



Report of the Commissioner of Finance **2025 Budget Directions**

1. Recommendations

1. Council endorse the proposed timelines for the development and expected approval of the 2025 Budget, as outlined in Table 3.
2. Council reaffirm the 2025 tax levy increase target of 2.60% and the Rapid Transit / Infrastructure Levy equivalent to a 1% tax levy increase consistent with the outlook in the 2024-2026 multi-year budget.

2. Purpose

To support development of the Region's 2025 Budget and 2026 outlook, this report provides background information seeking Council endorsement of proposed budget timelines and reaffirmation of 2025 outlook endorsed as part of 2024 Budget.

Key Points:

- With Council reaffirmation, the 2025-2026 Budget will be developed based on the outlook endorsed as part of the 2024 Budget
- Legislative changes, such as *More Homes Built Faster Act, 2022* (Bill 23), continue to represent risks to the budget
- The 2025 Budget is proposed to be tabled with Council in October 2024, with consideration and expected approval by the end of November 2024
- Program or service areas with governing boards will be required to finalize their budgets by end of September to meet the proposed timeline for the Region's 2025 Budget

Should Council members wish to discuss specific budget priority items for potential inclusion in the 2025 budget, they are encouraged to discuss the item with the Chairman and the CAO by May 31, to facilitate timely investigation of the feasibility of incorporating such requests within the endorsed budget outlook.

3. Background

The 2025 Budget will be the third year of 2023-2026 Multi-year Budget

The Region implemented multi-year budgeting in 2015, which includes an approved budget and annual outlooks aligning with the Council term. This approach enables better coordination of budgeting and strategic priorities, provides greater certainty for departments to manage expenditures, and supports long-term financial sustainability through the Fiscal Strategy.

Multi-year budgeting does not eliminate the annual budget approval process. Recognizing circumstances may change over time, the outlook is revisited every year and adjusted as necessary. Each year, in the spring, Council is asked to reaffirm the previously endorsed outlook.

On December 21, 2023, Council approved the second year of the 2023-2026 Multi-Year Budget and endorsed an outlook for 2025 and 2026. The 2024 Budget included a tax levy increase after assessment growth of 2.75% and a further 1% Rapid Transit / Infrastructure Levy. Outlooks for the final two years of the multi-year budget include tax increases of 2.60% and a Rapid Transit / Infrastructure Levy equivalent to a 1% tax levy increase for both 2025 and 2026. With Council reaffirmation, this outlook will guide budget development. The 2025 Budget will be the third year of the current Multi-year Budget, as shown in Table 1.

Table 1
Annual Operating Budget Approval for 2023-2026 Council Term

Annual Budget Year to approve	Outlook Years to endorse
2023	2024-2026
2024	2025-2026
2025	2026
2026	none

The 2025-2026 Budget will continue to focus on long-term financial sustainability

The Region’s Fiscal Strategy, first adopted by Council for the 2014 Budget, is updated and approved annually alongside the budget. The Fiscal Strategy consists of three related elements: capital management, reserve management, and debt management, and is guided by principles of long-term financial sustainability and inter-generational equity.

The Fiscal Strategy is focused on alignment of capital spending with expected timing of growth and is informed by long term asset management plans. It also requires reserve contributions to meet the Region’s growing asset management needs without issuing new debt.

Annual reserve contributions are generally set at the start of a multi-year budget cycle and monitored each year to align with long-term needs. In the first year of the next multi-year budget, reserve contributions will be reset to reflect the most current projections of growth-capital and asset management needs.

4. Analysis

Assessing pressures and risks helps identify potential budget impacts and mitigation strategies

Reviewing potential pressures and risks will be a key part of developing the 2025 Budget. This helps inform any potential adjustments to the endorsed outlook and strategies to mitigate impacts on programs and services. Assumptions in the 2024 Budget and outlook, such as inflation, interest rates and other economic variables, will also be reviewed.

Programs and services with legislated commitments will also be reviewed for potential impacts from changes by senior governments. The 2025 budget will continue efforts to identify sustainable funding for the \$12.8 million critical social infrastructure initiative included in the 2023 Budget, with \$8.8 million already provided. As previously directed by Council, an update will be provided in the 2025 budget process.

Opportunities for efficiencies are reviewed as part of the annual budget process

To help manage potential pressures and minimize impacts on programs and services, an important part of the annual budget process is the review of base budget items for cost savings, service reductions, and efficiencies, as well as historical surpluses. For the 2025 Budget, these potential savings could help offset risks or pressures identified by departments through budget development, provide further sustainable funding for the Supporting Critical and Social Infrastructure initiative, and help address development charge collection reductions from Bill 23.

Table 2 shows the savings framework and approaches used in previous budgets which may be considered as part of 2025 budget development. The framework helps identify potential savings initiatives and key considerations, including program and service impacts, and risks.

**Table 2
Framework to Assess Potential Savings**

Efficiencies	Service Level Adjustments	Risk Tolerance and Other
Identify programs and services for efficiencies, and other cost-savings	Adjust programs and service levels to reduce costs	Review assumptions for potential risks and update expenditure and revenue forecasts as necessary

The 2024 10-year capital plan is the basis for developing the 2025 capital plan

The 2024 10-year capital plan, endorsed by Council on December 21, 2023, will serve as the basis for developing the 2025 10-year capital plan. Changes to the previously endorsed plan will include a new tenth year of 2034 and may also include cost revisions due to inflation, scope change and timing of existing capital projects. Departments may propose new capital projects, including those addressing Bill 23 housing targets, or other Council priorities such as achieving net-zero greenhouse gas emissions by 2050.

The 2025 Budget and outlook for 2026 are expected to continue with the annual incremental 1% Rapid Transit / Infrastructure levy to support critical infrastructure in York Region.

The 2024 10-year Capital Plan supports achieving at least 60% of new provincial housing targets from 2022 to 2031. The Region will monitor progress towards the targets to help align infrastructure with growth as closely as possible. To meet 100% of the Province's housing target, the Region could require at least \$2.6 billion of additional capital infrastructure. The feasibility of incorporating additional capital infrastructure will be evaluated as part of the development of the 2025 Fiscal Strategy and Long-Term Debt Management plan.

Departments also identified priority projects reliant on senior government funding commitments not yet secured, including advancement of the Region's bus rapid transit network and additional community housing initiatives. Potential inclusion of these projects in the Region's 2025 10-year capital plan is subject to funding availability and Region's fiscal capacity.

Through the 2025 Budget, Council will be asked to approve 2025 single-year capital expenditures and Capital Spending Authority, including associated funding sources. Capital Spending Authority is the authority from Council to commit multi-year funding to those capital projects with clear and certain multi-year commitments.

Development charge reductions from Bill 23 will be funded from surplus, where available, while the Region awaits confirmation of Provincial funding

As outlined in the 2024 Fiscal Strategy report, operating surplus will be used to fund development charge reductions resulting from Bill 23 and other legislated discounts. Where forecasted or actual surpluses are insufficient, funds would be drawn from the Debt Reduction Reserve for tax levy-related service areas and the Water and Wastewater Rate Stabilization Reserves for user rate-related service areas.

The 2025-2026 Budget is proposed to be tabled in October 2024 and considered for approval in November 2024

The 2025 Budget is proposed to be tabled with Council in October 2024. Departmental budget reviews would take place at Committee of the Whole meetings in November 2024, followed by final budget approval considered by Council at its November meeting.

Development of the 2025 Budget will include several meetings of the Budget Leadership Team, comprised of senior staff from Regional departments and boards to shape budget development and track progress. The Regional Chair and the Chief Administrative Officer will review the draft budget prior to tabling with Council in October 2024. Table 3 summarizes the key dates in the proposed 2025 Budget process.

**Table 3
Proposed 2025-2026 Budget Timeline**

Key Activities/ Milestones	Date
Consideration of Budget Directions Report by Committee of the Whole	April 11, 2024
Development of departmental budget submissions	April – June/July 2024
Review of departmental budget submissions by senior management and development of recommendation to Council	July – September 2024
Approval/review of budgets for York Regional Police, York Region Rapid Transit Corporation, Housing York Inc. and YorkNet by respective boards	By end of September 2024
Budget Tabling with Council	October 2024
Review of departmental budgets by Committee of the Whole	November 2024
Targeted Budget approval by Council	November 2024

Program or service areas with governing boards (York Regional Police, York Region Rapid Transit Corporation, Housing York Inc. and YorkNet) will be required to finalize their budgets by end of September 2024 to meet the proposed timeline for the Region’s 2025-2026 Budget, including review and approval for consolidation as part of the Region’s budget.

Council members are encouraged to discuss specific priority items and potential offsets with the Chairman and the CAO by May 31. This allows timely investigation of the feasibility of incorporating such requests within the 2025 budget.

The Multi-year Budget process supports the 2023 to 2027 Strategic Plan

The 2023 to 2027 Strategic Plan guides the multi-year business planning and budgeting process. Priorities outlined in the Strategic Plan will be reflected in the 2025 and future Regional budgets. Anchoring the Strategic Plan in core services ensures the Region continues to meet its legislative obligations while remaining flexible and responsive to the changing needs of our residents. Next year’s Progress Report demonstrating 2024 results on performance measures will reflect York Region’s ability to achieve the 2023 to 2027 Strategic Plan objectives.

5. Financial Considerations

The direction outlined within will inform development of the 2025-2026 Budget. The Budget establishes expenditures and funding for Regional services in 2025, and the outlook for 2026 will form the basis of the budget process next year.

6. Local Impact

The 2025-2026 budget will fund services and capital infrastructure for residents and businesses in all local municipalities within York Region. Certainty and discipline in the budget help local municipalities with their budget planning.

7. Conclusion

This report seeks Council endorsement of the proposed timelines for development and approval of the 2025 Budget and a target tax levy increase of 2.60% and a Rapid Transit / Infrastructure Levy equivalent to a 1% tax levy increase.

Staff propose to table the 2025-2026 Budget with Council in October 2024, with consideration of approval in November 2024.

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:



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