

# The Regional Municipality of York

Regional Council  
February 28, 2019

Report of the Commissioner of Finance

## 2019 to 2023 Strategic Plan and 2019 to 2022 Regional Budget

### 1. Recommendations

1. Council approve the 2019 to 2023 Strategic Plan (Attachment 1)
2. Council approve the operating and capital budgets as follows:
  - a. The 2019 operating budget tabled on January 31, 2019 detailed in the [2019 to 2022 Budget](#) book, as summarized in Attachment 2
  - b. The 2019 capital expenditures and Capital Spending Authority by program group detailed in the [2019 to 2022 Budget](#) book, as summarized in Attachment 3, and the authority to reallocate funding between projects in a program group as detailed in this report
  - c. The 2019 capital expenditures and Capital Spending Authority by project detailed in the [2019 to 2022 Budget](#) book, as detailed in the 2019 to 2022 Budget book tabled on January 31, 2019
3. Council approve the 2020 to 2022 operating outlook tabled on January 31, 2019 detailed in the [2019 to 2022 Budget](#) book, as summarized in Attachment 2
4. Council approve debt authority and reserve items as follows:
  - a. Incremental debt authority of \$207.65 million required for 2019 Capital Spending Authority by project as specified in Column (B) of Attachment 4
  - b. Total debt authority for capital projects up to the amounts specified in Column (C) of Attachment 4 in accordance with the Capital Financing and Debt Policy
  - c. Approve a contribution of \$133.3 million to the Sinking Fund Reserve for the purpose of meeting the Region's 2019 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, in the opinion of the Commissioner of Finance and Regional Treasurer, it is prudent to do so

5. Council endorse the reconciliation of the 2019 Budget to the full accrual basis of accounting, as required under Ontario Regulation 284/09, as summarized in the Budget book
6. Council authorize the Commissioner of Finance and Regional Treasurer to:
  - a. Make any necessary adjustments within the total approved budget to reflect organizational changes and any other reallocation of costs
  - b. Accept and adjust the budget for new provincial and/or federal funding provided there is no tax levy impact
  - c. Apply for new provincial and/or federal funding provided there is no tax levy impact and capital funding is for projects within the ten-year capital plan

## 2. Summary

This report seeks Council's approval of the 2019 to 2023 Strategic Plan and the 2019 to 2022 Regional Budget, which were tabled in January 2019.

Key Points:

- The Strategic Plan and the Budget were developed together to support the policy direction of the Region for the next four years
- Council's endorsement of the 2019 operating budget is requested, along with approval of the 2020 to 2022 outlook
- Capital budget approval is sought for 2019 and for multi-year Capital Spending Authority to commit to longer term contracts and establish debenture needs
- Council's endorsement of the full accrual reconciliation responds to Ontario Regulation 284/09
- Authority is sought to provide the Commissioner of Finance and Regional Treasurer with flexibility to restate the budget.

## 3. Background

### **The Strategic Plan and the Budget were developed over the past several months**

The Region's Strategic Plan and Budget were developed in parallel over the past several months to be considered at the start of Council's term. The Regional Budget provides the financial framework and resources needed to achieve the goals of the Strategic Plan.

The Strategic Plan and the Budget were developed with involvement of staff from all departments. Draft plans were reviewed by senior management and the Chief Administrative Officer. The approval process involves the following steps:

- Tabling the 2019 to 2023 Strategic Plan at Committee of the Whole – January 17, 2019
- Tabling the 2019 to 2022 Budget at Council – January 31, 2019
- Committee of the Whole budget reviews – February 2019
- Approval of the 2019 to 2023 Strategic Plan and 2019 to 2022 Budget at Council – February 28, 2019

**The operating budget includes an outlook for 2020 to 2022 which will be reviewed annually**

The 2019 to 2022 Budget includes a four-year operating budget. In 2019, Council’s approval is sought for the 2019 Budget along with endorsement of the outlook for 2020 to 2022. The 2020 to 2022 endorsed outlook will form the basis of the 2020 Budget process. If revisions to the outlook are required, they will be presented as part of the 2020 budget process.

As shown in Table 1, because 2019 is the first year in the current term of Council, a three year of outlook is being presented as part of the 2019 Budget process. Each year Council would 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
2019	3 (2020 to 2022)
2020	2 (2021 to 2022)
2021	1 (2022)
2022	0

**Committee of the Whole reviewed the proposed Budget**

After the tabling of the Budget on January 31, 2019, Committee of the Whole reviewed the Budget for each business area. During the review process, the Committee recommended that the Budget as tabled be consolidated by the Treasurer for consideration by Council on February 28, 2019 in this report.

## 4. Analysis

### 2019 TO 2023 STRATEGIC PLAN

#### **The Strategic Plan sets out critical steps needed for the Region to move towards meeting Council's Vision**

Council's vision of strong, caring and safe communities is guided by the eight goal areas in [Vision 2051](#). To achieve these long-term goals, the Region sets priorities over each four-year term of Council through the Strategic Plan. The Strategic Plan provides alignment across Regional departments with Council's priorities while the Budget provides funding to support the Strategic Plan.

### OPERATING AND CAPITAL BUDGET

#### **The Budget responds to service needs in all of the Region's communities**

The Budget supports a wide range of services for York Region residents and businesses. In addition to maintaining existing services for a growing population, the Budget provides funding for new initiatives in 2019, including:

- 53 new York Regional Police staff, including 23 for cannabis in 2019
- Cannabis reserve funding to address unanticipated cannabis pressures
- 16 new paramedic staff to address growth
- Expanded Access York network to respond to resident's needs
- Investment of \$1 million per year to support innovation
- Additional entrepreneur funding through ventureLAB.

The budget also includes capital investments in the ten-year plan to support growth in York Region including:

- Roads widenings
- Upper York Sewage Servicing
- West Vaughan Sewage Servicing
- Northeast Vaughan Wastewater Servicing
- Intersection improvements
- Preliminary engineering work for the Yonge Subway Extension.

The capital appendix of the 2019 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 2019 single-year capital expenditures and 2019 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 increase in the 2019 and ten-year capital plan total cost of the program group
- No increase in the 2019 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 3 summarizes 2019 single-year capital expenditures and 2019 Capital Spending Authority by program group. Details on individual projects that make up the program groups are included in the 2019 Budget book tabled with Council (appendix pages 177 to 279).

## **DEBT AUTHORITY AND RESERVES**

### **Incremental debt authority of \$208 million is required for capital projects with 2019 Capital Spending Authority**

Each year Capital Spending Authority is requested for the projects in the capital plan. The values in Column C of Attachment 4 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 \$208 million, shown in column B of Attachment 4, represents the change from the remaining debt authority in the 2018 budget of approximately \$875 million, to \$1.1 billion that is needed to support 2019 Capital Spending Authority.

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

The total amount of debt that Council is being asked to approve includes an increment over and above the debt that is being projected in the 2019 budget, as a risk mitigating feature. This is done principally to provide debt flexibility so that 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 the 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.

## **\$133.3 million has been included in the 2019 budget to meet the Sinking Fund contribution requirements for York Region**

Section 424(4) of the Municipal Act 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 the interest earned on those contributions, is used to repay the debenture at maturity.

The 2019 sinking fund contributions required for debt issued by York Region are shown in Table 2. Of the total amount shown, the Region must contribute \$132.1 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.

The sinking fund contributions are part of the debt repayment expenditures included in the 2019 Budget.

**Table 2**  
**2019 Sinking Fund Contribution Requirements**

<b>Municipality</b>	<b>\$</b>
Township of King	\$882,718.09
Town of Newmarket	401,614.98
Subtotal	\$1,284,333.06
<b>York Region</b>	<b>132,052,800.52</b>
<b>Total Contribution Requirements</b>	<b>\$133,337,133.58</b>

## **REPORTING REQUIREMENTS**

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

This report responds to the requirements of Ontario Regulation 284/09. The regulation requires municipalities to report on whether they are budgeting for amortization expenses, post-employment benefit expenses and solid waste landfill closure and post-closure expenses. It also requires that this report be prepared prior to adopting the Budget for that year.

The Accrual Budget Presentation chapter, starting on page [xx], fulfills these requirements and goes a step further to present budget information in the same format as the financial statements in the annual Community Report. Doing this provides increased clarity and consistency between the budget and financial statements. The Region's efforts in this area were recognized by the C.D. Howe Institute and contributed to the Region receiving an "A" in their report "Show Us the Numbers: Grading the Financial Reports of Canada's Municipalities" for the 2018 Budget.

## **IN-YEAR BUDGET ADJUSTMENTS**

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

During the year there may be minor changes required for the Budget that do not have any impact on gross operating spending, tax levy or permanent staffing.

These adjustments to the operating budget can arise from changes to organizational structure, the flexibility needed to adapt to new technology solutions and operational needs. Delegated authority for the Treasurer to make any such changes is requested in this report.

### **Flexibility is requested to accept and implement any new provincial and federal funding**

Delegated authority for the 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. In the capital budget, any new funding would be

applied to projects already in the capital plan and would have no impact to the planned spending or to the Capital Spending Authority.

This approach was followed in 2018 for additional funding received for Community and Health Services programs. The approach is recommended to be continued in 2019 to help ensure the timely implementation of potential new initiatives with offsetting funding from senior government.

### **Flexibility is requested to apply for grants to fund programs and projects**

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 2019. 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 and capital funding is for projects within the ten-year capital plan included in the 2019 to 2022 Budget. These grant applications would be reported to Council at the earliest opportunity.

### **The 2019 to 2023 Strategic Plan and 2019 to 2022 Budget support Vision 2051**

The 2019 to 2022 Budget reflects the directions and strategies set out in Vision 2051, the York Region Official Plan, the Regional Fiscal Strategy and the approved Water and Wastewater Financial Sustainability Plan. The Budget also provides the financial framework to support the strategic objectives outlined in the 2019 to 2023 Strategic Plan.

## **5. Financial**

### **Committee of the Whole has recommended the 2019 to 2022 Budget**

The 2019 to 2022 operating budget was recommended as tabled. The operating budget results in a 2019 tax levy increase of 3.37%, as summarized in Attachment 2. The operating budget also includes an outlook which includes tax levy increases of 2.96% in 2020, 2021 and 2022. The outlook will form the basis of the following year's budget and will be reviewed annually.

The capital budget was recommended as tabled. It includes \$867 million in 2019 spending and multi-year Capital Spending Authority of \$2.3 billion, as summarized in Attachment 3 and detailed in the 2019 to 2022 Budget book tabled on January 31, 2019.

The Budget also recommends incremental debt authority of \$207.65 million for the 2019 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 2019 to 2023 Strategic Plan and the 2019 to 2022 Budget endeavour to meet 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 2019 to 2023 Strategic Plan and the 2019 to 2022 Budget. The Budget is summarized in this report and Council's approval is recommended.

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

Approved for Submission: **Bruce Macgregor**  
Chief Administrative Officer

February 21, 2019  
Attachments (4)  
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