

# The Regional Municipality of York

Regional Council  
December 16, 2021

Report of the Commissioner of Finance

## 2022 Regional Budget

### 1. Recommendations

1. Council approve the operating and capital budgets as follows:
  - a. The 2022 operating budget, reflecting a tax levy increase of 1.96% as tabled on November 25, 2021, detailed in the [2022 Budget Book](#), and summarized in Attachment 1.
  - b. A Rapid Transit Infrastructure Levy equivalent to a 1% tax levy increase as summarized in Attachment 1.
  - c. The 2022 capital expenditures and Capital Spending Authority by project and by program group and associated funding sources detailed in the [2022 Budget Book](#), as summarized in Attachment 2, and the authority to reallocate funding between projects within a program group as detailed in this report.
2. Council approve debt authority and reserve items as follows:
  - a. Incremental debt authority of \$1.128 billion required for 2022 Capital Spending Authority by project as specified in Column (B) of Attachment 3.
  - b. Total debt authority for capital projects up to the amounts specified in Column (C) of Attachment 3 in accordance with the Capital Financing and Debt Policy.
  - c. Approve a contribution of \$195 million to the Sinking Fund Reserve for the purpose of meeting the Region's 2022 sinking fund obligations.
  - d. Authorize the funding of capital projects that have been previously approved for debt financing from reserves where there are sufficient funds available and at the discretion of the Commissioner of Finance and Regional Treasurer.
3. Council endorse the reconciliation of the 2022 Budget to the full accrual basis of accounting, as required under Ontario Regulation 284/09, as summarized in the [2022 Budget Book](#).

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

## 2. Summary

This report seeks Council approval of the 2022 Budget, which was tabled on November 25, 2021, as summarized in Attachments 1 and 2.

Key Points:

- On November 25, 2021, the 2022 operating budget was tabled, proposing a tax levy increase of 1.96% in 2022 and a Rapid Transit Infrastructure Levy equivalent to a 1% tax increase.
- Council approval of the 2022 operating budget is requested.
- Capital budget approval is sought for 2022 and for multi-year Capital Spending Authority to commit to longer-term contracts and for future borrowing needs.
- Council approval of the full accrual reconciliation is requested to comply with Ontario Regulation 284/09.
- Authority is sought to provide the Commissioner of Finance and Regional Treasurer with flexibility to restate the budget, including reallocations from contingency if required, and make adjustments for any Provincial and/or Federal funding, provided there is no tax levy impact.
- Following the tabling of the 2022 Regional Budget on November 25, 2021 and the departmental budget presentations to the Committee of the Whole on December 2 and 9, 2021, some additional initiatives were identified for potential inclusion in the budget. These initiatives are listed in a separate memo to Council for consideration on December 16. If Council chooses to proceed with any of the initiatives, the 2022 Budget would be amended to reflect the financial impacts.

## 3. Background

### **The 2022 Budget was developed over the past several months**

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

- Budget Direction Report – May 2021
- Departmental submissions – July to August 2021
- Treasurer and CAO reviews – September 2021 to October 2021
- Draft 2022 Budget tabled at Council – November 2021
- Committee of the Whole reviews – December 2021
- Targeted Budget Approval by Council – December 2021

### **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, Regional 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.

### **Committee of the Whole reviewed the proposed Budget and some additional initiatives were identified for potential inclusion in the 2022 Budget**

After the tabling of the Budget on November 25, 2021, Committee of the Whole reviewed the Budget for each business area on December 2 and December 9, 2021. During the review process, the Committee recommended the Budget as tabled for each department, for

consolidation by the Commissioner of Finance and Regional Treasurer for consideration by Council on December 16, 2021 in this report.

Following the tabling of the 2022 Regional Budget on November 25, 2021 and the departmental budget presentations to the Committee of the Whole on December 2 and 9, 2021, some additional initiatives were identified for potential inclusion in the budget.

If Council chooses to proceed with any of the initiatives the 2022 Budget would be amended to reflect the financial impacts, including impacts on the tax levy increase.

## **4. Analysis**

### **OPERATING AND CAPITAL BUDGET**

#### **The Budget responds to service needs across the Region**

The Budget helps deliver programs and services that people and businesses in York Region rely on. It also provides funding for infrastructure to meet the Region's growth needs and to rehabilitate and replace assets as they age in a fiscally sustainable manner. The budget aligns resources to deliver on priorities outlined in the 2019 to 2023 Strategic Plan, with select initiatives outlined below:

##### **Increase economic prosperity**

- Setting out a plan for the Region's \$1.12 billion capital contribution to the Yonge North Subway Extension
- Investing \$3.5 billion over the next 10 years into roads and transit infrastructure to support the efficient movement of people and goods
- Investing \$26.5 million to build an additional 270 connections and 150 kilometers of fibre in 2022, including 247 Regional, 17 local municipal connections, and four York Regional Police connections, and increasing connectivity in rural and underserved areas to help facilitate economic opportunity for businesses and citizens
- Leveraging the YorkTrax development tracking tool to streamline processes and achieve faster turnaround times, for over 1,500 development applications annually, while ensuring that development is aligned with the Growth Plan mandate and infrastructure investments
- Fostering an environment that attracts businesses and grows employment by continuing to implement the Region's Economic Development Action Plan

##### **Support community health, safety and well-being**

- Continuing to respond to the COVID-19 pandemic by supporting vaccination for all age groups, including children, as well as testing, infection prevention and control, and by managing outbreaks

- Delivering 120 billion litres of clean and safe drinking water annually to protect public health
- Adding 27 staff in 2022 to York Regional Police to ensure effective community response and maintain quality administrative services
- Building two new paramedic stations and redeveloping one more over the next two years, and adding 14 Paramedic staff in 2022 to ensure the Region continues to meet response time targets
- Constructing 700 new affordable housing units within the Region to grow the housing network from about 6,700 units today to over 7,400 units by 2025

### **Build sustainable communities and protect the environment**

- Investing \$3 billion in water and wastewater infrastructure over the next 10 years to support the continued growth of the communities and renew the existing water and wastewater network
- Maintaining the current waste diversion rate at 93%, and working with the province, local municipalities and producers to facilitate a smooth transition to full producer responsibility
- Investing in streetscaping and green infrastructure, including planting 70,000 trees and shrubs in 2022, to prevent and reduce the impacts of climate change, and to maintain and enhance green spaces
- Implementing the Council-approved Transit and Fleet Electrification Plan which will help to phase out fossil fuel-powered vehicles by 2051, the year by which the Region has committed to net-zero greenhouse gas (GHG) emissions

### **Deliver trusted and efficient services**

- Adapting to protect people and meet their needs to safely deliver services, including vaccination against COVID-19, as conditions change, using secure and reliable technology, and enhancing the Region's emergency response capacity
- Maintaining 4,300 lane kilometres of urban and rural roads
- Transitioning to remote hearings allowed defendants around the world to take part in matters that might never have been resolved in person, helping to drive future Court Services fine revenue and recovery
- Continuing to grow the Region's asset base and ensuring financial sustainability through prudent debt and reserve management, today and long into the future

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

Below is the list of the largest initiatives by expenditure in the Regional 10-year capital plan. Transportation Services has the largest share of the capital plan at \$3.461 billion, followed closely by Environmental Services at \$3.185 billion. Together, these two departments account for almost 70% of the Regional 10-year capital plan and account for majority of the top initiatives on the list:

- Yonge North Subway Extension
- Road Expansions
- Pavement Renewal
- Upper York Water Reclamation Centre
- Transit Fleet
- York Durham Sewage System Rehabilitation Program
- West Vaughan Sewage Servicing
- Northeast Vaughan Water and Wastewater Servicing
- Development of New Facilities
- Transit Facilities

This year's capital plan includes the Yonge Subway Extension at \$1.120 billion. A preliminary agreement has been signed that includes a commitment from the Region to fund its share of the municipal contribution.

The capital appendix of the 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 2022 single-year capital expenditures and 2022 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 authority to reallocate expenditures between projects in a program group, subject to the following conditions:

- No change in the 2022 and ten-year capital plan total expenditures of the program group
- No change in the 2022 Capital Spending Authority for the program group
- The reallocation is between projects with similar funding sources
- No change in any project's 2022 debt authority

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

Attachment 2 summarizes 2022 Capital Spending Authority by program group and 2022 single-year capital expenditures. Details on individual projects that make up the program groups are included in the 2022 Budget Book tabled with Council (appendix pages 247 to 342).

## **DEBT AUTHORITY AND RESERVES**

### **Incremental debt authority of \$1.128 billion is required for capital projects with 2022 Capital Spending Authority**

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

The incremental debt authority of \$1.128 billion, shown in column B of Attachment 3, represents the change from the remaining debt authority in the 2021 budget of approximately \$1.273 billion, to \$2.401 billion that is needed to support 2022 Capital Spending Authority.

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

The total amount of debt authority Council is being asked to approve includes an increment over and above the debt projected in the 2022 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 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.

### **Contribution of \$195 million to the Sinking Fund Reserve is required to meet the Region's 2022 sinking fund obligations**

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

The Region finances with term debentures that have sinking fund features, as this type of debt is generally required to attract large investors. For each new term debenture issue, a sinking fund is established, with a fixed amount contributed each year until the maturity date of the debenture. The sum of the annual contributions, together with interest earned on those contributions, is used to repay the debenture at maturity.

The 2022 sinking fund contributions required for debt issued by York Region are shown in Table 1. Of the total amount shown, the Region must contribute \$192.3 million for debt issued for its own capital projects. This amount has been included in the 2022 budget. The balance will be for debt issued on behalf of local municipalities, which they will raise through their own budgets.

Regional sinking fund contributions are part of the debt repayment expenditures included in the 2022 Budget.

**Table 1**  
**2022 Sinking Fund Contribution Requirements**

<b>Municipality</b>	<b>\$</b>
Township of King	\$2,046,809.38
Town of Georgina	560,605.07
Subtotal	\$2,607,414.45
<b>York Region</b>	<b>\$192,345,082.07</b>
<b>Total Contribution Requirements</b>	<b>\$194,952,496.51</b>

## **REPORTING REQUIREMENTS**

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

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

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

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

The Accrual Budget Presentation chapter, starting on page 55 of the 2022 Budget Book, fulfills the regulation’s requirements and presents budget information in the same format as the financial statements in the annual Community Report. This is intended to provide increased clarity, consistency and comparability between the Budget and financial statements. Using the full accrual basis of accounting, the Region’s budget reflects a 2022



annual surplus of \$737.7 million, mainly because \$839.6 million in costs for acquisition of tangible capital assets (excluded under the full accrual calculation of the surplus), are greater than the \$341.0 million of amortization expense budgeted for the year.

## **IN-YEAR BUDGET ADJUSTMENTS**

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

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

### **Flexibility is requested to apply for, accept and adjust the Budget for any additional Provincial and Federal funding**

Opportunities to apply for new Provincial and/or Federal funding could arise throughout the year. Delegated authority is requested to enable the Commissioner of Finance and Regional Treasurer to apply for grants during 2022. This could enable the Region to respond to grant application opportunities on a more timely basis. This authority would be limited to grant applications where there is no tax levy impact. These grant applications would be reported to Council at the earliest opportunity.

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

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

### **The capital plan includes \$74.8 million in external funding that has not yet been confirmed**

The capital plan includes projects that the Region is proposing to deliver with support from Federal and Provincial funding partners. In some cases, a funding application has been submitted but not yet received, while in other cases a project may be planned for delivery later in the capital plan, with funding discussions expected to take place in the future.

Budgeting in this manner allows the Region to present Council with a complete picture of project costs and funding sources.

The \$74.8 million of unconfirmed external funding in the 2022 ten-year capital plan relates to two housing projects led by Community and Health Services. If external funding is not secured, the department will deliver projects that can be accommodated within the available funding or report back to Council with an alternative plan for the projects.

### **Flexibility is requested in capital project implementation to maximize delivery of capital projects and adapt to changing circumstances**

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

### **The 2022 Budget supports the Strategic Plan**

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

## **5. Financial**

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

The 2022 operating budget was recommended as tabled. The operating budget results in a 2022 tax levy increase of 1.96% and a Rapid Transit Infrastructure Levy equivalent to a 1% tax levy increase, as summarized in Attachment 1.

The 2022 capital budget was recommended as tabled. It includes \$980 million in 2022 capital expenditures and multi-year Capital Spending Authority of \$4.775 billion, as summarized in Attachment 2 and detailed in the [2022 Budget Book](#) presented on November 25, 2021.

The Budget also recommends incremental debt authority of \$1.117 billion for the 2022 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 2022 Budget endeavours to

address pressures related to COVID-19 and growing demands for service while ensuring reasonable tax levy requirements and sustainable multi-year capital investment.

## 7. Conclusion

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

**Jason Li, CPA, CA**

Acting Commissioner of Finance and Regional Treasurer



Approved for Submission:

**Bruce Macgregor**

Chief Administrative Officer

December 15, 2021

Attachments (3)

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