

The Regional Municipality of York

Committee of the Whole
Finance and Administration
February 9, 2023

Report of the Commissioner of Finance

2023 to 2026 Budget – YorkNet

1. Recommendations

1. Committee of the Whole recommends the budget as submitted for YorkNet 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.

2. Summary

This report provides a summary of the 2023 to 2026 Operating and Capital Budget for YorkNet for consideration by Committee of the Whole. Details of the budget can be found on page 187 of the [2023 to 2026 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 2023 proposed gross operating expenditures are \$4.11 million, which is 0.1% of total Regional operating expenditures
- After non-tax revenues of \$1.29 million, the proposed net operating budget is \$2.82 million, or 0.2% of the Region's net expenditures, representing an increase of 16.56% from the 2022 budget
- The 2023 proposed capital budget is \$41.1 million, or 4.6% of the proposed total Regional capital expenditures, with proposed Capital Spending Authority of \$152.2 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.

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

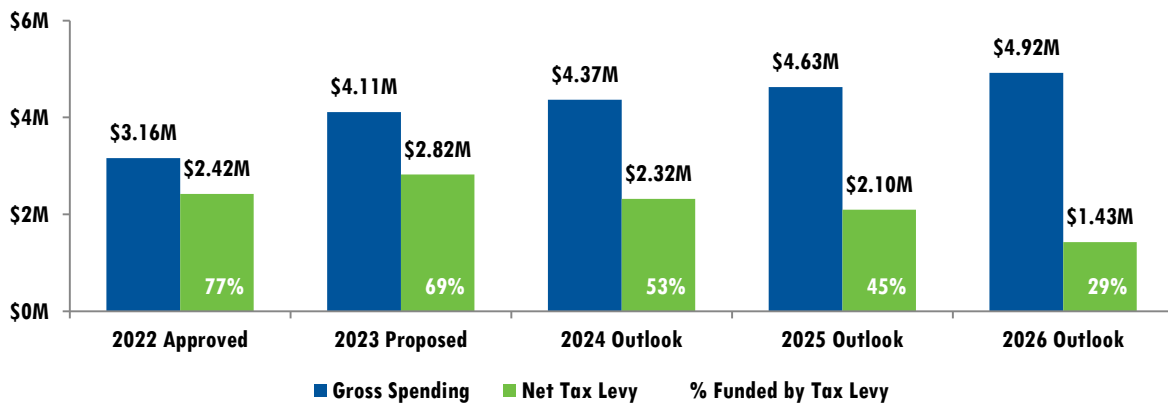
Approval of 2023 gross expenditures of \$4.11 million and net expenditures of \$2.82 million is requested

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 2023 proposed gross operating expenditures for YorkNet are \$4.11 million, or 0.1% of total Regional expenditures. The proposed 2023 net expenditures of \$2.82 million are 0.2% of the total, representing an increase of 16.56% from 2022 budget. The tax levy funds 68.7% of YorkNet's 2023 gross expenditures, as shown in Figure 1 below.

Figure 1

2023 Proposed Gross and Net Operating Expenses



YorkNet's proposed 2023 operating budget reflects increased resource needs to support network growth

YorkNet's proposed 2023 net budget is \$2.82 million, an increase of 16.56% from the previous budget.

The department's proposed 2023 operating net budget is higher than the 2022 budget due to proposed staffing growth to support the implementation of YorkNet's proposed capital budget.

The percentage increase in the proposed YorkNet 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.

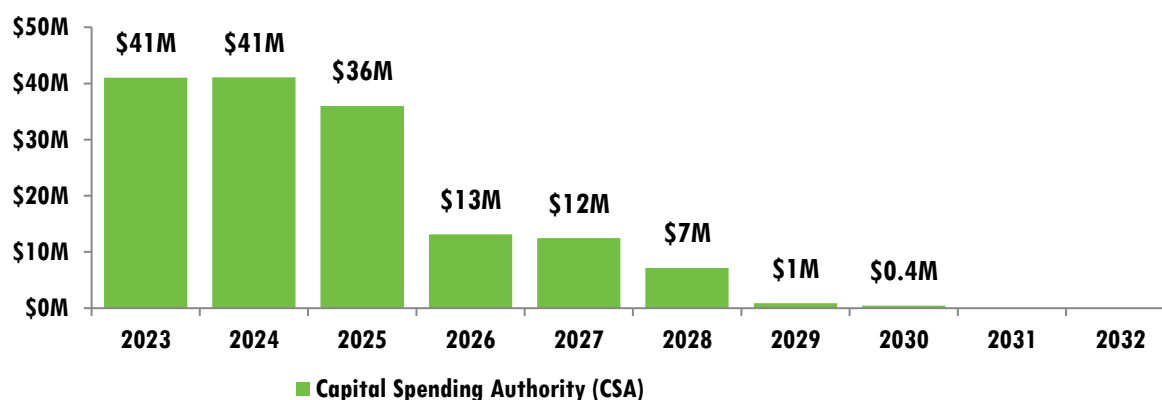
CAPITAL BUDGET

Approval of 2023 capital expenditures of \$41.1 million and Capital Spending Authority of \$152.2 million is requested

YorkNet's capital budget includes fibre network infrastructure projects in support of increased demand for better Region-wide connectivity. In 2023, YorkNet plans to add 296 kilometres to the network, enabling 265 facilities and 443 homes to be connected.

The 2023 proposed capital expenditures are \$41.1 million, or 4.6% of the total Regional capital expenditures. The proposed Capital Spending Authority is \$152.2 million as shown below in Figure 2, or 2.8% 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 YorkNet. Details on the individual projects are available in the 2023 to 2026 Budget Book starting on page 311.

The proposed 10-year capital plan includes \$59.9 million in external funding for the Rural Broadband Project

YorkNet's capital plan includes \$59.9 million in external funding for the Rural Broadband project that will be funded by the federal and provincial governments and a third-party internet service provider. Final approval for the project was received in November 2022, and contribution agreements were signed in December 2022. YorkNet's Rural Broadband initiative will improve connectivity in underserved and unserved areas of the Region, with an expected 750 kilometres of fibre to be added to the network by 2030.

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 YorkNet 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
- **Drive Environmental Stewardship** under the Sustainable Environment Area of Focus, and
- **Efficiently Deliver Trusted Services** under the Good Government 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 YorkNet totals \$2.82 million, which represents a 16.56% increase before assessment growth revenue, as summarized in Attachment 1.

The proposed 2023 capital budget of \$41.1 million and Capital Spending Authority of \$152.2 million are summarized in Attachment 2.

6. Local Impact

YorkNet's budget supports a wide range of public services that support and benefit residents and local economies. YorkNet continues to work on expanding its presence with local municipalities and other partners to reduce their costs and help serve their residents better through connectivity. 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 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 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



Dino Basso
Commissioner of Corporate Services



Approved for Submission:

Bruce Macgregor
Chief Administrative Officer

January 27, 2023
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Attachment 1 (below) - 2023 to 2026 Operating Budget for YorkNet
Attachment 2 (below) - 2023 Capital Expenditures and Capital Spending Authority (CSA) for YorkNet

2023-2026 Operating Budget for YorkNet

(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
YorkNet	191	3,161	2,422	4,109	2,824	16.56%	4,365	2,319	4,625	2,095	4,923	1,428
Total		3,161	2,422	4,109	2,824	16.56%	4,365	2,319	4,625	2,095	4,923	1,428

¹ The percentage change in the proposed budget does not reflect any offset from assessment growth revenue

² 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 YorkNet

YorkNet	Page No.	2023 \$000s	Total CSA \$000s
Program Expenditures:			
YorkNet	192	41,050	152,163
Funding Sources:			
Debt Reduction Reserve	192	12,947	52,824
General Capital Reserve	192	524	3,345
Canada Community-Building Fund Reserve	192	10,236	36,070
Grants & Subsidies	192	16,115	44,923
Other Recoveries	192	1,228	15,001
Total Funding Sources		41,050	152,163

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