

The Regional Municipality of York

Committee of the Whole
Finance and Administration
September 8, 2022

Report of the Commissioner of Finance

2022 Operating and Capital Mid-Year Progress Report

1. Recommendations

1. Council approve the 2022 gross capital expenditure changes and associated funding sources, as well as changes to 2022 Capital Spending Authority and associated funding sources, including an increase of \$2.5 million in Capital Spending Authority debt as detailed in Attachments 3 and 4.
2. Council approve a draw of up to \$585,000 from the Cannabis Contingency Reserve Fund to fund unanticipated operating costs of cannabis-related investigations incurred by York Regional Police in 2022.

2. Summary

This report outlines mid-year financial results and provides an update on progress to date on expenditures and objectives outlined in the 2022 Budget. Regular performance monitoring helps ensure that York Region's 2022 service mandate of \$3.7 billion (operating and capital) will be delivered in a cost efficient and effective manner while managing the financial impacts of COVID-19.

This report also seeks Council's approval of reallocations between capital projects in a program group where there is a change in debt requirements, and approval of additional reallocations and expenditure requests that are beyond the scope of program group authority that was approved as part of the 2022 Budget.

Key points:

- Operating expenditures were 90.4% of the net operating budget at mid-year and are projected to be 94.6% of budget by year-end.
- Capital expenditures were 72% of the capital budget at mid-year and are expected to reach 75% of the capital budget at year-end.
- Capital reprofiling would result in an increase of \$2.8 million in 2022 budgeted capital expenditures, \$7.8 million in Capital Spending Authority (CSA), and \$2.5 million in Capital Spending Authority (CSA) debt.

- York Regional Police expects to incur unbudgeted costs of up to \$585,000 for cannabis-related investigations by year-end. It is recommended that actual eligible expenses up to \$585,000 be funded by a draw from the Cannabis Contingency Reserve at year-end, to be reflected in the financial statements for 2022.

3. Background

On [December 16, 2021](#), Council approved the 2022 Operating and Capital Budget. On [June 30, 2022](#), Council approved budget adjustments through the Capital Reprofitting Report. This report provides a summary of 2022 budget-to-actual results as of June 30, 2022, and a 2022 year-end forecast for both operating and capital budgets. The capital budget figures contained in this report reflect the reallocations and adjustments approved through the June Capital Reprofitting Report, but do not reflect the additional reprofiling requests outlined later in this report.

To establish the anticipated spending profile over the year, departments allocate their budgets to the months in which the expenditures and revenues are expected to occur. The mid-year results included in this report are relative to this “calendarized” budget for the first six months of 2022.

This report also seeks Council’s approval of additional reprofiling requests, which is an established practice. As the budget year progresses, the intent is to reallocate funding from projects that are progressing slower than anticipated, or where cost savings have been realized, to projects that are progressing faster than planned or experiencing cost pressures, thereby maximizing delivery of the capital plan.

4. Analysis

OPERATING MID-YEAR RESULTS

Regional net (tax levy) operating expenditures were 90.4% of the year-to-date budget at mid-year

For the first six months of 2022, net expenditures were \$582.5 million or \$62.1 million lower than the mid-year budget of \$644.6 million. Mid-year results are highlighted in Table 1. Year-end net expenditures are projected to be at 94.6% of the budget, with a potential surplus of \$64.2 million.

Please refer to Attachment 1 for the Consolidated 2022 Mid-Year Operating Summary. Reported results are presented in alignment with the organizational changes announced earlier this year.

Table 1
2022 Mid-Year Results - Operating

Department	Mid-Year Budget \$ Millions	Mid-Year Variance ¹ \$ Millions	Expended % Mid-Year	Expended % Year-End Forecast	Expended % Year-End 2021 Actual
NET EXPENDITURES (Tax Levy)					
Public Works – Transportation Services	200.4	16.3	91.9%	94.5%	90.6%
Public Works – Environmental Services (excluding Water and Wastewater)	32.7	5.9	82.1%	98.3%	96.0%
Community and Health Services	120.6	24.2	79.9%	89.2%	81.4%
Corporate Management and Governance	55.6	14.5	74.0%	83.7%	82.6%
Court Services ²	(0.2)	(1.5)	n/a	n/a	n/a
York Region Rapid Transit Corporation	1.8	0	100.0%	100.0%	99.1%
YorkNet	1.2	0	100.0%	89.5%	96.0%
York Regional Police	188.5	(2.3)	101.2%	99.9%	100.4%
Other ³	44.0	5.2	88.3	100.0%	121.2%
Total	644.6	62.1	90.4	94.6%	

¹ Variances without brackets indicate an expense that is under-budget; brackets indicate over-budget expenditures

² Court Services net budget reflects an expected net recovery (i.e., budgeted revenues exceed budgeted expenditures). At mid-year, Court Services did not achieve a net recovery, resulting in a variance of (\$1.5M).

³ Other budget includes contributions to reserves as part of the Fiscal Strategy, External Partners and corporately budgeted items in Financial Initiatives

Higher than planned transit ridership contributed to higher net revenues in Public Works

At mid-year, Public Works reported lower than expected expenditures and higher revenues than budgeted, resulting in net expenditures of 90%, or \$22.2 million below budget. Transit services accounted for most of the variance, with net expenditures of 87%, or \$14.2 million below the budgeted amount. This was largely due to an increase in fare revenue due to higher than expected recovery in year-to-date ridership along with lower costs due to the deferral of service reinstatement in line with provincial reopening in early 2022. The receipt of \$2 million in unbudgeted Safe Restart Agreement also helped offset the continued impact of COVID-10 on ridership which contributed to the favourable variance. Lower costs were also due to delays in the opening of new transit terminals, implementation of energy efficiency initiatives at transit facilities, and savings in general and administration expenses.

Waste Management net expenditures were 80% of the year-to-date budget at mid-year, or \$5.4 million below the budget amount. The variance reflects significant increases in blue box revenues compared to the budgeted amount of \$65 per tonne versus \$245 per tonne actuals.

Other areas of Public Works reported smaller variances, including Roads, Forestry, Climate Change and Corporate Energy Conservation. Weather-related factors, timing and lower contracted and other costs contributed to the overall below-budget results at mid-year. Public Works overall salaries and benefit costs were also below budget at mid-year, primarily due to unexpected vacancies and the time required as part of the recruitment cycle.

Public Works year-end results are expected to be similar to mid-year, with overall net expenditures projected to be under budget by \$22.4 million. The projected variance in Transit is expected to be slightly higher than the mid-year results, while the expected variance for Waste Management is projected to be smaller.

Timing of provincial revenues contributed to lower net spending in Community and Health Services

Community and Health Services net expenditures were 80% or \$24.2 million below the budgeted amount at mid-year. The results reflect late receipt of Provincial revenues of \$11.1 million, originally expected in 2020 and 2021 for pandemic related impacts in Seniors Services, and lower net expenditures of \$6.3 million in Public Health as some non-essential activities were deferred to continue to focus on the pandemic response. Programs providing support for homelessness, children and employment services accounted for most of the remaining variance partially due to using provincial Social Services Relief Funding for budgeted expenditures. Lower than expected spending in the first half of the year offset higher than planned costs of \$2.8 million for Access York to address increased call volumes due to mass immunization booking services and for other resource-related needs in the department.

For year-end, net expenditures are projected to be 89% of the budget amount, with a resulting surplus of \$27.7 million. Trends contributing to the mid-year results in Public Health and lower caseloads in Social Services are largely expected to continue in the second half of the year, while net expenditures in most other areas with mid-year surpluses are expected to

move closer to the annual budget surplus amounts. Overall savings are expected to offset expected continued pressures related to increased call volumes for Access York and \$2.5 million in unbudgeted forecasted costs to support the Ukrainian crisis response.

Court revenues are below planned levels, while expenditures in other areas are tracking below budget

Court Services reported \$1.5M higher than budgeted net expenditures largely due to lower than budgeted revenues attributed to the ongoing COVID-19 pandemic. Revenues were under budget by \$2.8M, or 67% of budget, with Provincial Offences Act revenues largely impacted by a reduced number of matters being scheduled for trial and reduction in charges filed. Underspending in judicial and interpretation costs and reductions in casual staff partially offset some of the revenue variance. At this time, it is difficult to predict when revenues will fully recover.

For year-end, Court Services is forecasting total net expenditures of \$3.8 million. This would result in an unfavorable net variance of \$4.3 million. This forecast is based on lower than budgeted revenues partially due to the potential lack of judicial resources which impacts the ability to increase courtroom capacity.

Mid-year results in Corporate Services reflect unbudgeted land sale revenues of \$2.7 million and \$0.9 million in higher than expected revenues from planning fees. Lower than expected spending in facility operations totaling \$1.7 million reflects savings from a reduction in building use in the first half of the year.

Corporate management areas reported lower than expected spending in salaries and benefits in large part due to delays in filling vacant positions. Lower spending on salaries and benefits also resulted from higher than planned recoveries from the capital budget for salary and benefit costs for staff working on IT capital projects. Corporate management areas also reported lower than expected spending in professional contracted services, general and administrative expenditures.

Year-end projections for corporate management areas reflect additional expected revenues from land sales and planning fees, and reduced expenditure variances as timing-related variances reported at mid-year are addressed. Facilities savings opportunities will be somewhat reduced for the latter half of 2022 due to increased electricity use in the summer months and higher expected demand for repairs as more staff return to the office setting under the new hybrid work model.

A draw from the Cannabis Reserve would help address unexpected YRP costs in 2022

At mid-year, York Regional Police reported net expenditures that were \$2.3 million higher than budget, representing 101.2% of the budget. The variance was primarily due to higher than expected salaries and benefit costs related to large investigations and the earlier timing of benefit-related and other expenditures compared to the mid-year budgeted amount. Higher than expected revenues helped offset the higher expenditures. Revenues are above

budget due to cost recovery for two cross-jurisdictional deployments at the beginning of the year and due to higher than expected Provincial funding.

At year-end, York Regional Police expects net expenditures to be at budget levels. The current over-budget variance is expected to be eliminated as the expenditure timing portion of the variance is resolved and as a result of a proposed draw of up to \$585,000 from the Cannabis Contingency Reserve. The Reserve was established in 2019 for unanticipated cannabis related expenses. As of June 2022, the Cannabis Contingency Reserve balance was \$2.9 million.

High fuel prices are being mitigated through the Fuel Stabilization Reserve

Recent high fuel prices have added significant costs to Regional programs that rely on vehicles to provide key services. Services that purchase fuel directly, such as transit and road operations, paramedics, police and other programs with vehicles, have experienced a significant increase in costs. The Region’s Fuel Stabilization Reserve helps manage fluctuations in fuel prices by allowing departments to draw on the reserve when the price of fuel exceeds the budgeted amount. During the first half of 2022, draws from the reserve totaled \$4.5 million. With projected draws for the remainder of the year of \$8.8 million, the reserve balance is projected to be \$10.7 million at year-end.

Lower fuel prices in previous years helped fund the Fuel Stabilization Reserve, as the savings between the budgeted amount and the actual price were contributed to the reserve. The Fuel Stabilization Reserve is also identified in the Region’s Surplus Disposition Policy as an eligible reserve for contribution of any annual budget surplus amount.

Water and Wastewater expenditures were below budget and revenues were above budget at mid-year

Water and Wastewater expenditures are funded from user rates and have no tax levy impact. Any operating variances are addressed by contributions to or draws from water and wastewater stabilization reserves. Table 2 outlines mid-year results for Water and Wastewater.

**Table 2
Mid-Year Results – Water and Wastewater**

Water and Wastewater \$ 000	Budget	Actuals	Variance
Expenditures			
Expenditures*	228,800	228,500	300
Contributions to reserves	86,900	97,700	(10,800)

Water and Wastewater \$ 000	Budget	Actuals	Variance
Gross Expenditures	315,700	326,200	(10,500)
Revenues			
Revenues*	(315,700)	(325,300)	9,600
Draws from reserves	-	(900)	900
Total Revenues	(315,700)	(326,200)	10,500
TOTAL (After contributions to reserves)	-	-	-

* Excluding corporate allocations recovered from user rates

Water and wastewater expenditures were \$0.3 million lower than budget mainly due to extended recruitment time and a reduced reliance on temporary resources. These savings were mostly offset by higher purchased water and wastewater costs due to higher flow volumes as well as timing of capital cost recoveries.

Revenues were \$9.6 million over budget primarily as a result of higher-than-budgeted water consumption volumes largely due to higher than anticipated population growth and weather related use. To ensure water and wastewater operations are fully supported by user rates, with no impact to the net tax levy, draws from and contributions to water and wastewater stabilization reserves are made, as required. To address the variances in water and wastewater operations at mid-year, reserve contributions and draws were higher than budget by \$10.8 million and \$0.9 million respectively.

For 2022 year-end, any unexpected variances in water and wastewater net expenditures will be offset by contributions to or draws from reserves, as required. There is no anticipated variance for year-end.

Financial impacts of COVID-19 are tracking within budget estimates

As of June 30, net expenditures related to COVID-19 were \$10.0 million lower than projected largely due to the receipt of provincial revenues originally expected in 2020/21 for Long Term Care and Seniors Services, and higher transit revenues. This was partially offset by results in Court Services, where net expenditures exceeded budget by \$1.6 million due to lower than budget Provincial Offences Act revenues and YRP, where net expenditures exceeded budget by \$1.0 million due to lower revenues from paid duties, criminal and judicial matter checks, vulnerable sector checks, accident reports and alarms.

The year end forecast is tracking below budget largely due to the unbudgeted revenues in Community and Health Services and higher Transit revenues. Underspending is projected to

be partially offset by lower than budgeted revenues in Court Services and York Regional Police.

The 2022 Budget includes estimated financial impacts of COVID-19 totaling approximately \$159 million, partially offset by senior government revenues of \$49.4 million and the remainder offset through the Region’s mitigation strategies and a draw from the Pandemic Management Reserve.

CAPITAL MID-YEAR RESULTS

On [June 30, 2022](#), Council approved the 2022 Capital Reprofitting Report, including changes to 2022 gross capital expenditures, Capital Spending Authority and associated funding sources. Capital reprofiling supports the sound fiscal management objective of the 2022 Budget and the 2019 to 2023 Strategic Plan.

The capital budget figures contained in this report reflect the reallocations and adjustments approved in the June 2022 Capital Reprofitting Report, but do not reflect the additional reprofiling requests outlined later in this report.

As of June 30, 2022, the Region’s capital expenditures were \$212.1 million, or 72% of the year-to-date capital budget

The mid-year underspending of \$82.0 million was mainly due to timing of project delivery in Public Works – Transportation and Environmental Services, York Region Rapid Transit Corporation (YRRTC) and Finance.

Table 3 summarizes year-to-date results by department. Further details of mid-year departmental results and year-end forecasts are provided in Attachment 2.

Table 3
Mid-Year Results – Capital

Department	Mid-Year Budget \$ Millions	Mid-Year Variance \$ Millions	Expended % Mid-Year	Expended % Year-End Forecast	Expended % Year-End 2021 Actual
Public Works - Transportation Services	104.7	20.2	81%	90%	79%
Public Works - Environmental Services	113.4	33.7	70%	99%	90%
Community and Health Services	25.1	4.1	84%	41%	58%
Finance	17.3	11.0	37%	59%	67%

Department	Mid-Year Budget \$ Millions	Mid-Year Variance \$ Millions	Expended % Mid-Year	Expended % Year-End Forecast	Expended % Year-End 2021 Actual
Property Services	8.4	2.1	75%	79%	62%
Court Services	0.074	(0.003)	104%	100%	51%
York Region Rapid Transit Corporation	11.2	10.2	10%	91%	77%
YorkNet	3.6	0.6	85%	62%	98%
York Regional Police	10.3	0.1	99%	83%	78%
Other ¹	-	-	-	-	-
TOTAL	294.1	82.0	72%	75%	79%

Note: numbers may not add due to rounding

¹ Other budget includes Yonge North Subway Extension (YNSE) and corporately budgeted items in Financial Initiatives. Includes a \$28k adjustment that will be reversed at August month-end.

Public Works - Transportation Services was underspent at mid-year by \$20.2 million, mostly due to procurement and construction delays, as well as timing of land acquisition for 16th Avenue from Leslie Street to Woodbine Avenue rescheduled to late 2022. Some underspending has been offset by acceleration of various asset renewal and replacement roads projects.

Public Works – Environmental Services was underspent at mid-year by \$33.7 million. Wastewater accounted for \$25.5 million of the variance, primarily due to extended timelines and an appeal to the Ontario Land Tribunal, resulting in contract awards at the end of Q2 for the new Humber Sewage Pumping Station and Oak Ridges Air Management Facility. The remaining variance is mainly due to resequencing for the Duffin Creek Outfall diffusers construction, and revised timelines for equipment deliveries for the Duffin Creek Incinerator project. Water was underspent by \$6.7 million primarily due to reprioritization of two reservoir upgrades to accommodate emergency repairs to the Peel Feedermain, scope optimization for the Schomberg Water Treatment Plant pilot and delayed delivery of a backup generator for the Aurora Wells treatment facility.

Finance mid-year underspending of \$11 million was related to a variety of project delays due to procurement and supply chain challenges, including corporate departmental systems, finance management applications, end-user devices and network and data centre projects.

York Region Rapid Transit Corporation (YRRTC) was underspent by \$10.2 million at mid-year. Completion of Cornell Terminal and the roof replacement at Vaughan Metropolitan Centre Terminal were delayed (\$5.5 million combined) but are now expected to conclude in the second half of the year. Toronto-York Spadina Subway Extension was underspent by \$3.9 million due to an accounting adjustment that will be reversed in the second half of 2022.

Year-end Capital delivery is projected to be 75% of the approved 2022 capital budget

Capital expenditures at year-end are projected to be \$757.5 million, or 75% of the \$1.0 billion 2022 budget. The projected 2022 year-end expenditures are slightly lower than the actual expenditures at 2021 year-end of 79% of budget. Given the nature of capital construction, some variance between actual and budgeted expenditures can be expected.

Public Works – Transportation Services is forecasting year-end underspending of \$43.3 million, or 10% of its 2022 budget. Roads is forecasting underspending of \$35.6 million, due mostly to property acquisition delays, reduced property requirements, design and construction delays. Transit is forecasting underspending of \$7.7 million due to a delay on Transit Garage – Southwest.

Public Works – Environmental Services is forecasting year-end underspending of \$2.5 million, or 1% of its 2022 budget due to procurement delays for a waste management centre sprinkler system upgrade (\$1.3 million) and other small variances.

Community and Health Services is forecasting year-end underspending of \$80.2 million, or 59% of its 2022 budget. \$59.7 million of the forecasted variance is in Housing Services, mainly due to the Rapid Housing Initiative (RHI) project not receiving anticipated external funding. The remaining variance is due to project delays for Paramedic Services (\$14 million) and other small variances in Senior Services and Public Health.

Finance is forecasting year-end underspending of \$13.1 million, or 41% of its 2022 budget mainly due to project delays for corporate departmental systems, finance management applications, end-user devices and network and data centre as a result of procurement and supply chain challenges.

Property Services is forecasting year-end underspending of \$5.2 million, or 21% of its 2022 budget due to supply chain, procurement challenges and COVID-19 related scheduling delays in 2022 rehabilitation, replacement and renovation projects.

YRRTC is forecasting year-end underspending of \$1.8 million, or 9% of its 2022 budget. Project agreements are still being negotiated for the Simcoe Promenade bus rapidway, resulting in delayed procurement.

YorkNet is forecasting year-end underspending of \$10.2 million, or 38% of its 2022 budget mainly due to delays in finalizing the contribution agreement for the Rural Broadband project and minor delays for the Fibre Network delivery project.

York Regional Police is forecasting year-end underspending of \$5.6 million, or 17% of its 2022 budget mainly due to timing of construction for the 240 Prospect Renovation project and installment payment for the Air Operations – Helicopter project and other small variances.

CAPITAL REPROFILING

Council provided program group authority to departments to reallocate expenditures and funding between capital projects

As part of the 2022 Budget approval, Council provided the authority for departments to reallocate expenditures and funding between projects in a program group, subject to the following conditions:

- No change in the 2022 and 10-year capital plan total expenditures for the program group
- No change in the 2022 multi-year Capital Spending Authority for the program group
- The reallocation is between projects with similar funding sources
- No change in 2022 debt authority for any project

The reallocations requested in this report are beyond the scope of program group authority noted above and as such require Council approval. These reallocations are typically grouped into three categories outlined below.

Council approval is required for reallocations within a program group and with similar funding sources where there is a change to Capital Spending Authority debt (Category 1) and for reallocations across program groups or with different funding sources (Category 2)

There are no Category 1 reprofiling requests that require Council approval as part of this report.

The reallocations outlined in Category 2 result in no change to the approved 2022 Budget or 2022 CSA, and a decrease of \$2.0 million in 2022 CSA debt. More details on these projects are included in Attachment 3.

Council approval is required to increase 2022 Capital Budget and Capital Spending Authority where no offset is available (Category 3)

In select cases, an increase in expenditure or CSA may be requested, where no offset is available from within the approved 2022 capital budget. These requests are identified as Category 3 and generally reflect the acceleration of expenditures from later years of the 10-year capital plan or underspending re-budgeted from the previous year. These situations are considered on an individual basis and reviewed in relation to the Region's fiscal strategy, particularly their impact on debt and reserve levels.

Two reprofiling requests under Category 3 are recommended for Council approval. These adjustments would increase the 2022 Budget by \$2.8 million, 2022 CSA by \$7.8 million and 2022 CSA debt by \$4.5 million as outlined in Attachment 4.

Public Works - Transportation Services is requesting \$5.0 million additional CSA, including \$4.5 million in CSA debt to enter into cost-sharing agreements with local municipalities for active transportation projects to be delivered in 2023. The associated expenditure increase of \$5.0 million will be requested through the 2023 Budget process.

Corporate Services is requesting additional 2022 expenditures and CSA totalling \$2.8 million to re-align with the latest anticipated timing of a planned land purchase. This amount is related to 2021 underspending being re-budgeted into 2022.

Further details on these projects are included in Attachment 4.

5. Financial

As of June 30, 2022, total net expenditures for Regional operations were \$582.5 million, or 90.4% of the year-to-date budget. Departmental year-end projections indicate that total net expenditures will be \$1.1 billion or 94.6% of budget, representing a surplus of \$64.2 million, including the impacts of COVID-19.

As of June 30, 2022, total capital expenditures for the Region were \$212.1 million, or 72% of the year-to-date capital budget. Year-end projections indicate that total capital expenditures will be \$757.5 million, or 75% of the 2022 capital budget, representing lower than budgeted spending of \$250.4 million.

Reallocations between projects with an expenditure offset outside of a program group or with different funding sources, identified as Category 2 and detailed in Attachment 3, will result in no change to the total 2022 Budget or 2022 CSA. As a result of these reallocations, funding sources for several projects will change, resulting in a net decrease of \$2.0 million in the 2022 CSA debt requirement.

Reprofiling requests without an expenditure offset, identified as Category 3 and detailed in Attachment 4, will result in an increase of \$2.8 million in the 2022 Budget, \$7.8 million in 2022 CSA, and \$4.5 million in the 2022 CSA debt requirement.

Based on all categories, the total increase in 2022 CSA debt is \$2.5 million, as presented for Council approval in Recommendation 1 of this report.

6. Local Impact

There is no direct local municipal impact associated with this report. The Region's budget funds essential services and capital infrastructure for residents and businesses in all local municipalities in the Region. The reprofiling changes outlined in this report help ensure that infrastructure delivery is maximized within the approved expenditures throughout the Region.

7. Conclusion

At mid-year, expenditures were 90.4% of the year-to-date net operating budget and 72% of the adjusted year-to-date capital budget. Total expenditures are forecasted to be 94.6% of the 2022 net operating budget and 75% of the adjusted 2022 capital budget by year-end.

Summaries of the 2022 operating and capital financial results and capital project reallocations have been appended to this report.

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

August 26, 2022
Attachments (4)
eDOCS #14014024