

The Regional Municipality of York

Regional Council
February 23, 2023

Report of the Commissioner of Finance

2023 to 2027 Strategic Plan and 2023 to 2026 Regional Budget

1. Recommendations

1. Council approve the *2023 to 2027 Strategic Plan: From Vision to Results* (see Attachment 1).
2. Council approve the operating and capital budgets as follows:
 - a. The 2023 operating budget, reflecting a tax levy increase of 2.90% as tabled on January 26, 2023, detailed in the [2023 to 2026 Budget Book](#), and summarized in Attachment 2
 - b. A Rapid Transit / Infrastructure Levy equivalent to a 1% tax levy increase as summarized in Attachment 2
 - c. The 2023 capital expenditures and Capital Spending Authority by project and by program group and associated funding sources detailed in the 2023 to 2026 Budget Book, as summarized in Attachment 3, and the authority to reallocate expenditures between projects within a program group, subject to the conditions outlined in this report
3. Council endorse the 2024 to 2026 operating outlook tabled on January 26, 2023, including the Rapid Transit / Infrastructure Levy, as detailed in the 2023 to 2026 Budget book and summarized in Attachment 2.
4. Council approve debt authority and reserve items as follows:
 - a. Incremental debt authority of \$367.8 million required for 2023 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 \$195 million to Sinking Fund Reserve for the purpose of meeting the Region's 2023 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

5. Council endorse the reconciliation of the 2023 Budget to the full accrual basis of accounting, as required under Ontario Regulation 284/09, as summarized in the “Accrual Budget Presentation” chapter of the 2023 to 2026 Budget Book.
6. 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 and Capital Spending Authority for any additional Provincial and/or Federal funding provided there is no tax levy impact

2. Summary

This report seeks Council approval of the *2023 to 2027 Strategic Plan: From Vision to Results* (“Strategic Plan”) (Attachment 1) and the *2023 to 2026 Regional Budget* (Attachments 2 and 3).

Key Points:

- The Strategic Plan and Multi-Year Budget were developed in parallel, and the budget provides the financial framework to accomplish strategic priorities
- On December 15, 2022, the draft *2023 to 2027 Strategic Plan: From Vision to Results* was presented to Council for consideration with the *2023 to 2026 Regional Budget*
- On January 26, 2023, the 2023 operating budget was tabled, proposing a tax levy increase of 2.90% in 2023 and a Rapid Transit / Infrastructure Levy equivalent to a 1% increase
- Council approval of the 2023 operating budget is requested
- Council approval of the 2023 capital budget is requested for 2023 expenditures, along with multi-year Capital Spending Authority and associated funding sources to commit to longer-term contracts and for future borrowing needs
- Council approval of the budget reconciliation to the full accrual basis of accounting 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 or reallocations between capital budget program groups if required, and make adjustments for any Provincial and/or Federal funding, provided there is no tax levy impact
- The proposed operating budget reflects changes from the budget as tabled on January 26, 2023, to reflect increased provincial funding and gross expenditures for Child Care, reduced provincial funding and gross expenditures for Employment Services, and lower than expected costs for the Municipal Property Assessment

Corporation, with an offsetting increase in Financial Initiatives. These changes have no effect on proposed 2023 net expenditures or tax levy increase. See notes to attachment 2 for a summary of the changes

- The proposed budget does not reflect potential impacts of Bill 23, the More Homes Built Faster Act, 2022 which was passed on November 28, 2022

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 organization's strategic priorities.

Staff from all departments were involved in developing the Strategic Plan and the Budget. Draft plans were reviewed by senior management and the Chief Administrative Officer. The timeline for the development and approval process involves the following steps:

- May 2022: Council (1) endorsed the proposed timeline for the development of the 2023-2026 Budget and approval of the 2023 Budget ([2023 Budget Directions](#)) and (2) approved the approach for the development of the draft *2023 to 2027 Strategic Plan* ([2023 to 2027 Strategic Plan Development](#))
- Late May 2022 to early July 2022: Council members were encouraged to reach out to senior management to discuss specific budget priorities as departmental budget submissions are being developed
- July to August 2022: Departmental budget submissions developed
- September 2022 to October 2022: Treasurer and CAO reviews of the budget
- December 15, 2022: Draft *2023 to 2027 Strategic Plan* presented at Regional Council
- January 26, 2023: 2023 to 2026 Budget tabled with Council
- February 2023: Committee of the Whole budget reviews
- February 26, 2023: Targeted Council approval of the *2023 to 2027 Strategic Plan* and the *2023 to 2026 Regional Budget*

The 2023 to 2026 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 Directions](#) report established the timeline of tabling the 2023 to 2026 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, tabled with Council on January 26, 2023, included a proposed tax levy increase of 2.90% for 2023. The tabled budget also

includes an additional Rapid Transit / Infrastructure Levy of 1% to help fund the Yonge North Subway Extension.

The proposed outlook for 2024 to 2026 includes the continuation of an annual incremental 1% levy to support the subway project and other critical infrastructure. This is consistent with expected funding requirements identified as part of the [2022 Regional Fiscal Strategy report](#), [2023 Budget Directions](#) report and the [2022 Fiscal Sustainability Update](#).

The budget as tabled was received and referred to 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 2024 to 2026 outlook will form the basis of the 2024 Budget process. If revisions to the outlook are required, they will be presented as part of the 2024 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.

As 2023 is the first year in the current term of Council, a three-year outlook is being presented as part of the 2023 Budget process. As shown in Table 1, for the 2023 to 2026 budget, Council is asked to approve the 2023 proposed operating budget and endorse the outlook for 2024 to 2026. For future budget years, an outlook will be presented for the remaining years of Council's term.

Table 1
Annual Operating Budget Approval

Budget Year to be Approved	Outlook Years Presented	
2023	3	(2024 to 2026)
2024	2	(2025 to 2026)
2025	1	(2026)
2026	0	

Committee of the Whole reviewed the proposed Budget

After the Budget was tabled on January 26, 2023, Committee of the Whole reviewed the Budget for each business area on February 2 and February 9, 2023. During the review process, Committee recommended the Budget as tabled for each department, for consolidation by the Commissioner of Finance and Regional Treasurer for consideration by

Council on February 23, 2023. This report presents the consolidated budget for Council's approval.

4. Analysis

2023 TO 2027 STRATEGIC PLAN

The Strategic Plan and Multi-Year Budget are in alignment with Vision's Four Areas of Focus

To achieve Council's Vision of strong, caring, safe communities, the Region sets priorities over each four-year term of Council through the Strategic Plan. The Strategic Plan is an administrative plan that guides York Region towards Council's [Vision](#), ensuring decisions made today set a course for the desired future for our communities. The Strategic Plan and Multi-Year Budget reflect *Vision's* four areas of focus: Economic Vitality, Healthy Communities, Sustainable Environment and Good Government. The Strategic Plan provides alignment across Regional departments with Council's priorities while the Budget provides funding to support its delivery.

The Strategic Plan focuses on four priorities

The Strategic Plan (Attachment 1) will provide a detailed course of action to support the implementation of [Vision](#) for the Region over this term of Council, captured under four priorities:

- Foster economic prosperity
- Support community well-being
- Drive environmental stewardship
- Efficiently deliver trusted services

Since the [December 15, 2022](#) tabling of the draft Strategic Plan, there has been an addition of one Community Housing performance measure based on discussions at the Regional Council meeting.

The Strategic Plan proposes to focus on these four priorities supported by 10 objectives and 48 performance measures over this term of Council. The 48 performance measures will be tracked and reported to Council annually to ensure desired progress is made for each priority.

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 provides resources to deliver on priorities outlined in the draft *2023 to 2027 Strategic Plan*, with select initiatives outlined below:

Foster Economic Prosperity

- Continuing the plan for the Region's \$1.12 billion capital contribution to the Yonge North Subway Extension and coordinating with the Province and local municipalities as the project moves ahead
- Investing \$3.9 billion over the next 10 years in roads and transit infrastructure to support the efficient movement of people and goods
- Investing \$41.1 million in 2023 to build an additional 708 connections and 296 kilometres of fibre, including 443 residential and 265 local municipal 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 2,000 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 Well-Being

- Maintaining the COVID-19 response, including vaccination operations (administration, storage and supply) and continued focus on case, contact and outbreak management, infection prevention control measures and inspections
- Continuing catch-up on publicly-funded routine immunizations for children and youth
- Delivering 122 billion litres of clean and safe drinking water annually to protect public health
- Adding 41 staff in 2023 to York Regional Police to ensure effective community response and maintain quality administrative services
- Adding 10 new and 21 replacement vehicles, completing two new paramedic stations, and adding 35 Paramedic staff in 2023 to ensure the Region continues to meet response time targets
- Addressing housing needs with 362 new community housing units already under construction and a further 1315 new units planned, contingent on securing funding from senior governments

Drive Environmental Stewardship

- Investing \$3.1 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 92%, and working with the province, local municipalities and producers to facilitate a smooth transition to full producer responsibility for the blue box
- Investing in streetscaping and green infrastructure, including planting 70,000 trees and shrubs in 2023, 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 2050, accelerated through support from the federal Zero Emission Transit Fund

Efficiently Deliver Trusted Services

- Maintaining 4,380 lane kilometres of urban and rural roads
- Leveraging technology to reduce the time it takes to hear and resolve matters in court or before a tribunal, improve the user experience, simplify and standardize processes to improve efficiency and productivity, and reduce dependency on physical locations
- 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

The Region's 2023 proposed capital budget is \$894 million, with \$9.9 billion in planned expenditures over the next 10 years. Below is the list of the top initiatives by expenditure in the Regional 10-year capital plan. Public Works has the largest share of the capital plan at \$7.2 billion, with \$3.9 billion for Transportation and \$3.3 billion for Environmental Services. The capital plan also includes the Region's share of the Yonge North Subway Extension at about \$1.0 billion. Together, Public Works and the Yonge North Subway Extension account for over 80% of the Regional 10-year capital plan and account for the majority of the top initiatives on the list:

- Road Expansions
- Yonge North Subway Extension
- Pavement Renewal
- Transit Fleet

- Wastewater Servicing (Aurora, East Gwillimbury and Newmarket)
- West Vaughan Sewage Servicing
- York Durham Sewage System Rehabilitation Program
- Transit Facilities
- Development of New Regional Facilities
- Duffin Creek Incinerators

The capital appendix of the 2023 to 2026 Budget Book provides a comprehensive list of projects in the capital plan.

The use of program groups supports improved capital delivery

The Budget seeks approval of 2023 capital expenditures and Capital Spending Authority (CSA) and associated funding sources. Capital Spending Authority is the authority from Council to commit funding to a capital project. Large capital projects may require contractual commitments that span several years, 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, Council approval is sought to provide authority to reallocate expenditures between projects in a program group, subject to the following conditions:

- No change in the 2023 and 10-year capital plan total expenditures of the program group
- No change in the Capital Spending Authority for the program group
- The reallocation is between projects with similar funding sources
- The reallocation will not result in a change to debt authority for any project within the program group

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 2023 capital expenditures and Capital Spending Authority by program group. Details on individual projects that make up the program groups are included in the 2023 to 2026 Budget Book tabled with Council (Capital Appendix starting on page 231).

As in previous years, the Commissioner of Finance and Regional Treasurer will bring forward a report to Council, as required, seeking 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.

DEBT AUTHORITY AND RESERVES

Incremental debt authority of \$367.8 million is required for capital projects with 2023 Capital Spending Authority

Each year Capital Spending Authority is requested for all projects with expenditures in the upcoming budget year, as well as for projects requiring contractual or other clear multi-year commitments in the capital plan. Debt authority represents the portion of Capital Spending Authority that is to be financed by debt and Debt Reduction Reserve. Values in Column B 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 \$367.8 million, shown in column B of Attachment 4, represents the change from the remaining debt authority in the 2022 budget of approximately \$2.24 billion, to \$2.61 billion that is needed to support 2023 Capital Spending Authority. Council has authorized a one-time exemption to the directive of not issuing new tax levy debt to enable the Region to access a \$137 million low-interest loan through the Federal government's Zero Emission Transit Fund joint program.

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 2023 budget, as a risk mitigating feature. This provides 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 2023 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 2023 sinking fund contributions required for debt issued by York Region are shown in Table 2. 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 2023 budget. The balance is 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 2023 Budget.

Table 2
2023 Sinking Fund Contribution Requirements

Municipality	\$
Township of King	\$2,046,809.38
Town of Georgina	560,605.07
Subtotal	\$2,607,414.44
York Region	\$192,345,082.07
Total Contribution Requirements	\$194,952,496.51

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 61 of the 2023 to 2026 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 2023 annual surplus of \$525.9 million, mainly because \$707.5 million in costs for acquisition of

tangible capital assets (excluded under the full accrual calculation of the surplus), are greater than the \$349.5 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, changes to the Budget that do not affect the tax levy may be required. These adjustments can arise from updates to senior government funding, 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 and Capital Spending Authority 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 2023. 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 and Capital Spending Authority 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 proposed capital plan does not include \$2.0 billion in identified priority projects reliant on senior government funding commitments

Departments have identified \$2.0 billion of expenditures beyond those included in the capital plan for priority projects that remain reliant on senior government funding commitments. York Region Rapid Transit Corporation requires an additional \$1,539 million to advance the Region's bus rapid transit network, and Community and Health Services requires an additional \$423 million for affordable housing initiatives. These projects are not included in the capital plan as they require funding support from senior levels of government and are subject to the Region's fiscal capacity considerations. Further detail can be found in the Capital Appendix starting on page 231 of the Budget Book.

5. Financial

Committee of the Whole has recommended consolidation of the 2023 to 2026 Budget

The 2023 to 2026 operating budget was recommended as tabled. The operating budget results in a 2023 tax levy increase of 2.90% and a Rapid Transit / Infrastructure Levy equivalent to a 1% tax levy increase, as summarized in Attachment 2.

The 2023 capital budget was recommended as tabled. It includes \$894 million in 2023 capital expenditures and multi-year Capital Spending Authority of \$5.4 billion, as summarized in Attachment 3 and detailed in the 2023 to 2026 Budget Book presented on January 26, 2023.

The Budget also recommends incremental debt authority of \$367.8 million for the 2023 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 2023 to 2027 Strategic Plan and the 2023 to 2026 Budget endeavours to meet growing demands for service while ensuring reasonable tax levy requirements and sustainable multi-year capital investments.

7. Conclusion

This report provides the results of budget review by Committee of the Whole and related recommendations regarding the 2023 to 2027 Strategic Plan and the 2023 to 2026 Budget. The Budget is summarized in this report and Council's approval is recommended.

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
Commissioner of Finance and Regional Treasurer

Approved for Submission:



Bruce Macgregor
Chief Administrative Officer

February 16, 2023

eDOCS # 14373332

- Attachment 1 - 2023 to 2027 Strategic Plan
- Attachment 2 - 2023 to 2026 Operating Budget Summary
- Attachment 3 - 2023 Capital Budget Summary
- Attachment 4 - 2023 Incremental Debt Authority Requirements