

The Regional Municipality of York

Committee of the Whole
Finance and Administration
December 9, 2021

Report of the Commissioner of Finance

2022 Budget - YorkNet

1. Recommendations

1. Committee of the Whole recommends to Council the budget as submitted for YorkNet 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 YorkNet for consideration by Committee of the Whole. Details of the budget can be found on page 203 of the [2022 Budget Book](#).

Key Points:

- The proposed budget for YorkNet enables the Region to build connectivity equity across the entire Region, to support a digital world.
- The 2022 proposed gross operating expenditures for YorkNet are \$3.18 million, which is 0.1% of total Regional operating expenditures
- After non-tax revenues of \$0.74 million, the proposed net operating budget is \$2.44 million, or 0.2% of the Region's net expenditures
- The proposed capital budget is \$26.5 million in 2022, or 2.7% of the proposed Regional capital budget, and proposed Capital Spending Authority is \$130.5 million

3. Background

YorkNet is the day-to-day business name of the YTN Telecom Network Inc., a wholly-owned Regional corporation that operates and manages expansion of the Region's fibre optic network.

YorkNet's mandate is to grow the Region's fibre network to improve the delivery of Regional services, work with municipalities, schools, hospitals and other public-sector organizations in the Region to leverage the network, and provide private-sector open access to the network to drive economic and/or social benefits, particularly in rural areas of the Region.

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

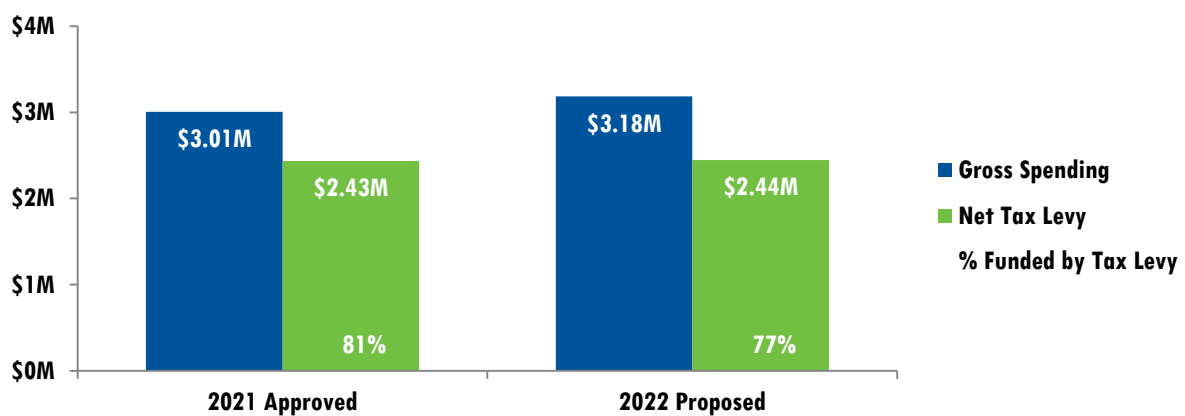
OPERATING BUDGET

Approval of 2022 gross expenditures of \$3.18 million and net expenditures of \$2.44 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 YorkNet, non-tax revenues come from fees and charges, grants and subsidies, and third-party recoveries.

The 2022 proposed gross operating expenditures for YorkNet are \$3.18 million, or 0.1% of total Regional expenditures. The proposed 2022 net expenditures of \$2.44 million are 0.2% of the total. The tax levy funds 76.8% of YorkNet's 2022 gross expenditures, as shown in Figure 1 below.

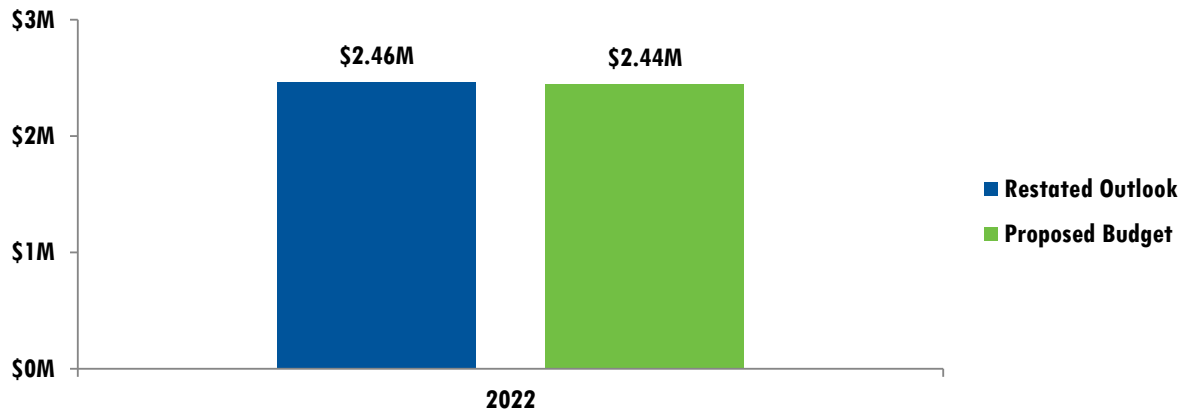
Figure 1
2022 Gross and Net Operating Expenditures



YorkNet's proposed 2022 operating budget is lower than the previous outlook

As illustrated in Figure 2 below, YorkNet's proposed 2022 net budget is slightly below the previous outlook by \$0.02 million.

Figure 2
2022 Proposed Net Budget Compared to Outlook



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

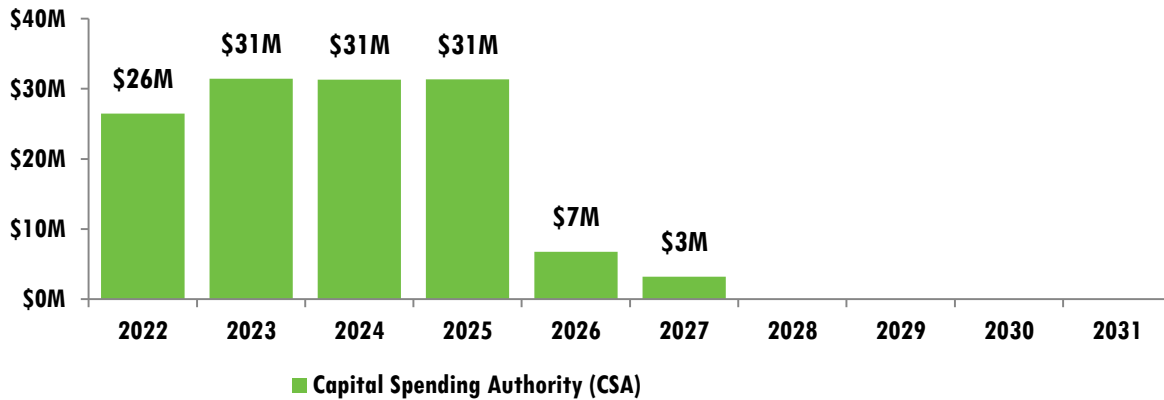
CAPITAL BUDGET

Approval of 2022 capital expenditures of \$26.5 million and Capital Spending Authority of \$130.5 million is requested

YorkNet's capital budget includes fibre network infrastructure projects in support of increased demand for better Region-wide connectivity. Increased demand is also driving the network build timeline with full buildout expected by 2028, several years earlier than initially planned.

The 2022 proposed capital expenditures are \$26.5 million, or 2.7% of the total Regional capital expenditures. The proposed Capital Spending Authority for YorkNet is \$130.5 million as shown on the next page in Figure 3, or 2.7% of the Region's 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 YorkNet. Details on the individual projects are available in the 2022 Budget Book starting on page 329.

The proposed budget includes \$63.4 million in external capital funding

In August 2021, the Federal and Provincial Governments conditionally approved funding for YorkNet’s Rural Broadband project. The capital plan includes \$94.5 million for the project, with up to \$63.4 million expected to be funded by external partners. YorkNet is working with the Provincial and Federal Governments, and a selected Internet Service Provider (ISP) to finalize the funding and contribution agreement over the next six months.

With an expected completion date of December 2025, the project will build approximately 550 kilometers of fibre, and significantly improve connectivity for unserved and underserved residents in the rural areas of York Region.

The proposed budget supports the 2019 to 2023 Strategic Plan

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

5. Financial

The proposed 2022 net operating budget for YorkNet totals \$2.44 million, as summarized in Attachment 1.

The proposed 2022 capital budget of \$26.5 million and 2022 Capital Spending Authority with an associated multi-year commitment of \$130.5 million are summarized in Attachment 2.

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 YorkNet. 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



Dino Basso

Commissioner of Corporate Services



Approved for Submission:

Bruce Macgregor

Chief Administrative Officer

November 17, 2021

Attachments (2)

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