

The background of the slide features a photograph of a modern, multi-story building with a prominent clock tower. The clock tower consists of two tall, cylindrical concrete pillars with a textured surface. Two round clock faces are mounted on the pillars, one higher than the other. The building has large glass windows and a curved facade. The sky is clear and blue. In the foreground, there are some green trees and a blue graphic overlay that curves across the bottom right corner.

2023 FISCAL SUSTAINABILITY UPDATE AND INFRASTRUCTURE PRESSURES

Presented to
COMMITTEE OF THE WHOLE

Presented by
Laura Mirabella, Commissioner of Finance and Regional Treasurer
Erin Mahoney, Commissioner of Public Works

June 15, 2023

The logo for York Region, featuring a stylized white bird or wing icon above the text "York Region" in a white serif font.

York Region

AGENDA

- 2023 Budget and Fiscal Strategy Update
- Provincial Changes and Implications for Infrastructure Planning
- Fiscal Sustainability Challenges and Recommendations

THE BUDGET AND FISCAL STRATEGY ARE BUILT ON FINANCIAL SUSTAINABILITY PRINCIPLES

PRINCIPLES

Keeping growth affordable and the Region's existing infrastructure in a state of good repair

Maintaining the Region's AAA credit rating

Maintaining the fiscal flexibility to respond to the Region's evolving needs and economic changes

Treating current and future tax and rate payers fairly by striving for intergenerational equity

2023 FISCAL STRATEGY WAS PREPARED BEFORE PROVINCIAL LEGISLATIVE CHANGES

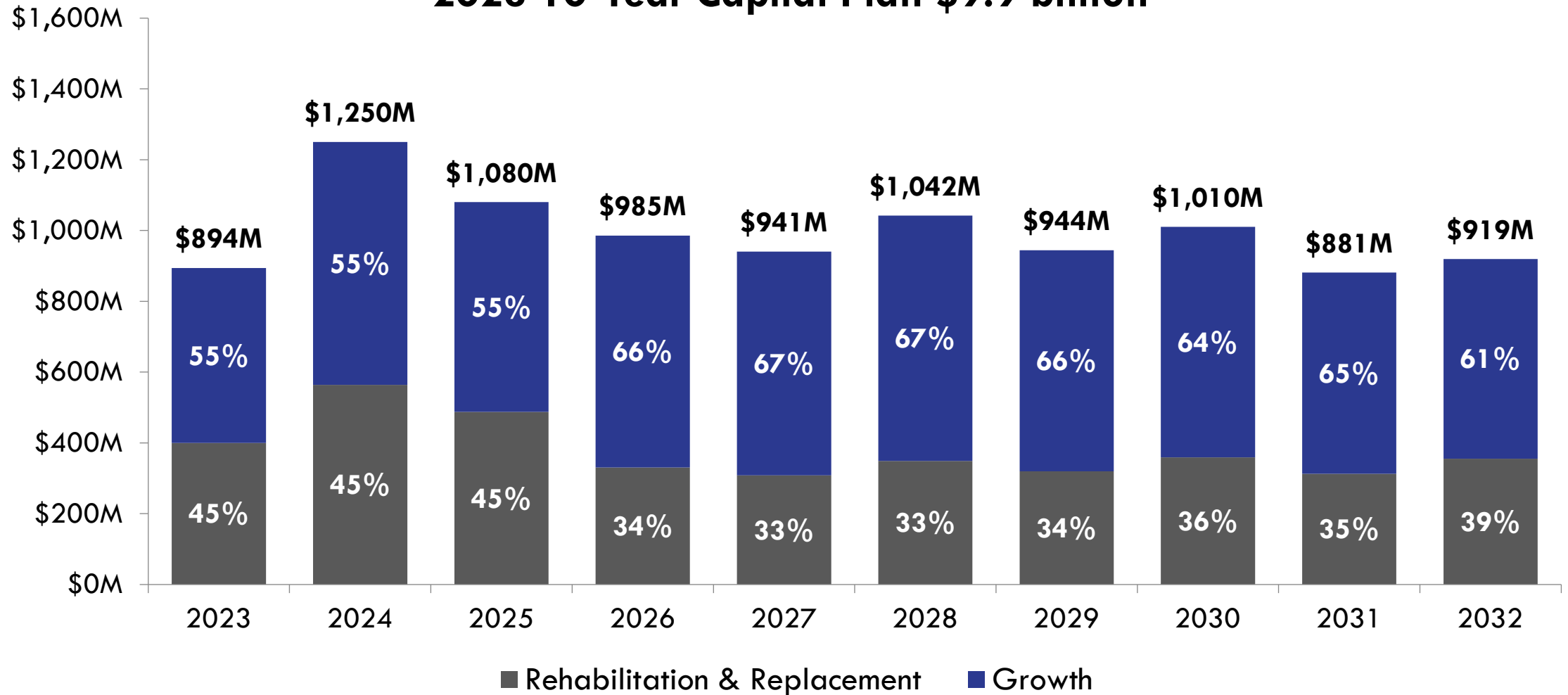
2023 10-year Capital Plan	\$9.9B
Peak Debt	\$2.7B in 2032
Reserve Balance (2022 year-end)	\$4.5B
Maintain 'AAA' Credit Rating	✓



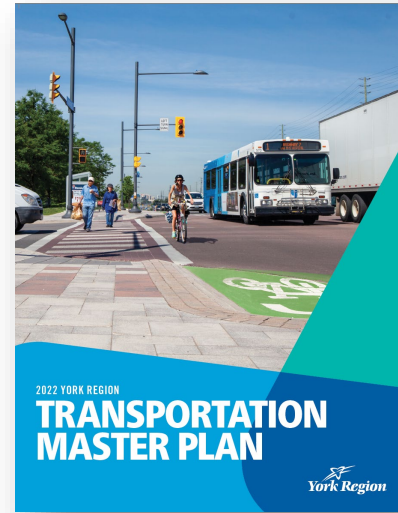
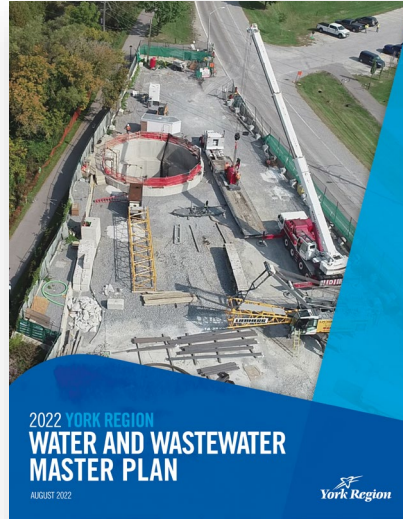
Did not include almost \$2 billion unfunded priorities, or the impact of Bill 23 and other Provincial decisions

OVER 60% OF CAPITAL PLAN IS TO SUPPORT GROWTH

2023 10-Year Capital Plan \$9.9 billion



CAPITAL PLAN REFLECTS EXISTING MASTER PLANS



Plan	Water and Wastewater	Transportation	Others	Total (\$ Billions)
Master Plan	4.5	8.5	0.7*	13.7
Capital Plan	1.7	2.2	2.3	6.2

*Includes all Paramedics and Housing in-plan and unfunded costs

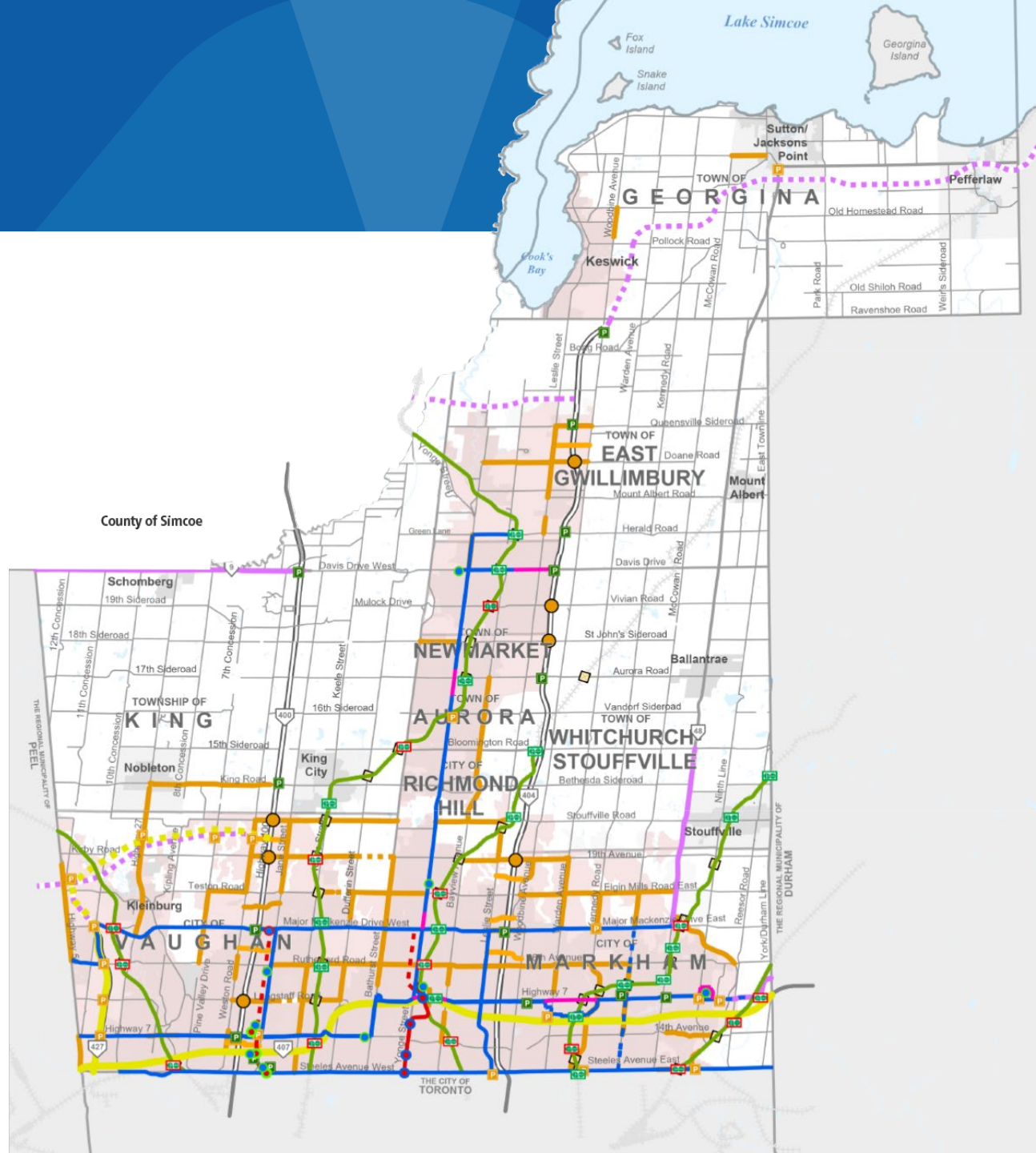
PROVINCIAL ACTIONS TO ACHIEVE HOUSING TARGETS WILL RESULT IN REDUCED DEVELOPMENT CHARGE REVENUE AND ADDITIONAL INFRASTRUCTURE NEEDS

Provincial Change	Infrastructure Pressure		Debt Requirement	Financial Sustainability Risk
	Need New (Not in Master Plans)	Advance or Expand Planned Infrastructure		
Bill 23 – Development Charge Changes				↑
Bill 23 – York Durham Sewage System Solution for Upper York service area	•	•	↑	↑
Removal of lands in York Region from Greenbelt and Oak Ridges Moraine	•	•	↑	↑
Bill 97 & New Provincial Planning Statement	•	•	↑	↑
Minister’s Zoning Orders and Transit-oriented Communities	•	•	↑	↑

↑ High ↑ Moderate

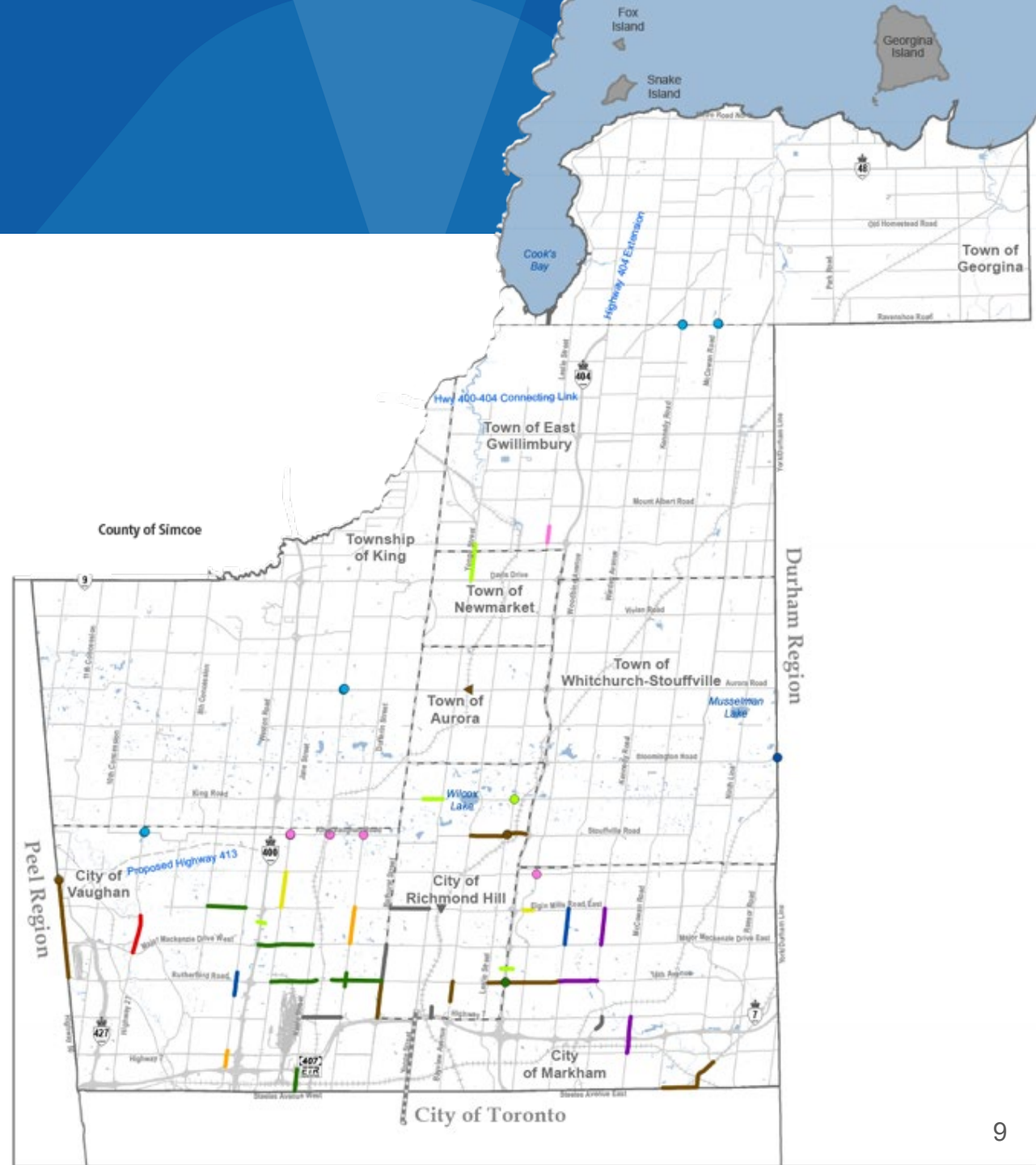
TRANSPORTATION MASTER PLAN AND CAPITAL PLAN

Transportation Master Plan



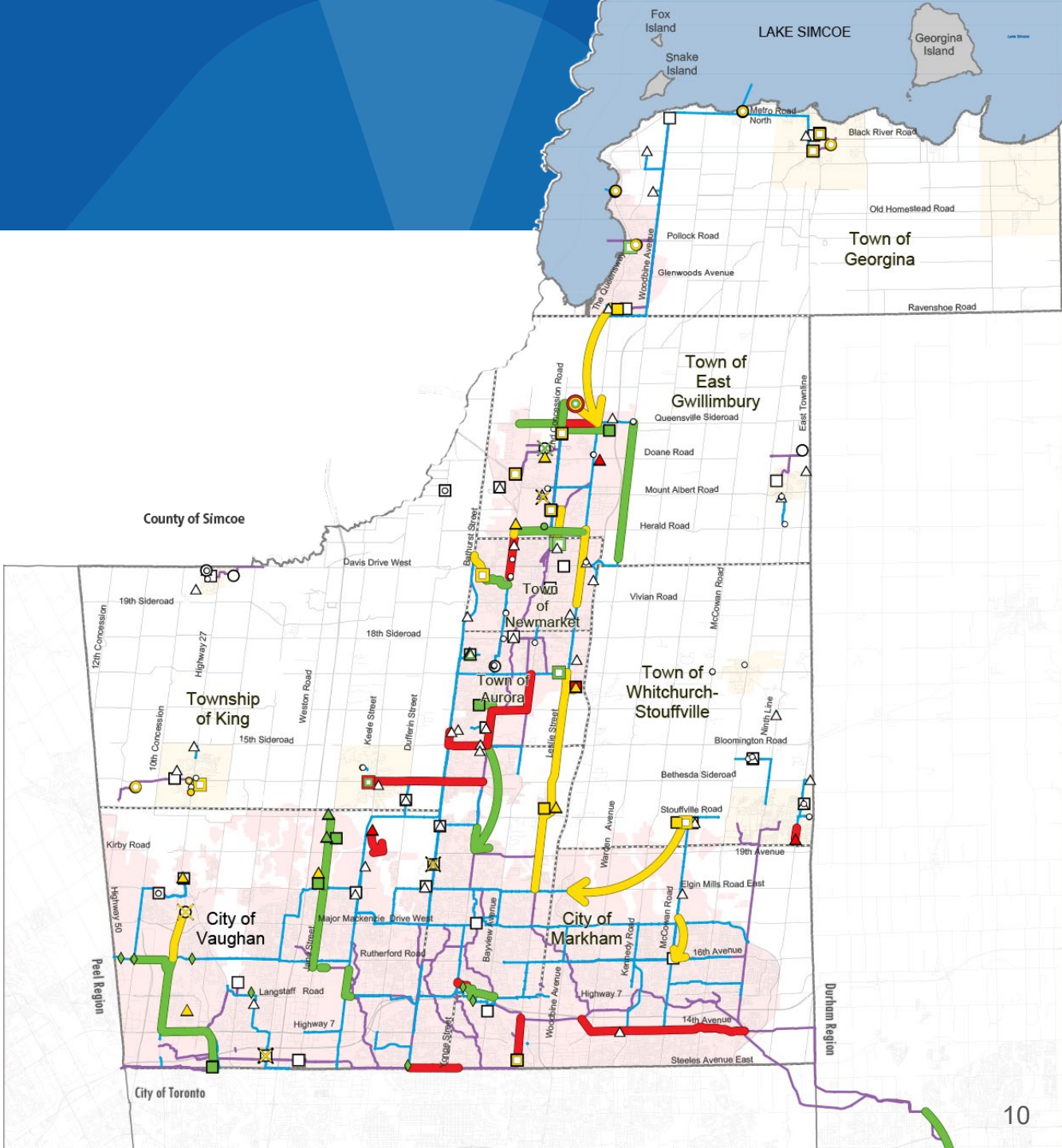
TRANSPORTATION MASTER PLAN AND CAPITAL PLAN

Transportation Capital Plan



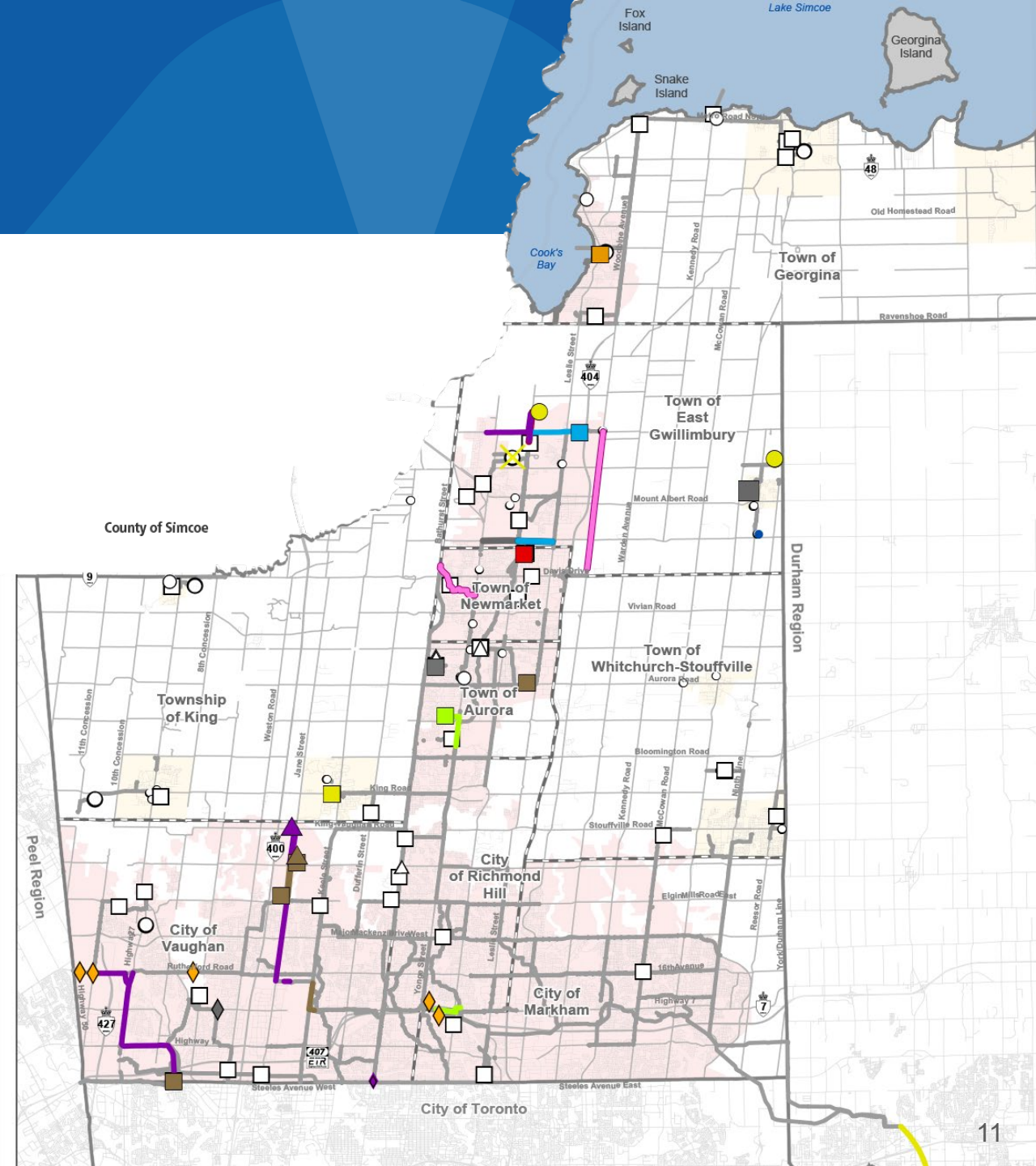
WATER AND WASTEWATER MASTER PLAN AND CAPITAL PLAN

Water and Wastewater Master Plan



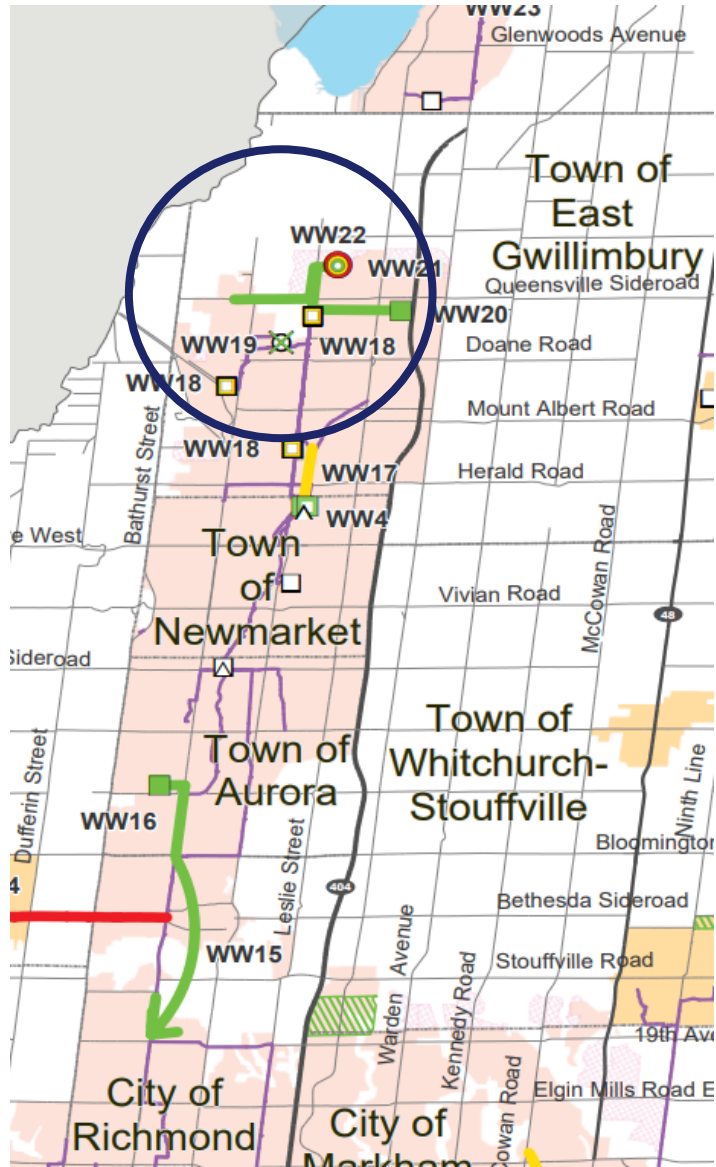
WATER AND WASTEWATER MASTER PLAN AND CAPITAL PLAN

Water and Wastewater Capital Plan

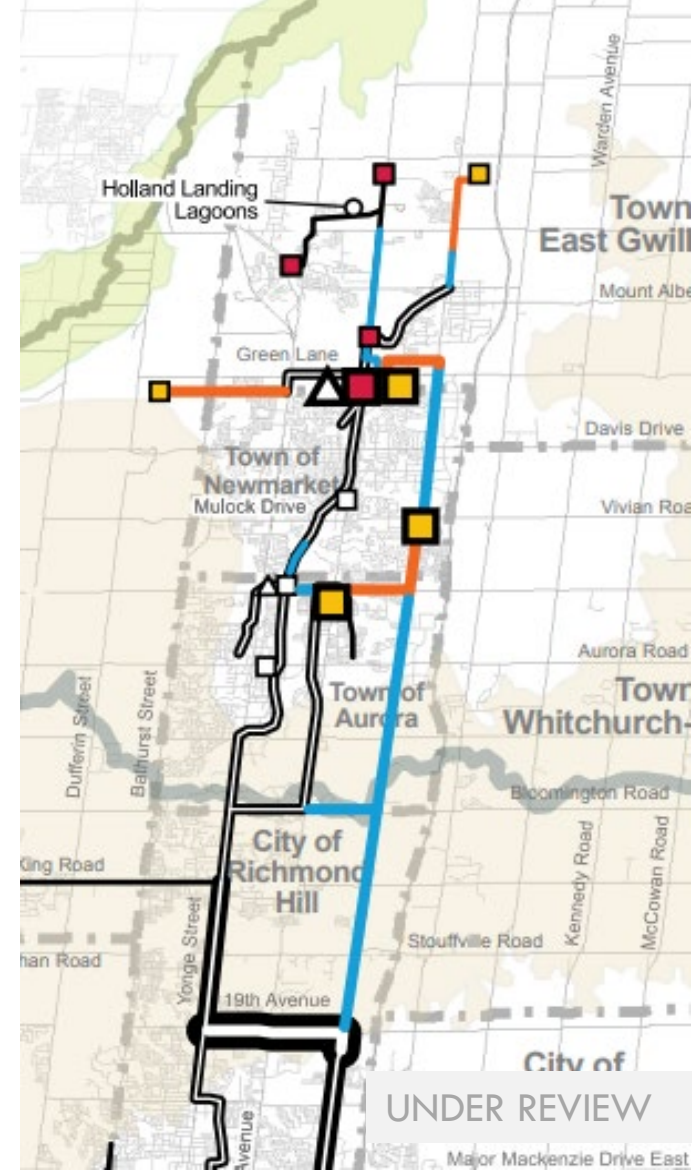


NEW PROVINCIAL DIRECTION REQUIRES EXPANSION OF THE YDSS

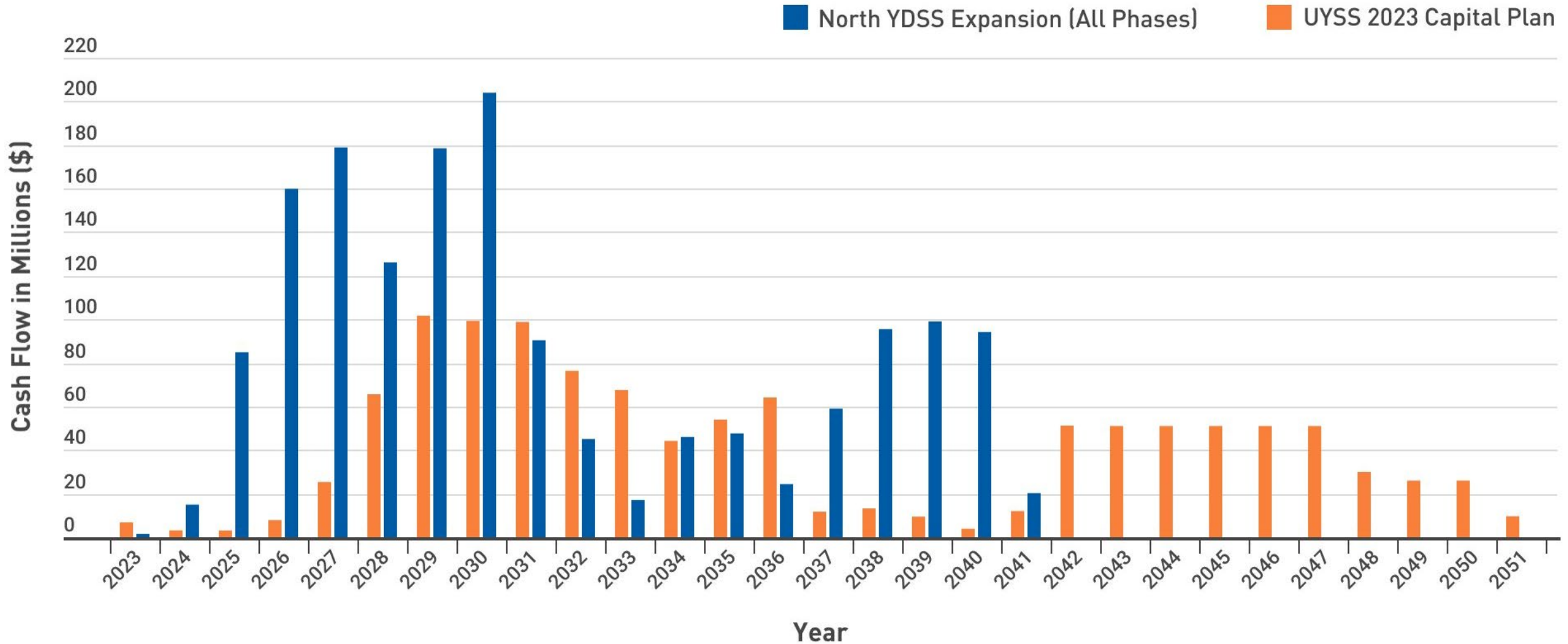
2022 Master Plan



New Provincial Direction

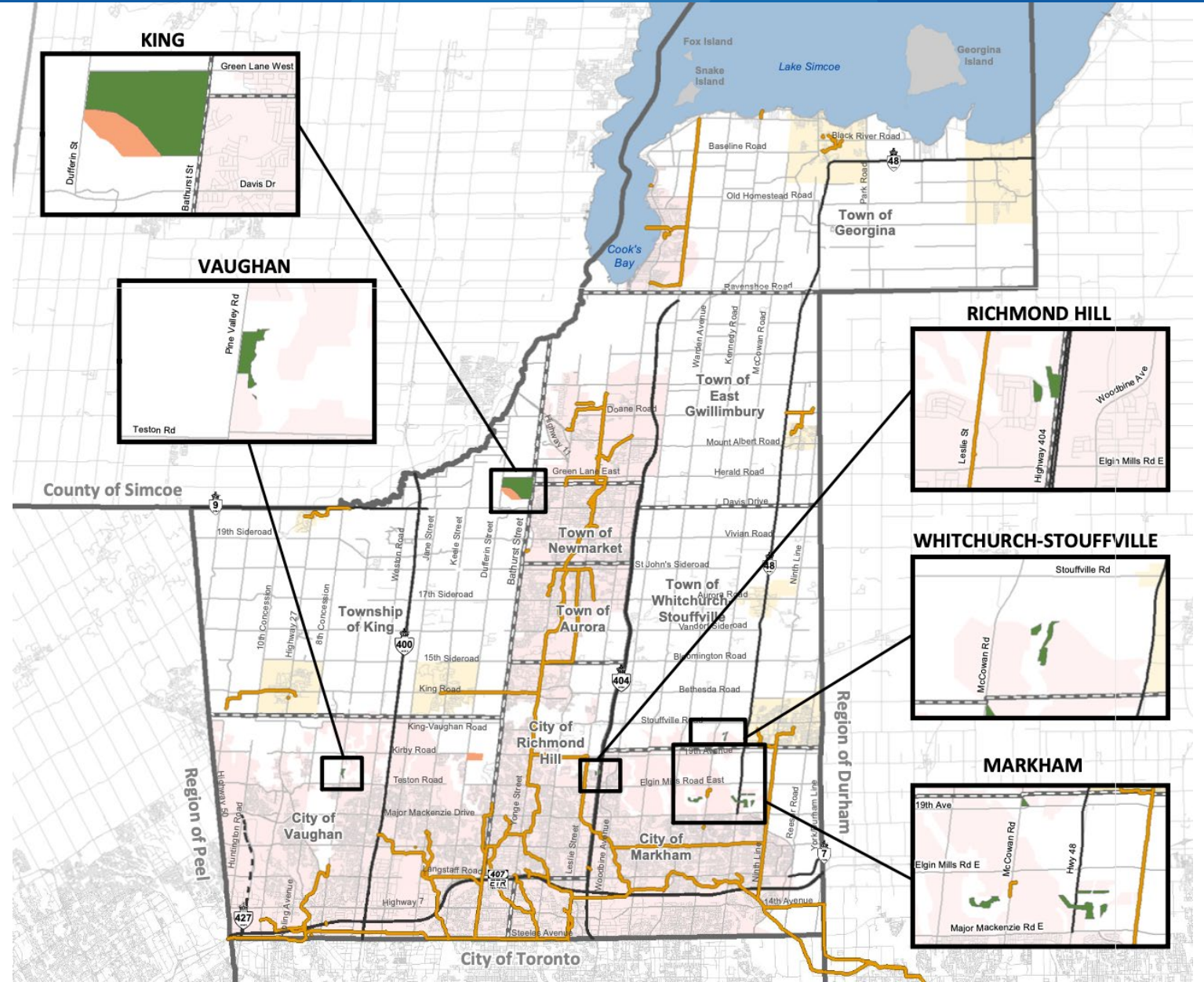


CASH FLOW MODEL— UPPER YORK PROJECT vs YDSS EXPANSION



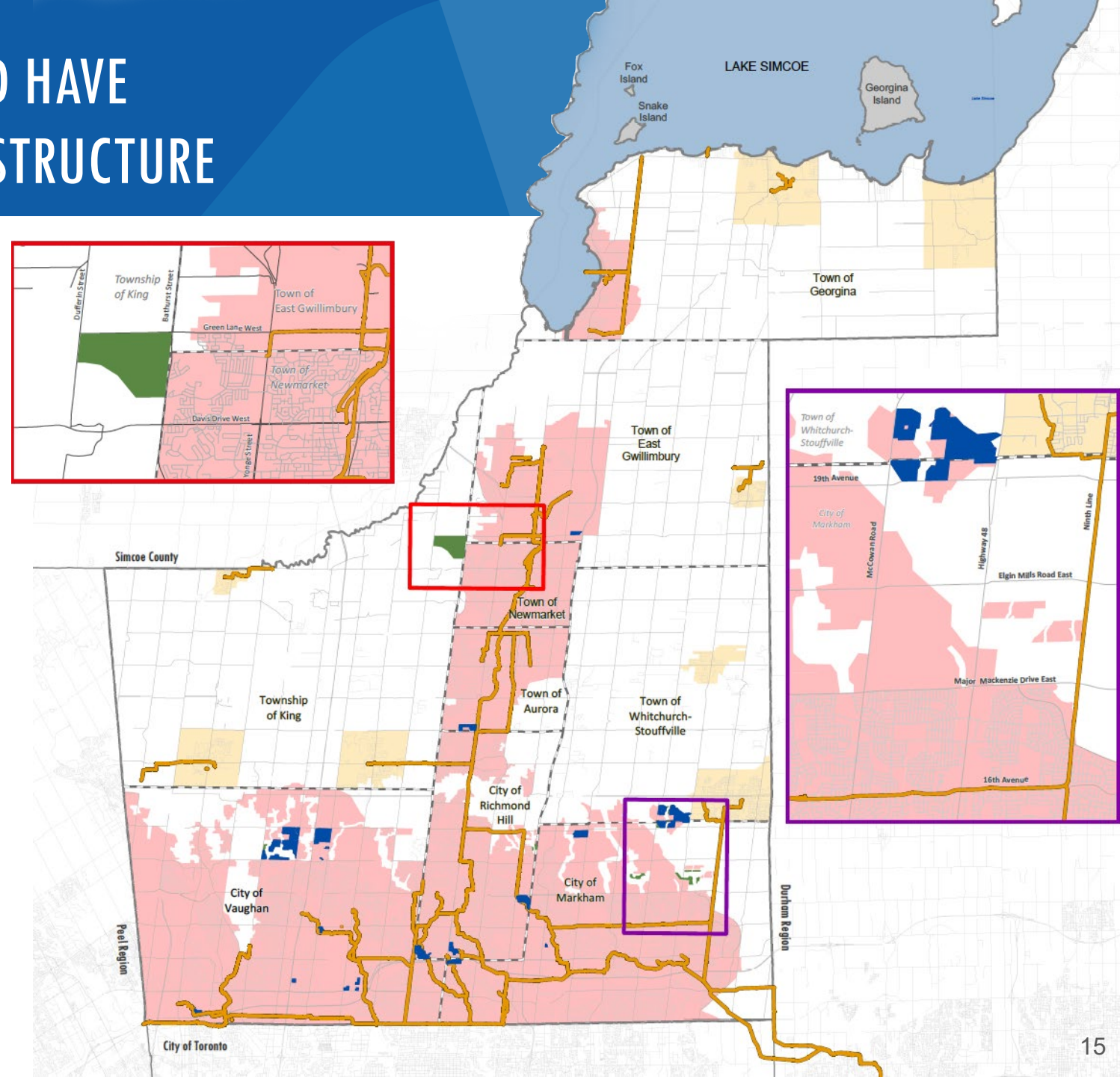
NEW GREENBELT AND OAK RIDGES MORaine LANDS REQUIRE SERVICING

- 330 hectares of land out of Greenbelt and Oak Ridges Moraine Areas
- Changes affect capacity use at Duffin Creek Plant
- Requires new or expanded infrastructure
- Requires infrastructure coordination with local municipalities



MINISTER'S ZONING ORDERS COULD HAVE INCREMENTAL PRESSURE ON INFRASTRUCTURE

- 26 MZO's in Region since 2021 to advance developments that align with Provincial priorities
- Servicing infrastructure and downstream capacity may be incremental to the capital plan
- Official Plan includes phasing policies to address development of new communities












LEGISLATIVE CHANGES INTRODUCE NEW INFRASTRUCTURE PROGRAM

- Additional growth changes assumptions in the 2022 Water and Wastewater Master Plan
- Infrastructure program will be recalibrated to accommodate new direction from the Province
- Over 150,000 persons additional capacity already exists in the YDSS
- Changes will consider a balance between affordability, infrastructure timing and growth

Region and local municipalities can develop feasible infrastructure plans and affordable funding programs

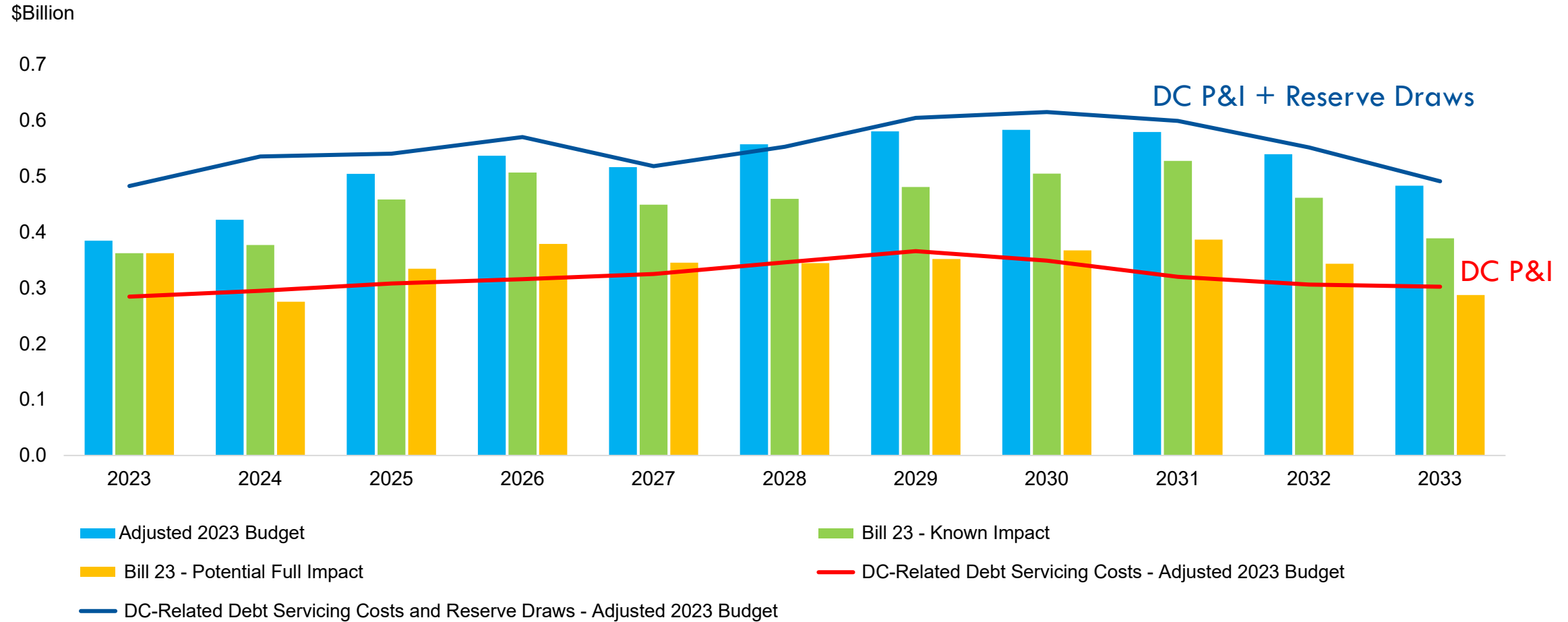
ADDRESSING FISCAL SUSTAINABILITY CHALLENGES

Provincial Change	Debt Requirement	Financial Sustainability Risk	Option for Mitigation
Bill 23 – Development Charge Changes			Increase Tax Levy and User Rate
Bill 23 – York Durham Sewage System (YDSS) Solution for Upper York service area			Option 1: Work with local municipalities to prioritize projects within expected development timing Option 2: Increase Capital Plan by including additional expenditures in the next DC bylaw
Removal of lands in York Region from Greenbelt and Oak Ridges Moraine			
Bill 97 & New Provincial Planning Statement			
Minister’s Zoning Orders (MZOs) and Transit-oriented Communities (TOCs)			Option 3: Accelerate infrastructure delivery through the use of prepaid DC credit agreement and applying Key Principles

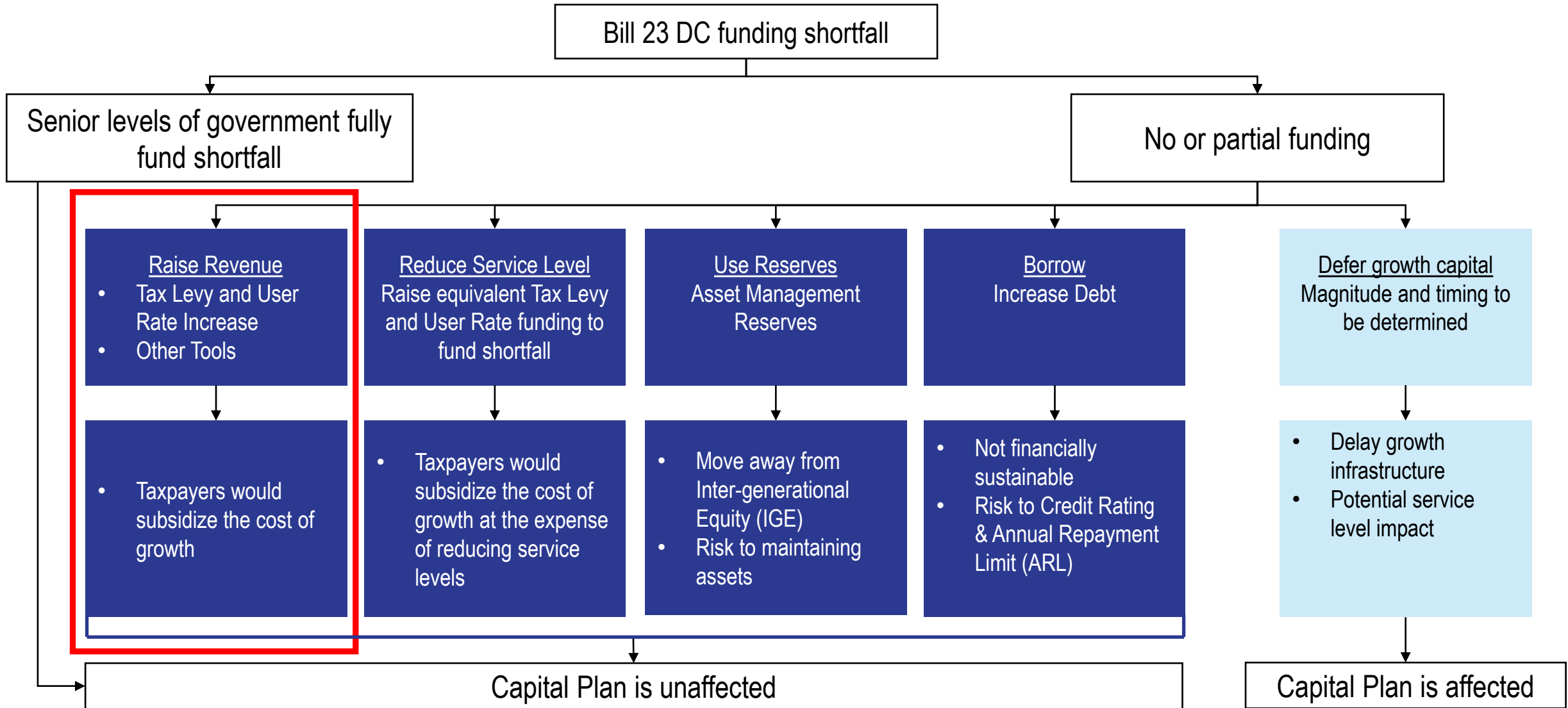
 High  Moderate

BILL 23 WILL RESULT IN LOWER DEVELOPMENT CHARGE COLLECTIONS

Projected Development Charge Collections with Bill 23 Impact (\$710 million to \$1.9 billion Reduction)



ADDITIONAL REVENUES NEED TO BE RAISED TO MAINTAIN THE CAPITAL PLAN



OPENING THE DEVELOPMENT CHARGES (DC) BYLAW EARLY PRESENTS BOTH OPPORTUNITIES AND CHALLENGES

OPPORTUNITIES

- Capture new infrastructure costs in DC rates
- Facilitate negotiation of DC Credit agreements to advance planned infrastructure

CHALLENGES

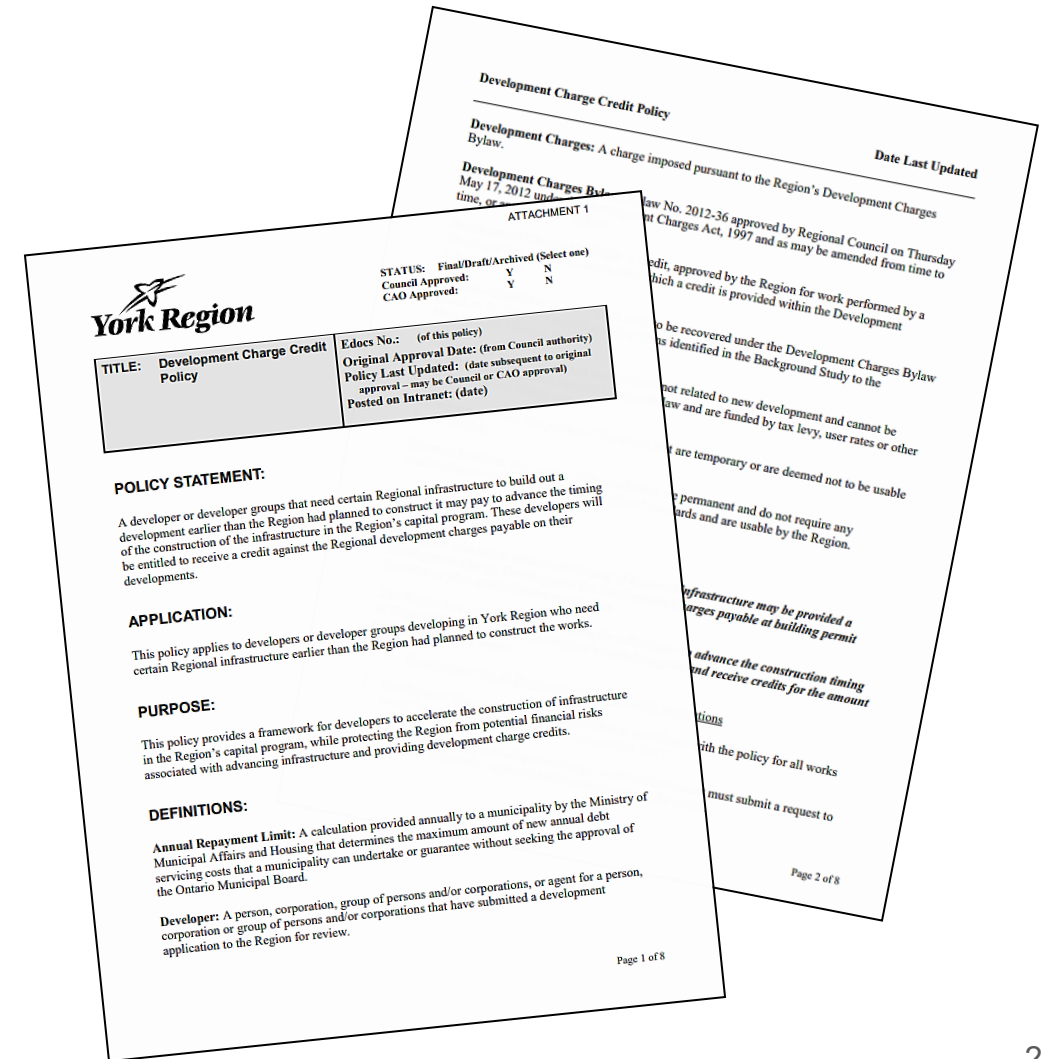
- Minimum time to update DC Bylaw defensibly, once costs and timing of infrastructure are known, 1.5 years
- Scope, timing and total cost of new infrastructure still in flux
- DC rate contingent on achievability of population targets
- New DC rates subject to phasing, which could put downward pressure on DC revenues, impacting affordability

Timeframe	Detail	Rate
2022 DC Bylaw Rate	As Approved May 26, 2022	\$77,761
Year 1	80% of Approved rate	\$60,922
Year 2	85% of Approved rate	\$64,730
Year 3	90% of Approved rate	\$68,538
Year 4	95% of Approved rate	\$72,345
Year 5	100% of Approved rate	\$76,153

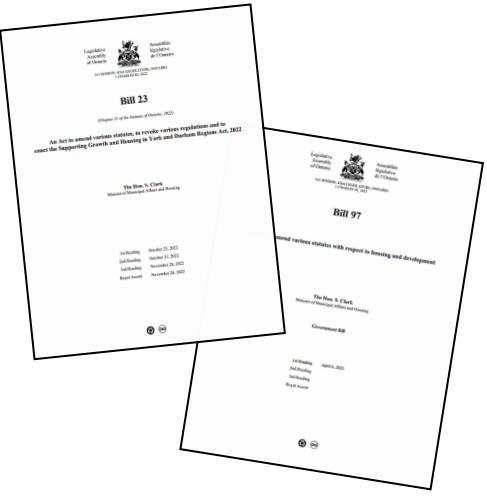
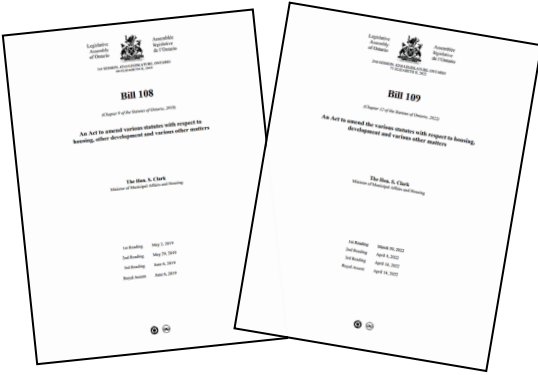
New infrastructure, not in the DC Bylaw, can still be advanced through the Region's DC Credit Policy

DEVELOPMENT CHARGE (DC) CREDIT POLICY PROVIDES FRAMEWORK FOR ACCELERATING INFRASTRUCTURE

- DC credits only provided if works are included in the Regional DC Bylaw
- Eligible credit limited to the value of the works in the DC Bylaw
- Developer required to fund 100% of the cost of the capital works, and recover eligible growth-related costs discounted for financing costs based on the project's timing in the Capital Plan. Non-growth costs not eligible for recovery
- Advancement of the project cannot result in a negative impact to the Region's Annual Repayment Limit



WORKING TOGETHER TO HELP BUILD MORE HOMES FASTER



Development
Community



KEY PRINCIPLES FOR ACCOMMODATING INCREMENTAL AND ACCELERATED INFRASTRUCTURE NEEDS

1. Prepaid Development Charge Credit Policy, as amended, will be considered to advance infrastructure that is not in Regional Plans where technically and operationally feasible
2. Unplanned infrastructure must be approved by the Region and shall be 100% funded by developers
3. Only the in-period growth costs of the infrastructure included in the Development Charge Bylaw are eligible for recovery through development charge credits
4. Water and wastewater servicing capacity will be provided through the local municipality's existing capacity assignment
5. Ownership of servicing infrastructure will follow the Water and Wastewater Infrastructure, Regional Jurisdiction Policy
6. Delivery of Regional infrastructure will follow the Region's project delivery process, including route and location selection through Environmental Assessment consistent with Region's design guidelines, standards and specifications

RECOMMENDATIONS

1. Council, through the Regional Chair, renew its request of February 23, 2023, for the Province to keep the Region financially whole as a result of development charge collection reductions due to Bill 23, *More Homes Built Faster Act, 2022* (estimated to total between \$710 million and \$1.9 billion by 2033).
2. Staff report back to Council with a potential strategy for funding development charge reductions due to Bill 23 related to residential discounts and exemptions, once Provincial guidance on these matters is known, to be included as part of the 2024 budget process.
3. Council direct staff, when reviewing servicing requests to accommodate unplanned or accelerated growth approved by the Province, to apply the key principles.
4. The Regional Clerk forward this report to the Premier, Minister of Municipal Affairs and Housing, Minister of Finance, Local Members of Provincial Parliament and local municipalities.

THANK YOU