

The Regional Municipality of York

Committee of the Whole
Environmental Services
December 2, 2021

Report of the Commissioner of Finance

2022 Budget - Environmental Services

1. Recommendations

1. Committee of the Whole recommends the budget to Council as submitted for Environmental Services as follows:
 - a. The 2022 operating budget as summarized in Attachment 1.
 - b. The 2022 capital expenditures and the 2022 Capital Spending Authority, as summarized in Attachment 2.
2. The recommended budget be consolidated by the Commissioner of Finance and Regional Treasurer for consideration by Council on December 16, 2021.

2. Summary

This report provides a summary of the 2022 Operating and Capital Budget for Environmental Services for consideration by Committee of the Whole. Details of the budget can be found on page 95 of the [2022 Budget Book](#).

Key Points:

- The budget enables Environmental Services to deliver safe, reliable and high-quality water and wastewater, waste management and forestry services to people and communities in the Region; it also allows for delivery of the organization's energy use programs, and for leading the Region's corporate asset management planning
- The 2022 proposed gross operating expenditures for Environmental Services are \$651.2 million, which is 24.3% of total Regional operating expenditures
- After non-tax revenues of \$582.7 million, the proposed net operating budget is \$68.5 million, or 5.4% of the Region's net expenditures
- The proposed capital budget is \$210.65 million in 2022, or 21.5% of the proposed Regional capital budget, and proposed Capital Spending Authority is \$1.9 billion

3. Background

Environmental Services keeps communities sustainable and protects their water, land and air as the Region grows. It strives to deliver results cost-effectively through innovation and best practices.

Council directed staff to reduce the tax levy increase for 2022 and on May 27, 2021 endorsed a target tax levy increase of 1.96%

The [2021-22 Budget](#) approved on March 25, 2021 included a 2022 outlook tax levy increase of 2.96%. This outlook reflected budget amounts for Regional departments and key service areas.

As part of budget approval, Council directed staff to “undertake strategies and processes to reduce the 2022 operating outlook as tabled on February 25, 2021.”

The [2022 Budget Direction report](#), adopted by Council on May 27, 2021, set out a target tax levy increase of 1.96% for 2022, in response to Council’s direction.

Building on Council’s direction, a comprehensive savings exercise was undertaken to achieve a proposed 2022 tax levy increase that is 1% below the outlook, while also ensuring that contributions to reserves are maintained at levels that safeguard the Region’s financial sustainability.

The 2022 budget was tabled with Council in November with a proposed 2022 tax levy increase of 1.96% and a Rapid Transit Infrastructure Levy of 1%

The budget as tabled on November 25, 2021 included a proposed tax levy increase of 1.96% which is consistent with the 2022 Budget Direction report. The tabled budget also includes a Rapid Transit Infrastructure Levy of 1% to help fund the Yonge North Subway Extension.

The proposed 2022 Operating and Capital Budget was tabled with Council on November 25, 2021, in accordance with the timelines established in the 2022 Budget Direction report. It was received and referred to the December meetings of Committee of the Whole for consideration and recommendation.

The 2022 Budget is the fourth year of the 2019-2022 Multi-year Budget cycle

The operating budget presented is a one-year budget for the remaining year of Council’s term. Council is asked to approve the budget for 2022.

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

Many capital projects span several years of planning, design and construction, requiring spending authority beyond the current budget year.

Capital Spending Authority is requested for 2022 capital expenditures and for projects with contractual and other clear or certain multi-year commitments. As in previous years, Council is asked to approve the proposed capital expenditures and funding for 2022 and the multi-year Capital Spending Authority.

4. Analysis

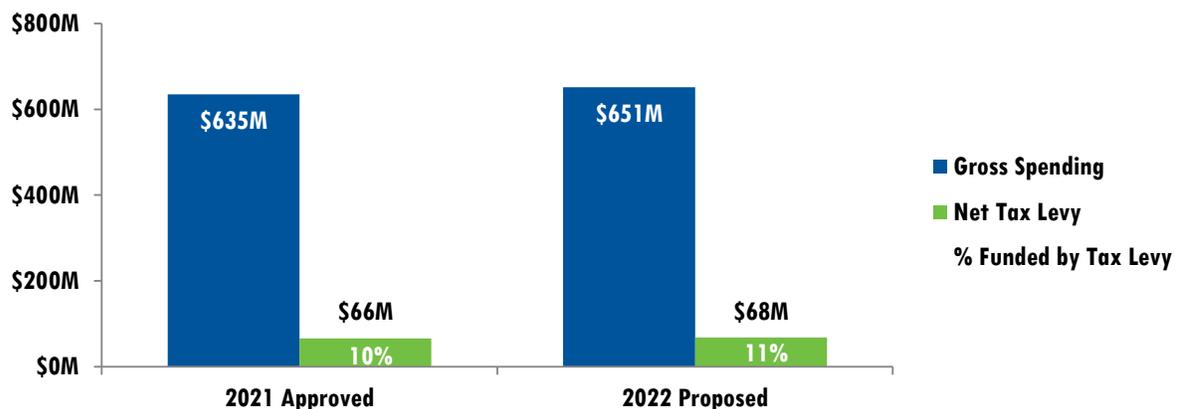
OPERATING BUDGET

Approval of 2022 gross expenditures of \$651.2 million and net expenditures of \$68.5 million is requested

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

The 2022 proposed gross operating expenditures for Environmental Services are \$651.2 million, or 24.3% of total Regional expenditures. The proposed 2022 net expenditures of \$68.5 million are 5.4% of the total. The tax levy funds 10.5% of Environmental Services' 2022 gross expenditures, as shown in Figure 1 below.

Figure 1
2022 Gross and Net Operating Expenditures



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

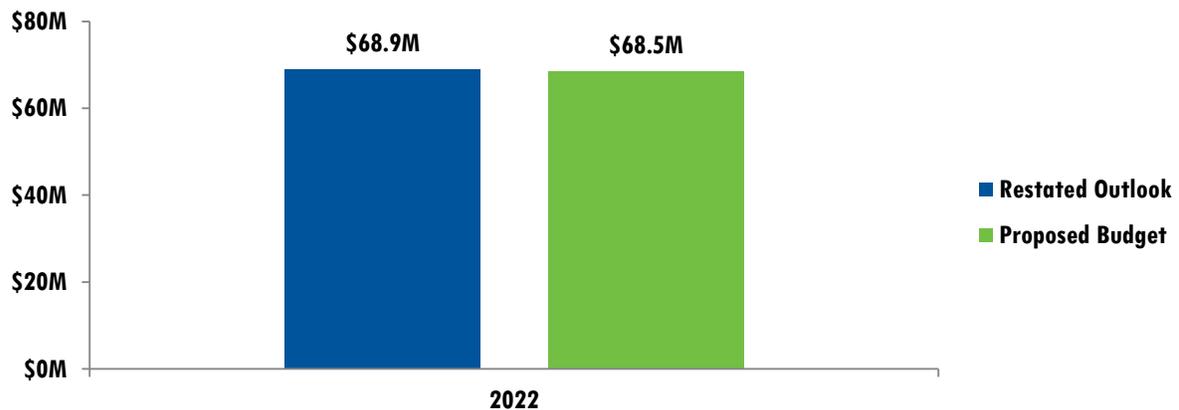
The COVID-19 pandemic had major impacts on York Region in 2020 and 2021, and many of these are expected to continue to some extent in 2022. In 2020, concerns about the financial impacts of the COVID-19 pandemic resulted in a Regional Council decision to forego the previously scheduled water and wastewater rate increase of 9% for April 1, 2020, and 2.9% for April 1, 2021. This reduced budgeted revenues from user rates by \$43.8 million

in 2021 and an additional \$0.8 million in 2022. The proposed 2022 budget reflects the new water and wastewater user rates approved by Council on September 23, 2021.

Environmental Services' proposed 2022 operating budget is lower than the previous outlook

As illustrated in Figure 2 below, Environmental Services' proposed 2022 net budget is \$0.4 million lower than the previous outlook.

Figure 2
2022 Proposed Net Budget Compared to Outlook



The department's proposed 2022 net budget is below the outlook due to departmental savings, to help meet the 1.96% tax levy increase included in the 2022 Budget Direction report.

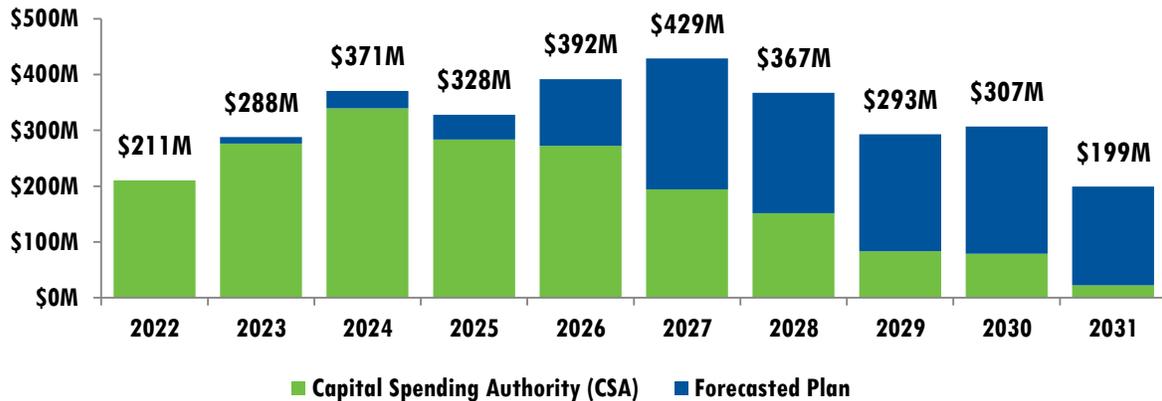
CAPITAL BUDGET

Approval of 2022 capital expenditures of \$210.65 million and Capital Spending Authority of \$1.9 billion is requested

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

The 2022 proposed capital expenditures are \$210.65 million, or 21.5% of the total Regional capital expenditures. The proposed Capital Spending Authority for Environmental Services is \$1.9 billion as shown on the next page in Figure 3, or 40.1% of the total Capital Spending Authority.

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



Attachment 2 summarizes the Capital Spending Authority by program and shows the associated funding sources for Environmental Services. Details on the individual projects are available in the 2022 Budget Book starting on page 275.

The proposed budget supports the 2019 to 2023 Strategic Plan

The budget for Environmental Services supports the Healthy Communities, Sustainable Environment and Good Government community result areas of the 2019 to 2023 Strategic Plan. More information is provided in the 2022 Budget Book.

5. Financial

The proposed 2022 net operating budget for Environmental Services totals \$68.5 million, as summarized in Attachment 1.

The proposed 2022 capital budget of \$210.65 million and 2022 Capital Spending Authority with an associated multi-year commitment of \$1.9 billion are summarized in Attachment 2. Expenditures not identified as part of Capital Spending Authority but contained within the Ten-Year Capital Plan are provided in the Budget Book for planning purposes and may be brought forward for formal approval in subsequent budget years.

6. Local Impact

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

7. Conclusion

This report sets out the proposed 2022 operating and capital budgets for Environmental Services. To facilitate completion of the budget process, it is recommended that the Committee's recommendations be forwarded to Council for consideration on December 16, 2021.

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



Recommended by:

Jason Li, CPA, CA

Acting Commissioner of Finance and Regional Treasurer



Erin Mahoney, M. Eng.

Commissioner of Environmental Services



Approved for Submission:

Bruce Macgregor

Chief Administrative Officer

November 10, 2021

Attachments (2)

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