

The Regional Municipality of York

Committee of the Whole
Environmental Services
February 2, 2023

Report of the Commissioner of Finance

2023 to 2026 Budget – Public Works – Environmental Services

1. Recommendations

1. Committee of the Whole recommends the budget as submitted for Public Works – Environmental Services as follows:
 - a. The 2023 operating budget and 2024 to 2026 operating outlook as summarized in Attachment 1.
 - b. The 2023 capital expenditures and 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 February 23, 2023.
3. The Regional Solicitor be directed to prepare the necessary water and wastewater rate bylaws to incorporate the discounted wastewater rates reflected in the budget.

2. Summary

This report provides a summary of the 2023 to 2026 Operating and Capital Budget for Public Works – Environmental Services for consideration by Committee of the Whole. Details of the budget can be found on page 69 of the [2023 to 2026 Budget Book](#).

Key Points:

- The proposed budget meets the needs of York Region residents, enables Public Works to deliver safe, reliable and high-quality water and wastewater, waste management and forestry services to people and communities in the Region
- The 10-Year Capital Program plans delivers safe, reliable and high-quality water and wastewater, waste management and forestry services, allows for delivery of the organization's energy use programs, and for leading the Region's corporate asset management planning
- The 2023 proposed gross operating expenditures are \$665.6 million, which is 22.9% of total Regional operating expenditures

- After non-tax revenues of \$603.9 million, the proposed net operating budget is \$61.7 million, or 4.6% of the Region’s net expenditures, representing a decrease of 10.11% from the 2022 budget
- The 2023 proposed capital budget is \$277.4 million, or 31.0% of the proposed total Regional capital expenditures, with proposed Capital Spending Authority of \$2.05 billion

3. Background

Public Works – Environmental Services delivers sustainable critical infrastructure and services that protect public health and the environment across the Region’s growing communities.

The 2023 Budget was tabled with Council on January 26, 2023 with a proposed 2023 tax levy increase of 2.90% and an additional Rapid Transit / Infrastructure Levy of 1%

The [2023 Budget Direction](#) report established the timeline of tabling the 2023-26 Budget in January 2023, with departmental reviews by Committee of the Whole in February, and final approval by Council scheduled for February 23, 2023.

The proposed 2023 to 2026 Operating and Capital Budget was tabled with Council on January 26, 2023. It included a proposed tax levy increase of 2.90%. The tabled budget also includes an additional Rapid Transit / Infrastructure Levy of 1% to help fund the Yonge North Subway Extension and other critical infrastructure, which is consistent with funding requirements identified as part of the [2022 Regional Fiscal Strategy report](#), [2023 Budget Direction](#) report, and the [2022 Fiscal Sustainability Update](#). The budget as tabled was received and referred to the February meetings of Committee of the Whole for consideration and recommendation.

The 2023 Budget is the first year of the 2023-2026 Multi-year Budget covering the term of Council

The operating budget as presented includes the proposed 2023 budget and an outlook for 2024 to 2026. The outlook will be reviewed annually through the budget process. Each year Council will consider the proposed budget for the upcoming year and the outlook for the remaining years of Council’s term.

For the 2023 to 2026 budget, Council is asked to approve the 2023 proposed operating budget and endorse the 2024 to 2026 outlook.

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 2023 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 2023 capital expenditures and associated funding sources, as well as the multi-year Capital Spending Authority and associated funding sources.

4. Analysis

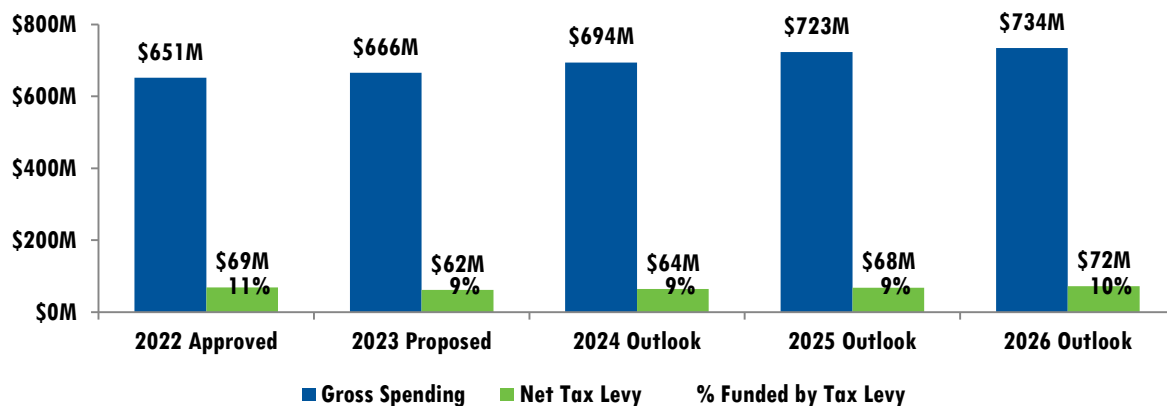
OPERATING BUDGET

Approval of 2023 gross expenditures of \$665.6 million and net expenditures of \$61.7 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. In Public Works – Environmental Services, non-tax sources of revenue include water and wastewater user rates, development charges, with a smaller portion from fees, charges and third-party recoveries.

The 2023 proposed gross operating expenditures for Public Works – Environmental Services are \$665.6 million, or 22.9% of total Regional expenditures. The proposed 2023 net expenditures of \$61.7 million are 4.6% of the total, representing a decrease of 10.11% from 2022 budget. The tax levy funds 9.3 % of Public Works – Environmental Services’ 2023 gross expenditures, as shown in Figure 1 below.

Figure 1
2023 Proposed Gross and Net Operating Expenses



Major drivers for the increase in Public Works – Environmental Services’ proposed 2023 gross operating budget include inflation and growth

Public Works – Environmental Services’ proposed 2023 gross operating budget accounts for 22.9% of the Region’s total budget at \$665.6 million. The proposed 2023 net budget is \$61.7 million, a decrease of 10.11% from the previous budget.

Gross expenditures are largely driven by water and wastewater spending of \$568.9 million. However, because operations are funded by user rates, water and wastewater have no impact on the net tax levy. In September 2021, Regional Council approved new user rates for the period of April 1, 2022 to March 31, 2028 to ensure that rates cover all costs associated with providing water and wastewater services.

The proposed 2023 net budget for Environmental Services is \$6.9 million lower than the 2022 budget mainly due to lower tax levy contributions to capital reserves and other cost savings.

Environmental Services is responsible for a large asset portfolio within the Region and must keep asset management contributions at a level that meets significant long-term needs to rehabilitate large and complex infrastructure. While tax levy reserve contributions will decline in 2023 from 2022 levels, contributions will grow over the balance of the multi-year budget cycle to address needs across the department's asset portfolio.

The percentage change in the proposed Public Works – Environmental Services budget does not reflect any offset from assessment growth revenue, as assessment growth is applied to reduce the overall Regional tax levy, rather than apportioned to individual departments.

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 to 2022, and some of these are expected to continue to some extent in 2023. In Public Works – Environmental Services, the impact of COVID-19 is projected to decline starting in 2023, with waste management as the service area most impacted by the pandemic. In waste management, higher tonnages related to working from home are expected to continue in 2023, with these trends forecasted to stabilize by the end of 2024 and no longer estimated to have a major impact on the Region's cost.

New wastewater discount rates to reflect septic systems in some communities will form part of the updated wastewater bylaw to be approved early in 2023

A Region-wide 1:1 ratio is used to bill for wastewater volumes based on water consumption in each local municipality. In 2022, the wastewater bylaw was updated to include a discounted rate for certain communities with some Institutional, Commercial and Industrial (ICI) and residential accounts serviced by septic systems. The Region is reviewing the volume of wastewater it bills to three local municipalities for customers who receive municipal water but dispose of wastewater using on-site private septic systems.

This review is being completed in consultation with the Town of East Gwillimbury, the City of Markham and the City of Vaughan. With continuing growth of municipal servicing in these communities, the percentage of residents on septic systems has decreased and continues to do so. Consultation with these three local municipalities and results of the review will be reflected in the next wastewater bylaw.

Proposed increase to Region waste depot fees in 2023 will help offset increased contract costs and ease burden on tax levy

In November 2017, Regional Council authorized a weight-based fee of \$125 per tonne for residual waste, with a minimum flat rate of \$10 at the Region’s Community Environmental Centres and Georgina Transfer Station (waste depots), effective January 1, 2018. Since implementation of a weight-based fee in 2018, depot fees for residual waste have not been adjusted to account for inflation or increased costs to operate these waste depots.

To continue providing this enhanced supplementary service at waste depots in a fiscally responsible manner, an increase to depot fees at \$170/tonne is recommended. An increase in depot fees, a user-based service, would also align with other municipalities such as the City of Toronto (\$166.26/tonne) whose fees are increased annually with the Consumer Price Index and Halton Region (\$175/tonne). Staff will provide a report to Council in June 2023 on the increase in waste depot fees and the proposed increase is reflected in the 2023 budget.

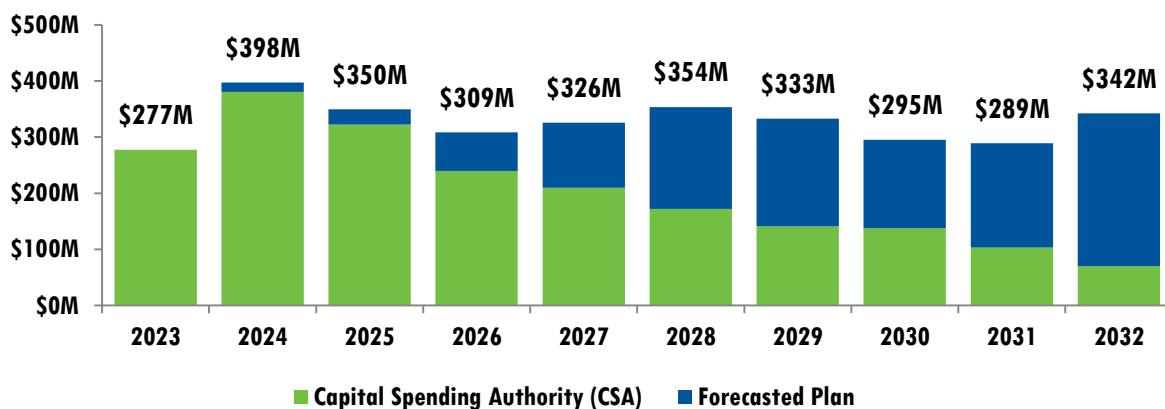
CAPITAL BUDGET

Approval of 2023 capital expenditures of \$277.4 million and Capital Spending Authority of \$2.05 billion is requested

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

The 2023 proposed capital expenditures are \$277.4 million, or 31.0% of the total Regional capital expenditures. The proposed Capital Spending Authority is \$2.05 billion as shown below in Figure 2, or 37.8% of the Region’s total Capital Spending Authority.

Figure 2
Ten-Year Capital Plan and Capital Spending Authority (CSA)



Attachment 2 summarizes the proposed 2023 capital expenditures and Capital Spending Authority by program and shows the associated funding sources for Public Works –

Environmental Services. Details on individual projects are available in the 2023 to 2026 Budget Book starting on page 254.

The proposed budget supports the tabled 2023 to 2027 Strategic Plan

The [2023 to 2027 Strategic Plan](#) was tabled at Regional Council on December 15, 2022. The budget for Public Works – Environmental Services supports the *Strategic Plan* priorities to:

- **Foster Economic Prosperity** under the Economic Vitality Area of Focus,
- **Support Community Well-Being** under the Healthy Communities Area of Focus, and
- **Drive Environmental Stewardship** under the Sustainable Environment Area of Focus.

More information on alignment between the *Strategic Plan* and the budget is provided in the 2023 to 2026 Budget Book.

5. Financial

The proposed 2023 net operating budget for Public Works – Environmental Services totals \$61.7 million, which represents a 10.11% decrease before assessment growth revenue, as summarized in Attachment 1.

The proposed 2023 capital budget of \$277.4 million and Capital Spending Authority of \$2.05 billion are summarized in Attachment 2.

6. Local Impact

The Region's budget supports a wide range of public services that support and 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 environmental services for a growing population.

7. Conclusion

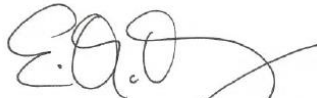
This report sets out the proposed operating and capital budgets for Public Works – Environmental Services. To facilitate completion of the budget process, it is recommended that the Committee's recommendations be forwarded to Council for consideration on February 23, 2023.

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



Erin Mahoney, M. Eng.
Commissioner of Public Works



Approved for Submission:

Bruce Macgregor
Chief Administrative Officer

January 10, 2023
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Attachment 1 (below) - 2023 to 2026 Operating Budget for Public Works – Environmental Services

Attachment 2 (below) - 2023 Capital Expenditures and Capital Spending Authority (CSA) for Public Works – Environmental Services

ATTACHMENT 1

2023-2026 Operating Budget for Public Works – Environmental Services

(in \$000s)	Page No.	2022 Budget		2023 Proposed		Change	2024 Outlook		2025 Outlook		2026 Outlook	
		Gross	Net	Gross	Net	Net %	Gross	Net	Gross	Net	Gross	Net
Water and Wastewater	91	552,059	-	568,863	-		592,972	-	619,230	-	649,267	-
Waste Management	97	84,498	55,413	78,836	45,556	(17.79%)	81,772	46,914	84,155	49,871	64,147	52,773
Forestry	100	13,220	11,821	16,476	14,898	26.03%	17,460	15,965	18,327	16,745	19,093	17,422
Climate Change & Energy Conservation	103	1,541	1,366	1,386	1,211	(11.34%)	1,432	1,257	1,488	1,313	1,514	1,339
Total¹		651,318	68,600	665,562	61,666	(10.11%)	693,635	64,136	723,200	67,930	734,021	71,534

¹ Numbers may not add due to rounding

² The percentage change in the proposed budget does not reflect any offset from assessment growth revenue

³ Summary of the consolidated Operating Budget for York Region can be found on the table on pages 46-47 in the 2023-26 Budget Book

**2023 Capital Expenditures and Capital Spending Authority (CSA)
for Public Works – Environmental Services**

Water	Page No.	2023 \$000s	Total CSA \$000s
Program Expenditures:			
Rehabilitation and Replacement	91	60,817	302,868
Growth	91	19,423	183,335
Total Program Expenditures		80,240	486,203
Funding Sources:			
Development Charge Reserve	91	2,145	32,697
Asset Replacement Reserve	91	61,067	282,561
Grants & Subsidies	91	-	18,107
Other Recoveries	91	11,714	54,966
Planned Debenture Proceeds	91	5,314	97,872
Total Funding Sources		80,240	486,203

Wastewater	Page No.	2023 \$000s	Total CSA \$000s
Program Expenditures:			
Rehabilitation and Replacement	91	103,663	574,870
Growth	91	83,666	964,871
Total Program Expenditures		187,329	1,539,741
Funding Sources:			
Development Charge Reserve	91	3,308	14,289
Asset Replacement Reserve	91	95,132	489,602
Grants & Subsidies	91	600	1,300
Other Recoveries	91	28,488	166,632
Planned Debenture Proceeds	91	59,801	867,918
Total Funding Sources		187,329	1,539,741

Waste Management	Page No.	2023 \$000s	Total CSA \$000s
Program Expenditures:			
Rehabilitation and Replacement	97	3,131	8,154
Growth	97	322	424
Total Program Expenditures		3,453	8,578
Funding Sources:			
Development Charge Reserve	97	102	204
Program Specific Reserves	97	3,351	8,374
Total Funding Sources		3,453	8,578

Forestry	Page No.	2023 \$000s	Total CSA \$000s
Program Expenditures:			
Forestry	100	5,244	15,827
Funding Sources:			
Development Charge Reserve	100	1,468	4,755
Program Specific Reserves	100	2,195	6,718
Grants & Subsidies	100	1,581	4,354
Total Funding Sources		5,244	15,827

Climate Change & Energy Conservation	Page No.	2023 \$000s	Total CSA \$000s
Program Expenditures:			
Climate Change & Energy Conservation	103	1,178	4,007
Funding Sources:			
Asset Replacement Reserve	103	1,178	4,007
Total Funding Sources		1,178	4,007

¹ Summary of the consolidated Capital Budget for York Region can be found on the table on pages 58-59 in the 2023-26 Budget Book