which are employee benefits that have been earned but will be paid in the future as employees retire and amortization, which is a fraction of the cost of a tangible capital asset and is recorded as an expense each year the asset is expected to be in service. The Regional budget follows the approach allowed by provincial law.

Accrual

- Under full accrual accounting, assets that are expected to last for more than one year are capitalized. This means the upfront cost of building and acquiring tangible capital assets is shown not as an expense, but instead on the Consolidated Statement of Cash Flows in the year the spending occurs and amortization is recorded as an expense over the life of the asset. The budget as approved by Council treats capital spending as an expense in the year it occurs. This facilitates approval of a capital budget that authorizes the expected cash outflows on capital projects over time.
- Transfers from reserves and the proceeds of borrowings are sources of cash, not revenues under full accrual accounting. Similarly, transfers and contributions into reserves and repayments of debt are uses of cash, not expenses, under full accrual accounting. In the budget approved by Council, these inflows and outflows are taken into account in balancing the budget as required by provincial statute.

In the "Accrual Budget Presentation" chapter, the 2020 Budget Book included a detailed reconciliation between the budget prepared for Council approval and the same budget presented on a full accrual basis. The table below summarizes key figures:

$(Millions)	Approved budget	Adjustments	Full accrual budget
Revenue	3,292.8	(398.9)	2,893.9
Expense	3,292.8	(897.9)	2,394.9
Surplus	-	499.0	499.0

The full accrual budget presented in the Budget Book generally used the same presentation and accounting approaches as the financial statements in this annual report. In the Statement of Operations, some accrual budget numbers have been updated to reflect internal reorganizations and align with provincial Financial Information Return requirements. The total budgeted figures for revenue, expense and annual surplus remain the same.

RESULTS FOR 2020 AND FIVE-YEAR TRENDS

This section compares operating results for 2020 to the full accrual budget and to results for 2019. It also discusses five-year trends in key figures and ratios, as recommended by the Public Sector Accounting Board.

The table below summarizes results from the 2020 Consolidated Statement of Operations:

Consolidated Statement of Operations

$(Millions)	2020 Budget	2020 Actuals	2019 Actuals	Budget to Actual Variance	Year over Year Variance
Revenues	2,893.9	2,826.5	2,941.9	(67.4)	(115.4)
Expenses	2,394.8	2,106.2	2,252.6	(288.7)	(146.5)
Annual Surplus, accrual basis	499.0	720.3	689.2	221.3	31.1

Note: numbers may not add due to rounding

At $720.3 million, the surplus for 2020 was $221.3 million higher than expected in the accrual-based budget. It was $31.1 million higher than the previous year's $689.2 million surplus.

REVENUES

The table below provides a summary of the revenues from the 2020 Consolidated Statement of Operations with comparisons to the accrual-based budget and the previous year:

$(Millions)	2020 Budget	2020 Actuals	2019 Actuals	Budget to Actual Variance	Year over Year Variance
Revenues					
Net Taxation	1,196.9	1,197.0	1,152.2	0.0	44.8
User Charges	385.4	374.0	353.9	(11.4)	20.0
Transfer Payments	653.1	691.0	779.4	37.9	(88.5)
Development Charges	390.2	269.2	293.0	(121.0)	(23.8)
Fees and Services	160.7	106.5	162.9	(54.2)	(56.4)
Investment Income	72.3	145.0	119.3	72.8	25.7
Other	35.3	43.8	81.1	8.5	(37.3)
	2,893.9	2,826.5	2,941.9	(67.4)	(115.4)

Note: numbers may not add due to rounding

At just over $2.8 billion, actual 2020 revenues were $67.4 million lower than expected in the 2020 budget, and $115.4 million lower than actual 2019 revenues.

- Net taxation revenues were consistent with plan, at $1.2 billion.

  The increase over 2019 was $44.8 million or 3.9%, which was in line with the approved tax levy increase of 2.96%, assessment growth of 1.48%, and a decrease in supplementary taxes of 0.5% which is in line with our budget.

- The budget projection for water and wastewater user charges was based on a blended rate increase of 6.75%, reflecting a planned rate increase of 9.0% as of April 1, and expected growth in consumption from 2019. Actual results were lower than expected due to the deferral of the planned rate increase, partially offset by higher-than-expected flows.

  The year-over-year increase was $20.0 million or 5.6%, reflecting the higher consumption.

- At $691.0 million, revenue from provincial and federal transfers was $37.9 million more than planned. The main reason was $90.6 million in unbudgeted federal-provincial funding related to the pandemic. This was offset by lower-than-expected flow-through funding for child care because child care centres, except those serving emergency workers' needs, had to close during the lockdown. In addition, the asset increase related to bus rapidways, which is also recorded as transfer payment revenue, was lower than budgeted in 2020.

  Transfer payments decreased by $88.5 million or 11.4% from 2019 to 2020, largely because the asset increase related to the rapidways was lower in 2020 than in 2019 and child care transfers were down. The decrease was partially offset by the funding received for the COVID-19 pandemic.

- Development charge revenues, which result from drawing down the development charge portion of deferred revenue collected and are used to pay for growth-related infrastructure, were $121.0 million below budget. Spending on some growth-related capital projects was lower than expected because of the pandemic and the Region also used development-charge debt to pay for a larger portion than originally budgeted.

  Revenue from development charge drawdowns was $23.8 million or 8.1% lower than in 2019 for the same reasons.

- At $145.0 million, interest income and other earnings on investments was slightly more than double the budget forecast of $72.3 million. The major contributing factor was greater volatility in both the fixed-income and equity markets during 2020 owing to the pandemic, which provided opportunities for improved returns compared to a more typical year. Investment return continued to outperform its benchmarks.

  The year-over-year increase was $25.7 million or 21.5%, reflecting the same factors.

- Fee and service revenue was $54.2 million lower than budgeted. Most of the difference reflects lower-than-planned York Region Transit ridership, which reduced fare revenues, and lower court revenue due to Provincial Emergency Order and the Order of the Ontario Court of Justice that adjourned all court matters and extended all Provincial Offences Act timelines for most of 2020 resulting in fewer convictions and extension of fine due dates.

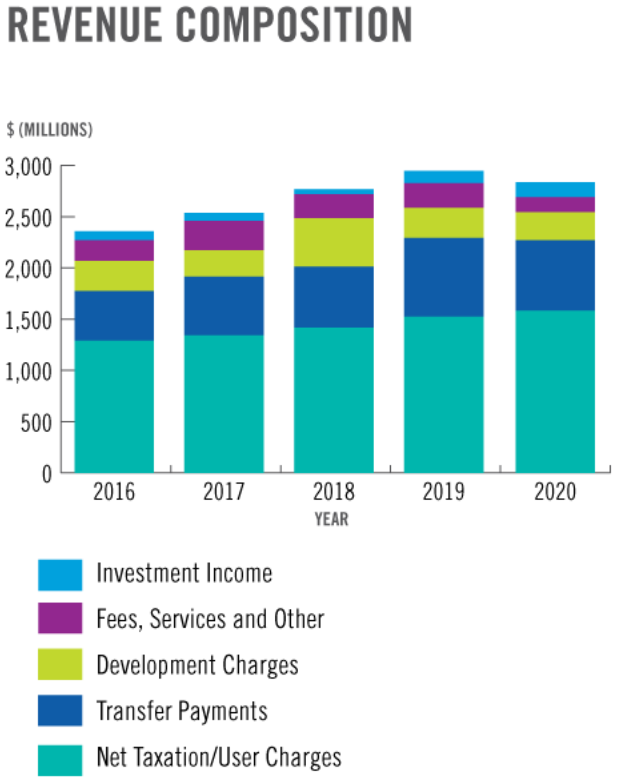
  Overall, there was a year-over-year decrease in fee and service revenue of $56.4 million or 34.6% for the reasons mentioned above.

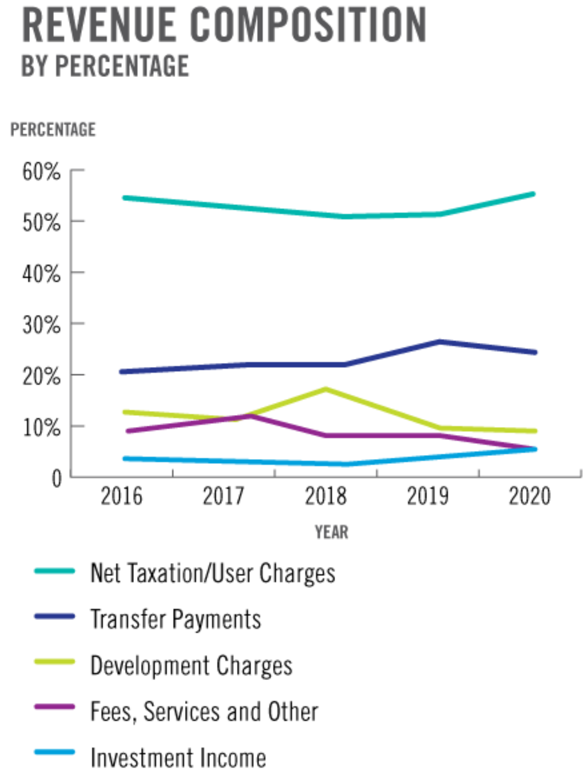
- Other revenue was $8.5 million higher than budgeted. Much of this revenue reflects recoveries from local municipalities for capital projects the Region carries out on their behalf. The budget forecast was based on an expected decline in recoveries from construction activity. The decline was less than expected, so recoveries were higher than planned.

  This was a year-over-year decrease of $37.3 million or 45.9%.

Five-year trend

The graphs below illustrate the year-to-year changes in sources of revenue over the past five years:





High dependence on sources of revenue over which a government has little or no control can make it more vulnerable to the decisions of other entities.

In total, revenues over which the Region has control, comprising taxation and user charges, fees, services and interest earnings, amounted to about 66.0% of revenue in 2020. Over the past five years, these revenue sources have provided 64.9% of total revenues on average.

Among revenue sources over which the Region has limited control, transfer payments from senior governments have provided an average of 23.1% of revenues over the past five years. In 2019, the figure was higher than average at 26.5%, owing largely to the provincial donation of Metrolinx-related assets to the Region that was treated as a transfer payment. A similar transfer in 2020 was considerably smaller. As well, transfer payments for child care declined owing to pandemic-related closures. These decreases were partially offset by an unbudgeted $90.6 million in pandemic-related transfers from the senior governments.

In general, transfer payment fluctuations reflect either specific, time-limited funding (such as for the transit projects) or decisions by other levels of government. The Region is accustomed to managing the impact of changes in the level of these payments as long as sufficient time to adjust is provided.

Drawdowns of development charges are used to pay for growth-related capital projects and can change sharply from year to year in line with the investments they fund. Over the past five years, this source of revenue has averaged 12.0% of the Region's total. In the first two years, the level was fairly stable. In 2018 it increased sharply to 17.1% of total revenue, followed by a decline to 9.5% in 2020 as some construction activity was deferred and the Region relied on debt to fund a portion of growth-related capital costs.

EXPENSES

The table below provides a summary of the expenses from the 2020 Consolidated Statement of Operations with comparisons to the accrual-based budget and the previous year:

$(Millions)	2020 Budget	2020 Actuals	2019 Actuals	Budget to Actual Variance	Year over Year Variance
Expenses					
Transportation Services	591.9	465.1	607.6	(126.8)	(142.5)
Environmental Services	514.7	388.3	482.3	(126.3)	(94.0)
Community and Health Services (2)	652.6	698.7	612.0	46.1	86.7
Protection to Persons and Property (3)	412.6	424.5	405.7	11.9	18.9
Other (4)	223.0	129.5	145.0	(93.5)	(15.5)
	2,394.8	2,106.2	2,252.6	(288.7)	(146.5)

Notes:

1. Numbers may not add due to rounding
2. "Community and Health Services" comprises Health and Emergency Services, Community Services and Social Housing from the Consolidated Statement of Operations
3. "Protection to Persons and Property" comprises York Regional Police, the Police Services Board, Court Services and Conservation Authorities
4. "Other" comprises General Government and Planning and Economic Development from the Consolidated Statement of Operations

Total expenses were $2.1 billion. This was a decrease of $288.7 million from the full accrual budget plan and a $146.5 million decrease from 2019.

The variances by service area and largest contributing factors are outlined below.

- Overall spending by Transportation Services was below budget by $126.8 million, mainly as a result of an expense related to rapidway construction. Construction of rapidway assets that on completion are wholly owned by Metrolinx are recorded as a Transportation Services expense (and the funding from Metrolinx is recorded as revenue). In 2020, this expense was lower than planned. The balance of the decrease reflects savings from transit contracts and fuel as transit service was adjusted to offset impacts of the pandemic.

  Overall, there was a year-over-year decrease of $142.5 million or 23.5% mainly for the reasons mentioned above.

- Spending by Environmental Services was $126.3 million below budget mainly as a result of a capital-related change that recognized $55.9 million operating spending in previous years as capital expenditure. This increased the water and wastewater asset portfolio and decreased operating expense against budget. The balance of the decrease against budget reflected lower-than-planned operating spending related to repairs and rehabilitation of assets.

  Environmental Services spending decreased by $94.0 million from 2019 mainly for the reasons mentioned above.

- In Community and Health Services, spending was up $46.1 million from budget. This reflects higher costs, mainly related to a payment of a grant to the Cortellucci Vaughan Hospital where funds were previously contributed to a reserve for projects at hospitals within the Region. Further details are provided above under "Accumulated Surplus". In addition, there were higher costs in Public Health and Long-Term Care to respond to the pandemic. These higher costs were partially offset by savings from pausing various other activities across the department.

  On a year-over-year basis, spending in Community and Health Services rose by $86.7 million, mainly for the reasons mentioned above.

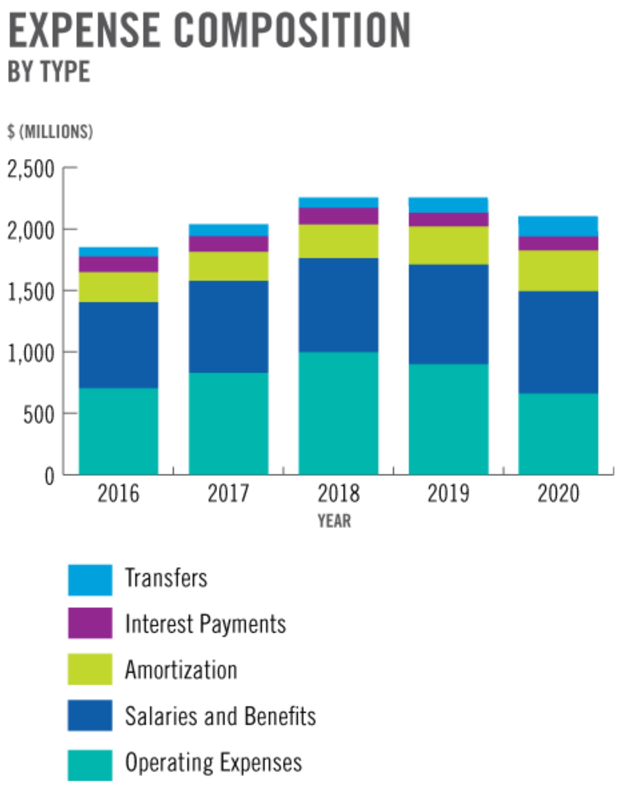
- Spending on Protection to Persons and Property, which largely reflects York Regional Police, was $11.9 million higher than the budgeted amount of $412.6 million, partially due to higher-than-expected spending on officer overtime due to large investigations. While expenses related to large-scale joint investigations had not been budgeted for, some of these costs were recovered from other police services. Apart from these items, the remaining variance relates to non-cash items such as amortization and employee and post-employment benefit costs.

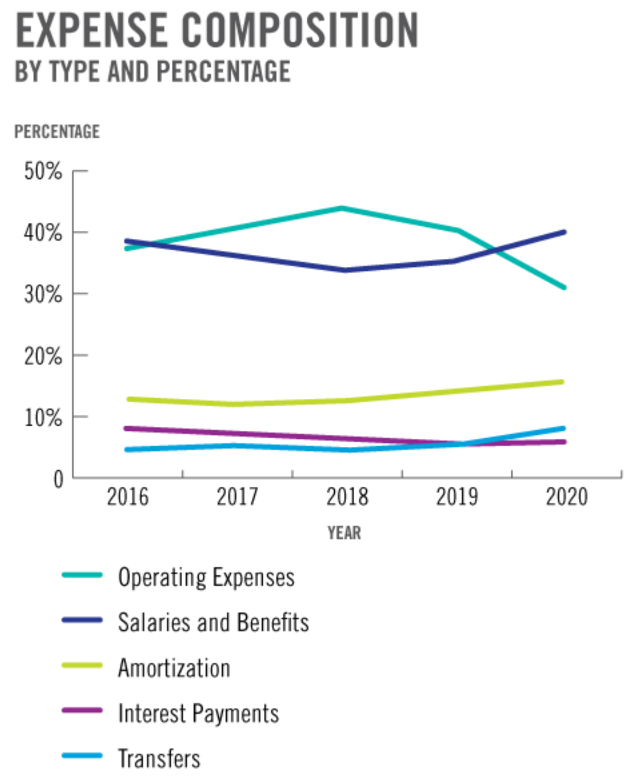
  Spending was up $18.9 million year over year as a result of expanded service needs for a growing population.
- Spending in the "Other" category was $93.5 million less than shown in the accrual-based budget, owing mainly to reclassifying an item originally in the budget as an expense as a change to a reserve.

  Apart from this reclassification, actual spending decreased by $15.5 million or 10.7%.

Five-year trend

The graphs below show the five-year trend in expenses by type:





Amortization was consistently the fastest-growing expense item over the past five years, paralleling significant growth in the Region's portfolio of assets. From a starting point of $233.6 million or 12.7% of total expense in 2016, it rose steadily to reach $320.6 million or 15.2% of total expense in 2020. The impacts of this trend are greatest on Transportation Services and Environmental Services departments, which are responsible for the bulk of the Region's assets.

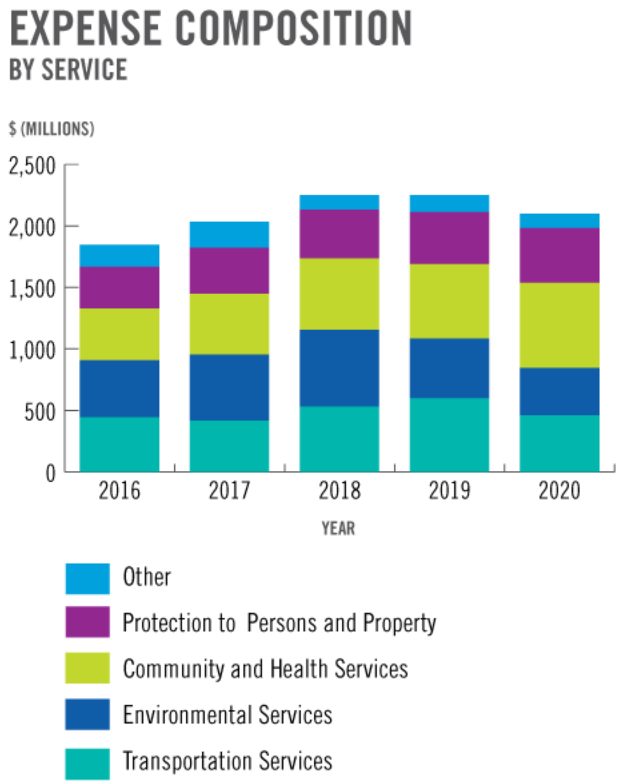
Transfers made by the Region grew from $77.4 million or 4.2% of total expense in 2016 to $169.5 million or 8.0% in 2020. This included a single-year increase of 54.7% from 2019 to 2020, reflecting the capital grant to the Cortellucci Vaughan Hospital.

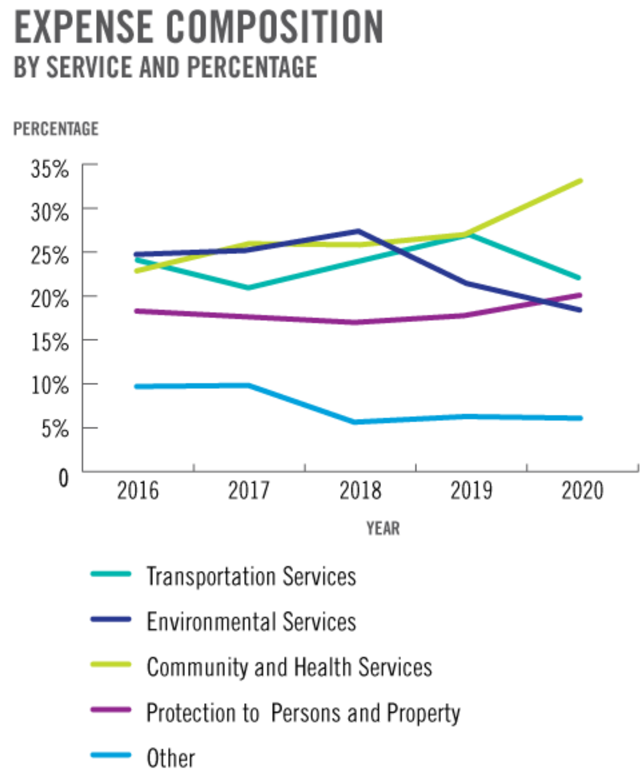
Operating expense, consistently one of the largest expense items, decreased from $689.6 million or 37.4% of total expense in 2016 to $653.6 million or 31.1% in 2020. This item has fluctuated considerably from year to year largely because it reflects, among other things, construction work on bus rapidways fully funded and carried out on behalf of Metrolinx. Fluctuations also reflect recognition that some Environmental Services expense previously recorded as operational represented capital investment.

Salaries and benefits grew from $711.0 million in 2016 to $845.3 million in 2020, reflecting the hiring of additional police officers, paramedics, public health nurses and others, as well as a general rise in salaries and the cost of benefits. This item's share of total expense grew slightly, from 38.5% in 2016 to 40.1% in 2020.

Interest expense peaked in 2016 at $133.6 million and has declined in each subsequent year as the Region reduced its reliance on debt. It totalled $117.2 million in 2020, falling from 7.5% to 5.6% of total expense.

The graphs below illustrate the five-year trend in expenses by service area:





By service area:

- Fluctuations in Transportation Services expense largely reflect the share of Metrolinx funding for bus rapidways that has been expensed each year. As noted above, this spending was fully funded by Metrolinx. Transportation has also seen amortization expense increase as a result of significant investments in tangible capital assets. In 2020, expense fell in part because of reduced transit service in response to the pandemic.
- Fluctuations in Environmental Services expense largely reflect accounting adjustments discussed above. This had the effect of reducing operating spending in 2017, 2018 and 2020 and increasing the value of the Environmental Services capital portfolio. Operating spending was recorded as $456.2 million in 2016 and $388.3 million in 2020 after the adjustment. Day-to-day Environmental Service expenses reflect the costs to operate and maintain a larger and more technically complex portfolio of assets, higher amortization expense and more stringent regulation, offset by the department's ongoing efforts to find savings. The department's share of total expense fell from 24.7% in 2016 to 18.4% in 2020 after the accounting adjustment.
- Community and Health Services expense rose from $422.6 million or 22.9% of total spending in 2016 to 698.7 million or 33.2% in 2020. A significant amount of the department's expense reflects the flow-through of provincial transfer payments for social programs to third parties, which fluctuates with provincial policy direction. As well, the significant increase in 2020 related to the Cortellucci Vaughan Hospital grant and the department's role in responding to COVID-19.
- Protection to Persons and Property largely reflects York Regional Police, whose budget is strongly tied to staffing costs. Expense has increased from $338.7 million in 2016 to $424.5 million in 2020, paralleling the Region's overall growth in salaries and benefits.

MAJOR SOURCES AND USES OF CASH

Examining the sources and uses of cash is helpful in understanding where resources came from and how they were used.

Cash inflows from operations, which is the annual surplus adjusted for amortization, the drawdown of deferred revenues, contributed assets and other non-cash items, amounted to $1.1 billion in 2020. Net new borrowings totaled $194.5 million.

The Region used $667.9 million to invest in tangible capital assets, offset by $6.7 million in asset sale proceeds, and increased its investment portfolio by $594.3 million to take advantage of higher long-term yields compared to holding cash or cash equivalents.

After these outflows, cash and cash equivalents stood at $1.2 billion by year-end, an increase of $46.1 million from the previous year.

OPERATING SURPLUS

This section looks at revenues and spending compared to the approved operating budget, which is prepared on a modified accrual basis.

On that basis, the Region experienced an operating surplus of $88.0 million in 2020.

Revenues were $16.9 million below budget. This reflects transit, user rate and court fine revenues that were $107.3 million lower than planned owing to the pandemic, partially offset by the operating portion of senior government pandemic-related funding of $90.4 million.

Spending was $104.9 million lower than expected in the budget. The main factor was action taken to mitigate the impacts of the pandemic, including savings from deferring non-essential activities and reducing the costs of programs directly affected by the pandemic, such as transit. As in prior years, efficiencies and lower-than-expected spending unrelated to COVID-19 also contributed to savings.

The entire operating surplus was applied to the Pandemic Management Reserve, as approved by Regional Council, to pay for anticipated pandemic response costs in 2021 and beyond.

FINANCIAL MANAGEMENT FRAMEWORK

YORK REGION BYLAWS, POLICIES AND CONTROLS

In addition to the Regional Fiscal Strategy, the Region has put in place various bylaws, policies and controls to reduce risk and support better financial management and stewardship of the Region's assets.

These cover activities such as borrowing, managing reserves, investing Regional funds, procuring goods and services, determining insurance coverage and setting development charges. As well, the audit function is a key element of financial management.

MANAGEMENT RESPONSIBILITY

The Controllership Office within the Finance Department is responsible for organization-wide controls, policies and procedures to safeguard the Region's financial resources. It also keeps financial records, prepares the annual consolidated financial statements and reports on results.

The Controllership Office prepares the consolidated financial statements in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. In addition, Note 1 to the consolidated financial statements provides a summary of the significant accounting policies, including the recent changes.

ACCOUNTING STANDARDS

No new accounting standards were issued by the Public Sector Accounting Board for the year ended December 31, 2020.

AUDIT FUNCTION

Council's Audit Committee helps ensure the Region's administration properly carries out its responsibilities for financial reporting, internal control, auditing and monitoring compliance with laws, regulations and the Region's Code of Conduct.

The current Audit Committee members are:

- York Region Chairman and CEO Wayne Emmerson (ex-officio)
- Regional Councillor Don Hamilton (Chair)
- Regional Councillor Robert Grossi (Vice-Chair)
- Mayor Virginia Hackson
- Mayor Iain Lovatt
- Mayor Tom Mrakas
- Mayor Steve Pellegrini
- Acting Mayor Joe DiPaola
- Regional Councillor Gino Rosati
- Regional Councillor Tom Vegh

The Audit Services branch in the Office of the Chief Administrative Officer advises on managing and controlling risk, performs independent appraisals of control systems and helps identify efficiencies and improvements in new and existing processes, programs and services.

The Region's external auditors conduct an audit of the consolidated financial statements using Canadian generally accepted auditing standards. Their unqualified opinion of the financial statements appears before the financial statements.

PROVINCIAL LEGISLATION

Provincial direction determines many aspects of municipal financial management, including the setting of development charges, debt issuance, budgeting and accounting and reporting requirements.

Development charges

The Region's development charge rates and policies are set out in a Regional bylaw that is guided and regulated by the provincial *Development Charges Act, 1997*. The current bylaw expires in June 2022.

Development charges are levied on new residential and non-residential development. They are the main source of funding for the growth-related portion of the Region's capital plan.

The setting of development charge rates starts with forecasting expected growth and estimating the related infrastructure need. The *Development Charges Act* then requires adjustment to determine the amount that may be recovered through development charges, and development charge rates reflect the allowed amount.

In 2019, the provincial government amended the *Development Charges Act, 1997* to allow the freezing and phasing in of development charges, with no limit on the duration of the rate freeze. Previously, development charges typically had to be paid when a building permit was issued and the amount reflected the rate in place at the time.

Starting January 1, 2020, payment of for-profit rental and institutional development charges can be phased over five years, while the phase-in period for non-profit housing developments is 20 years. (After initially allowing commercial and industrial development charges to be phased in, the province subsequently excluded these types of development.) To mitigate the negative financial impacts, in February 2020 Regional Council adopted a policy to charge interest on frozen and phased development charges, as permitted under the amended act.

Debt issuance

Under the *Municipal Act*, municipalities in Ontario may issue debt for capital projects only. A regulation under the act restricts the annual cost of servicing long-term debt and other financial obligations to 25% of a municipality's own-source revenue.

In addition, the Region qualifies for a "growth cost supplement" that is equal to 80% of the average of the Region's last three fiscal years of development charge collections, which provides it with more debt room to meet the capital-related needs of growth. The Region's policy, however, is to add only 70% of the three-year average, not the full permitted 80%. The Region met these limits in 2020.

OUTLOOK AND RISK MANAGEMENT

As recommended by the Public Sector Accounting Board, this section includes information on significant risks and uncertainties, and briefly outlines how the Region works to manage them.

Recovery from the COVID-19 pandemic

Starting in March 2020, governments around the world took steps to curb the spread of COVID-19, which had triggered a global pandemic. In York Region, as ordered by the provincial government, most workplaces, schools and public facilities closed as an immediate response. Restrictions were eased over the summer but had to be tightened again as a second wave of infection emerged in the fall of 2020.

As this annual report was being finalized, York Region had reached more than 50% vaccination of eligible adult residents with their first dose of the COVID-19 vaccine.

The economic outlook for the Region appeared relatively good. Work carried out by the Conference Board of Canada in early 2021 suggested that the Region's Gross Domestic Product (GDP) fell by 5.6% in 2020 in real terms. The Conference Board's forecast was for the Region's GDP to expand by 5.9% in 2021 and a further 5.5% in 2022, which would be stronger than the forecast for Ontario as a whole as provided in the provincial budget.

For Regional government, the major short-term impacts when the pandemic ends are expected to be continuing lower transit revenues, higher costs for health and safety measures and equipment, and the need to help residents who continue to suffer financial hardship. Senior government support will offset these pressures in 2021, positioning the Region well for managing any continuing impacts in 2022.

Provincial direction

Provincial and, to a lesser extent, federal decisions on programs, policies, regulation and funding have impacts on the Region's revenues and expenses.

In 2019, the province announced significant changes to funding for Community and Health Services programs, many of which are provincially subsidized, for the 2020 fiscal year. Several of these changes were delayed because of COVID-19, but are expected to go forward as the pandemic ends and will likely result in higher costs to the Region.

In 2019, the provincial government also announced plans to modernize public health, including consideration for amalgamating 35 public health units across the province into 10 units under autonomous boards. Similarly, the provincial government announced plans to modernize emergency health services, including modernizing dispatch and examining new governance model for Paramedic Services. Both York Region Public Health and Paramedic Services function within the Community and Health Services department. In early 2020, York Region responded to the Province's Discussion Papers on Public Health and Emergency Health Services Modernization, which was to be followed by an in-person consultation.. These initiatives were put on hold as a result of the pandemic, but when work resumes, decisions made could have major impacts on Public Health, Paramedic Services and Regional government if they go ahead.

In addition, senior governments' regulatory requirements and approvals processes for major infrastructure projects are adding uncertainties and costs, and risk constraining growth in some areas. Because costs of major construction are rising more quickly than inflation, regulatory delays mean that actual costs of a major project are often higher than originally planned.

Uncertainty related to approvals also makes it difficult to schedule projects efficiently. For example, since 2014 the Region has been awaiting provincial approval of two major elements of Upper York Sewage Solutions, which are needed to serve growth in the Region's northern communities. Delays have required the Region to put funds into building interim projects that will not be needed when and if the projects go ahead.

In mid-2020, the Minister of the Environment, Conservation and Parks advised the Region that the province is considering all options, including a potential southern trunk sewer, as alternatives to Upper York Sewage Solutions. There is a concern that any alternative is likely to be more costly than the current proposal.

Provincial actions such as these create considerable uncertainty for the Region, make longer-term planning difficult and raise the risk of ongoing fiscal pressures. The Region takes part in consultations on proposed provincial changes and responds during comment periods, but ultimately has limited ability to influence decisions.

Slower-than-expected population growth

Many large growth-related assets are built based on a population forecast, often for a specific area of the Region. When growth differs significantly from forecast, as has been the Region's recent experience, the related development charge collections can be delayed, reduced or both. To reduce this potential timing gap, the Region has improved capital planning and is working to better understand the relationship between overall population growth and areas of increased settlement.

A changing and growing population

Changes in the make-up of the population can have fiscal impacts. For the Region, major drivers are the increasing share of seniors in the population, a higher incidence of special needs among children, more residents with complex mental health and other challenges and the need to help newcomers integrate into the community. The Region has responded with a Seniors' Strategy, modernization of the child care system and specific programs and approaches designed to address other concerns. It is also tackling the increasing problem of housing affordability through housing initiatives, including a plan to add a significant new number of affordable housing units and enhanced efforts to prevent and address homelessness.

Limited revenue options

The Region faces the need to pay for new growth-related infrastructure, manage the life-cycle costs of new and existing assets, renew and replace ageing assets and provide quality services.

In particular, extending the Line 1 subway northward along Yonge Street to the Richmond Hill / Langstaff Urban Growth Centre at Highway 7 is a Regional priority, but entails costs which pose a potential risk to long-term financial sustainability. In its November 2020 budget, the provincial government reiterated its commitment to the project, but did not provide additional information on funding or on providing the Region with new revenue tools to help pay for its share.

The Region is working to manage as much revenue-related risk as possible through the Regional Fiscal Strategy, while looking at options for creating a more sustainable balance between revenues and spending needs over the long term.

The impacts of a changing climate

Projections are for an increase of 3.3 degrees Celsius in the average air temperature in the Region by 2051, with extreme weather events, such as heavy rain, high winds and ice storms, becoming more frequent and intense. This trend is already stressing Regional infrastructure, including traffic signals and parts of the water and wastewater systems, street trees and sections of the Regional forest.

While the full range of impacts and related costs are impossible to predict at present, York Region has prepared a Climate Change Action Plan to address mitigation and adaptation from a corporate and community perspective.

Workforce changes

The workforce of organizations across Canada, including the Region's, is aging. This is having a wide range of impacts, including health and safety concerns on the job and financial arrangements for those who have left the workforce. In some cases provincial legislation, for example around job-related stress, is exacerbating the impacts. The Region is managing these risks by increasing its contributions to a number of staffing-related reserves As well, to manage the risk of loss of knowledge and expertise as employees retire, it is planning carefully for succession needs.

Cyber-security

With wider availability of high-speed internet service, smart devices and mobile applications, expectations about web-based interactions and services are rising in the general population and across the Region's workforce. The Region continues to improve processes and outcomes for residents, particularly through the implementation of technology.

The increase in staff working from home has heightened technology security risks. The Region has developed a comprehensive set of protocols and practices to better understand these risks and work to safeguard data.

CONCLUSION

The year just ended was without precedent for York Region. The pandemic and its impacts gave rise to numerous urgent needs to protect and help residents, as well as introducing new processes, restrictions and requirements mandated by the province. The Region's staff worked tirelessly to respond quickly and effectively, whether on site at an emergency centre or working from home. Staff across the Region came together in a multitude of ways to ensure that the work of Regional government could continue and services would be delivered safely and effectively.

As the discussion of financial results shows, the Region's longstanding commitment to prudence and efficient operations through its fiscal strategy, combined with senior government support, mitigated the pandemic's major fiscal shocks.

Having seen the clear benefits of the strategy as we weathered the pandemic, we are more committed than ever to its long-term goals – reducing reliance on debt, building reserves and carefully managing the capital plan. We will continue, as well, to explain our financial plans and report on their outcomes in ways that are clear and show accountability to our residents.

Every year this annual report depends on the hard work and collaboration of people from across the Region. The year just ended brought a new level of challenge as staff dealt with the professional and personal impacts of COVID-19 while keeping Regional Council informed of fiscal impacts, assessing and managing pandemic-related risks and meeting the legislated reporting deadline for this report. As always, I offer my deepest thanks for their dedication and effort.

Laura Mirabella

Laura Mirabella, FCPA, FCA,
Commissioner of Finance and Regional Treasurer
May 11, 2021