ATTACHMENT 2

The Regional Municipality of York

2025 Long-term Debt Management Plan

York Region

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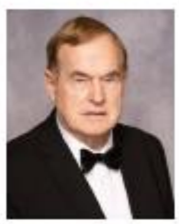

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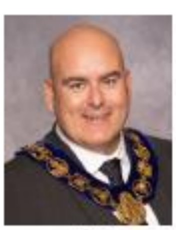

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2025 Long-Term Debt Management Plan

Executive Summary

Council's annual affirmation of the Long-Term Debt Management Plan is one of two conditions required for York Region to access the growth-related cost supplement component of its Annual Repayment Limit (ARL). This supplement allows the Region, if required, to borrow more than it would otherwise be permitted under provincial regulations. In April 2021, the Province renewed the growth-related cost supplement for another ten years, which expires December 31, 2031.

Ontario Regulation 403/02 also requires that Region maintains at least AA- credit rating. York Region exceeds this condition as it currently holds the highest ratings available with both Moody's Investors Service (Aaa) and S&P Global Ratings (AAA). Maintaining a "AAA" credit rating is one of the key principles endorsed by Council in the Region's Fiscal Strategy.

Since 2011, Council has annually affirmed the Long-Term Debt Management Plan. Region has remained well within its ARL with the growth-related cost supplement during this period and maintains its strong financial position. Through annual implementation of the Long-Term Debt Management Plan and Fiscal Strategy, Region has reduced its net debt level from 2017 peak of $2.9 billion – net debt of $2.1 billion is expected at the end of 2024. Risks still exist with the long-term debt strategy and primarily relate to the impact of high interest rates, fluctuating annual development charge collections and provincial requirements. Risks and mitigation strategies are discussed in section 3 of this Long-Term Debt Management Plan.

As part of the 2022 Regional Fiscal Strategy, Council directed the Capital Financing and Debt Policy be amended to limit access to the growth-related cost supplement to only debt associated with Yonge North Subway Extension (YNSE). Based on the proposed 10-year capital plan, this requirement will be met.

Background

Ontario municipalities can only issue long-term debt for capital purposes. Province regulates amount of municipal debt and other financial obligations through the annual repayment limit regulation[1] under the *Municipal Act, 2001*.

In 2011, Province recognized York Region as a high growth municipality with unique debt requirements and passed a York-specific regulation[2] that allowed it to borrow a higher amount based on the amount of its development charge collections. The regulation was renewed by the Province in 2021 for another ten years and expires December 31, 2031.

Annual repayment limit restricts the aggregate annual cost of servicing anticipated long-term debt and other financial obligations of a municipality to 25 per cent of its own source

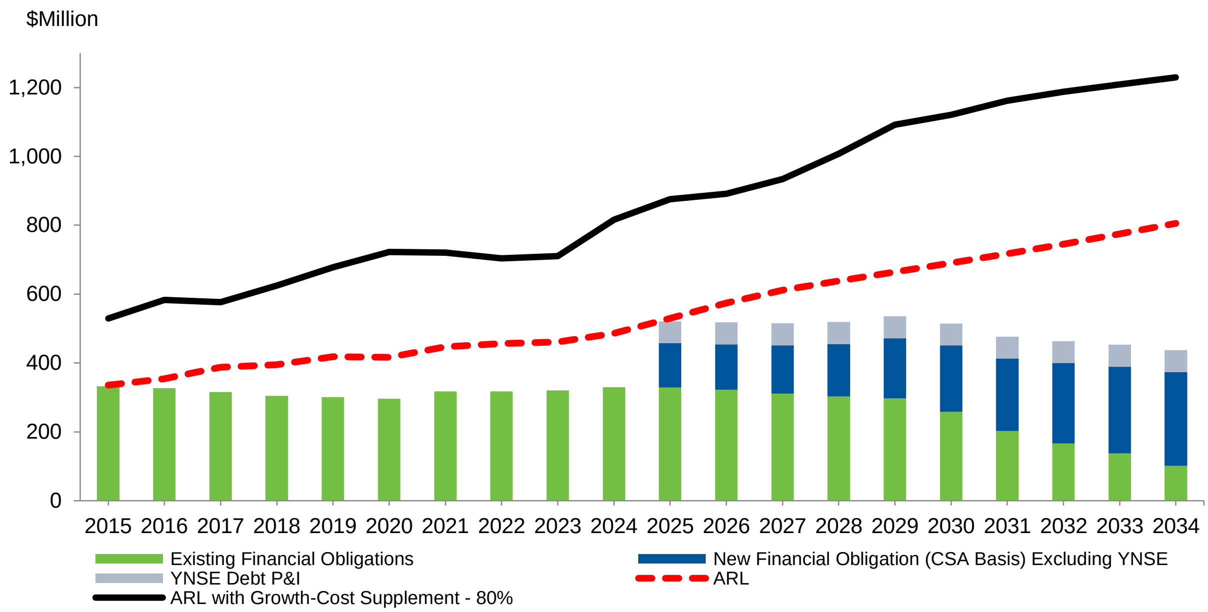
[1] Ontario Regulation 403/02 for Debt and Financial Obligation Limits.
[2] Regulation 289/11 amended Ontario Regulation 403/02 to add Section 4.1.

revenue, plus, for York Region, a growth cost supplement equal to 80 per cent of the average of the preceding three fiscal years of development charge collections. Combination of the annual repayment limit and the growth cost supplement is called the growth-related annual repayment limit but is referred to as the annual repayment limit in this Long-Term Debt Management Plan.

In the absence of the growth-related cost supplement, as illustrated by the red dotted line in Figure 1, the Region would have come close to breaching the ARL in 2015 and potentially again in 2025.

Figure 1

Annual Repayment Limit Actual and Forecast



Source: York Region Finance Department. Actual amounts between 2015 and 2024. Forecast amounts between 2025 and 2034. Development Charge Collections used for Growth-Cost Supplement calculation reflect Bill 23 exemptions and discounts.

Region met both conditions to qualify for growth-related cost supplement

To qualify for the growth-related cost supplement, Region is required to meet two conditions on an annual basis:

1. Maintain at least an Aa3 credit rating from Moody’s Investors Service or AA– from S&P Global Ratings (or equivalent)

2. As part of preparing its budget for the fiscal year, Council adopts or affirms a plan for management of its long-term debt and financial obligations

In 2024, Region met the first condition by maintaining its Aaa credit rating with Moody's Investors Service and AAA credit rating by S&P Global Ratings. This is in accordance with the Region's Fiscal Strategy key principle endorsed by Council of maintaining a "AAA" credit rating. The Fiscal Strategy drives the amount of capital the Region can invest in and the debt amount to be issued to allow the Region to maintain a "AAA" credit rating.

To meet the second condition, Province requires Regional Council to consider the following items as part of its Long-Term Debt Management Plan:

1. Long-term debt and financial obligations over multi-year period
2. Projections of annual repayment limit for each year of multi-year period compared to its existing and proposed long-term debt and financial obligations payments
3. Risk and mitigation strategies associated with long-term debt strategy
4. Long-term debt and financial obligations policy
5. Prudent and cost-effective management of existing and projected long-term debt and other financial obligations
6. Estimated temporary borrowing needs
7. Evaluation and comparison of 2024 projections and outcomes

The remainder of the Long-Term Debt Management Plan is outlined to discuss these items.

1. Long-term debt and financial obligations over multi-year period

Fiscal strategy guided preparation of 2025 Budget

When preparing 2025 Budget, staff followed principles of an updated fiscal strategy to help better manage Region's financial resources. A major tenet of this strategy is to use a balanced approach when funding long-term capital expenditures (i.e. a balance between capital management, debt management and reserve management). To accomplish this, there is a detailed annual review of both forecasted capital expenditures and funding sources. Where necessary, level of expenditures may be adjusted to better match available funding, while maintaining overall capital priorities.

10-year capital plan submitted to Council for 2025 Budget is $0.6 billion higher than last year's plan (Figure 2).

Figure 2

Fiscal Impacts at a Glance

	2024 Budget ($Billion)	2025 Budget ($Billion)	Change ($Billion)
10-year capital plan	11.6	12.2	0.6
New DC debt in the next 10 years	2.0	4.0	2.0
New housing related debt in the next 10 years	0.0	0.0	0.0
New tax-levy debt in the next 10 years	0.1	0.1	0.0
New rate-supported debt in the next 10 years	0.0	0.0	0.0
Debt repaid over next 10 years	2.3	2.7	0.4
Increase in reserves in next 10 years	3.9	3.5	(0.4)
DC collection in the next 10 years	4.9	5.4	0.5

Source: York Region Finance Department
Numbers may not add due to rounding

The Region's projected new DC debt issuance over 2025-2034 is $4.0 billion, which is $2.0 billion higher than last year's 10-year capital plan. The Region is expected to collect $5.4 billion in development charges over next ten years for projects which help service incremental debt along with funding some capital projects directly. 2025 development charge collection forecast is discussed in more detail in section 3.

Use of tax levy-supported Debt Reduction Reserve will avoid $401.1 million of new tax levy debt over the next 10 years.

Phase-in of full cost recovery for water and wastewater services began in 2016. With rate increases adopted by Council on September 9, 2021, user rate reserves are expected to be sufficient to pay for water and wastewater related infrastructure projects without the need to issue any new user rate debt over the next 10 years.

Debt required for capital projects being authorized by Council for 2025 is higher compared to previous budget

Capital spending authority (CSA) is Council's authorization for departments to proceed with capital projects, including multi-year projects. Region must have enough debt room when CSA is approved to remain within its provincially mandated annual repayment limit.

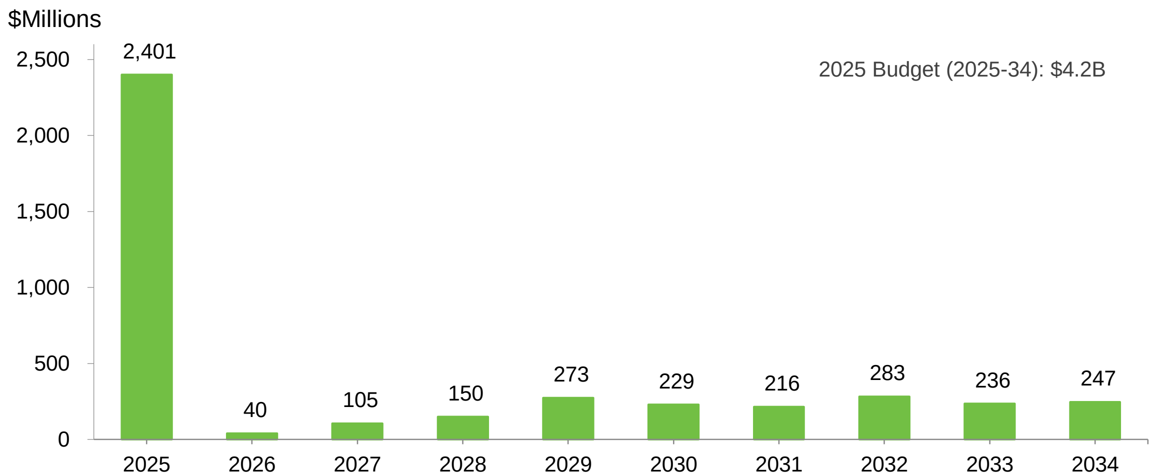
Approximately $2.4 billion (or 57 per cent) of $4.2 billion in projected debenture requirements has been included within CSA for 2025, as illustrated in Figure 3. This is higher than CSA for 2024 of approximately $0.9 billion (or 43 per cent) of the $2.2 billion in the projected debenture requirements within the 2024 budget.

The capital plan also contains projects with estimated debt of about $1.8 billion that are planned, but do not yet have CSA. For purposes of this Long-Term Debt Management Plan, Finance staff estimated future debt requirements on a CSA basis[3], as illustrated in Figure 3. For example, the Region will seek Council authorization to issue $2.4 billion of new debt to commit to capital projects within CSA for 2025.

CSA in the first budget year is required for the full amount of debt expected to be issued over the term of the project. This authority is needed for departments to be able to commit to capital projects and helps York Region manage debt projections on the long-term basis. Actual debt issuance will be spread between 2025-2034.

Figure 3

Multi-Year Forecast of New Debt on a CSA Basis



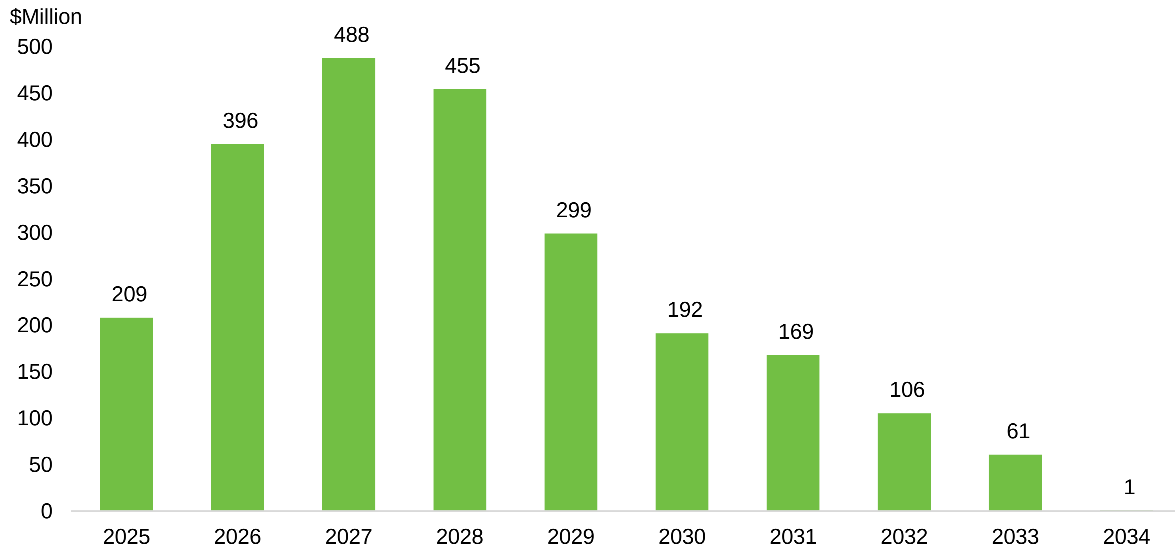
Source: York Region Finance Department

Actual capital expenditures associated with the $2.4 billion 2025 CSA debt are expected to be incurred over 10 years as shown in Figure 4.

[3] CSA is the authority from Council to commit funding to a capital project. The authority may span several years for multi-year projects and is based on departmental spending estimates. The 2025 Budget will approve one year of multi-year capital spending authority for 2025.

Figure 4

Actual capital expenditures associated with 2025 CSA debt

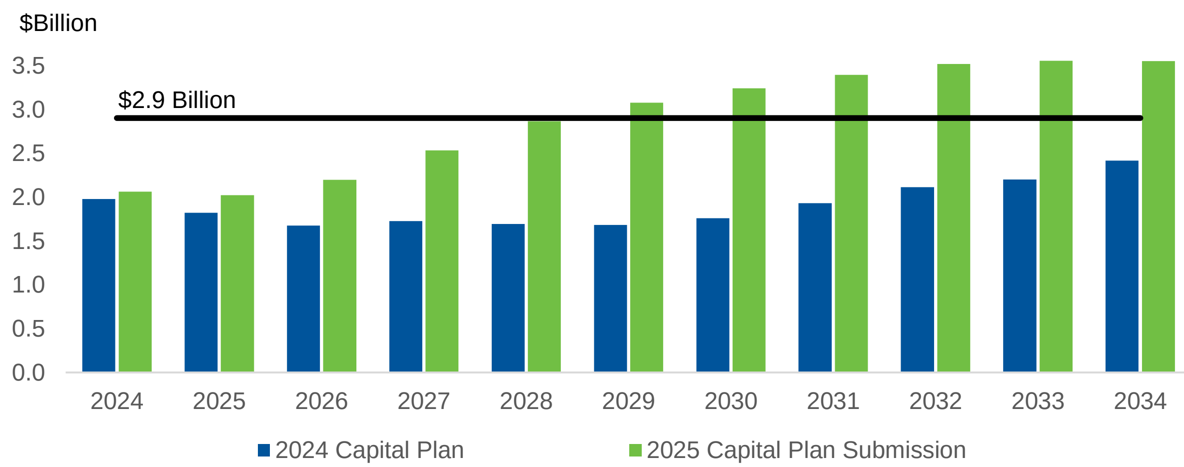


Source: York Region Finance Department

If debt needs remain as shown in 10-year capital budget and all future capital spending authority debt occurs as planned, Region's net outstanding debt is projected to reach $3.5 billion in 2034 as illustrated in Figure 5.

Figure 5

Net Outstanding Debt Projection 2024 to 2034



Source: York Region Finance Department
Assuming Development Charge reductions of approximately $325 million for the impact of Bill 23

Debt profile has worsened from 2024 Capital Plan reaching a higher level of net outstanding debt by 2034 in 2025 Proposed Capital Plan. This is primarily the result of the increase in DC funded costs as well as the acceleration of development charge funded spending to the early years of the plan, and lower development charge collection forecast resulting from growth not occurring as quickly as previously expected.

Since Council direction was given through the 2014 Fiscal Strategy, no tax levy debt has been issued in the Region except in June 2022, when Council authorized a one-time exemption to participate in the Canada Infrastructure Bank (CIB) low-interest loan program. This was part of the Zero Emission Transit Fund (ZETF) joint program application to support the Region's Council-approved Transit Fleet Electrification Program. As such, $136.0 million tax-levy debt is included in the 2025 10-year debt issue forecast.

2. Projections of annual repayment limit for each year of multi-year period compared to its existing and proposed long-term debt and financial obligations payments

How much debt room will we have?

The annual repayment limit is calculated by determining and projecting 25 per cent of own-source revenues and adding 80 per cent of the rolling average of the preceding three years' development charge collections (derived from actual development charge collections for the past years and anticipated development charge collections net of any reductions due to provincial legislation for the current and future years). Existing and proposed annual financial obligations must be within this limit. These calculations are shown in Appendix A.

Based on these calculations, the Region's annual repayment limit will increase from $876 million in 2025 to $1,230 million by 2034, as illustrated by the solid black line in Figure 1.

What are our estimated debt and other financial obligation payments?

Existing debt payment and other financial obligations include following components: Principal and interest obligations, Hospital and University funding, Social housing mortgages and Long-term leases.

Annual payments for existing debt and other financial obligations will total $328 million in 2025 and are estimated to decrease to approximately $101 million by 2034. This estimate is for existing debt only and excludes any principal and interest costs associated with new debt issued in the future. Annual payments on existing debt only are expected to reduce from $309 million in 2025 to $100 million by 2034 as debt is repaid.

Hospital financing reserve contributions reflect committed projects and include forecasted adjustments for assessment growth. Reserve contributions rise from $7.2 million per year in 2024 to approximately $7.8 million per year in 2029 before the final contribution of approximately $7.0 million in 2030. The Region is also expected to contribute approximately $1 million annually towards a commitment of $25 million for a new York University campus located in the City of Markham ($9 million contributed to date from 2015-2023).

As noted earlier, the CSA budgeting concept employed by the Region requires that there be enough debt room under the annual repayment limit at the time of project authorization. For example, to assign CSA to projects as part of 2025 budget process, the Region must have sufficient room under its 2025 annual repayment limit to recognize full financial cost of the projects “as if” they were going to be incurred entirely in 2025, even if actual costs are spread out over multiple years. This is the case for each year of the capital plan.

10-year capital plan in proposed 2025 Budget is $12.2 billion, of which $4.1 billion will be debt financed. Assuming a weighted average annual interest rate of 4.40 per cent and a term of 20 years, annual obligation arising from the $2.4 billion CSA debt required in 2025 will be approximately $193 million.[4]

Annual debt payments related to each year’s increment have been calculated on the same basis as 2025 CSA, assuming a weighted average interest rate for new debt being issued of 4.40 per cent by 2034 factored in the financial obligations associated with new debt-related CSA increasing to $336 million by 2034.

Will the Region be within its annual repayment limit?

The Region’s financial obligations, shown in Figure 1, will remain within its annual repayment limit with the growth cost supplement for each of the next ten years. An illustration of the 2025 and 2034 ARL calculations are shown in Figure 6.

Figure 6

Region’s 2025 and 2034 ARL Calculations ($Millions)

Component Description	Forecast 2025	Forecast 2034
25% of Own Source Revenues	530	806
Plus: Growth Cost Supplement[5]	346	424
Total Annual Repayment Limit	**876**	**1,230**
Less: Existing Debt Payment and Financial Obligations	328	101
Less: Anticipated New Debt Payment	193	336
Remaining Annual Repayment Limit	**355**	**793**

Source: York Region Finance Department
Numbers may not add due to rounding

[4] 2025 repayment obligation of $193 million based on weighted average interest rate based on a review of current and historic rates as well as planned capital spending authority cash flow timing. 20-year term is based on anticipated average term of future debt issues. Debt repayment is calculated on a “full commitment basis”, which allocates a full year’s payment to year of issuance rather than partial (i.e., interest only) payment that usually occurs because of issuance timing.

[5] Growth Cost Supplement in 2025 is calculated at 80 per cent of the 3-year rolling average of development charge collections (2021-2023 inclusive).

After considering new debt requirements, Region's remaining annual repayment limit room lowers to $355 million in 2025 and $793 million in 2034. Excluding the supplement, Region's remaining annual repayment limit would lower to $9 million in 2025 and $369 million in 2034.

3. Risk and mitigation strategies associated with long-term debt strategy

High interest rates and fluctuating annual development charge collections represent one of the most significant risks to debt management

Higher interest rates directly impact cost of borrowing for the Region. As the Bank of Canada's policy rate increases, investors require a higher rate of interest on Region's debt issuances. A key metric used by credit rating agencies is the interest expense as a percentage of operating revenue. As interest rates increase, greater pressure is placed on this metric, and it could lead to a potential downgrade if debt levels are not maintained at financially sustainable levels. 2025 Capital Plan has been optimized to ensure debt servicing costs remain sustainable.

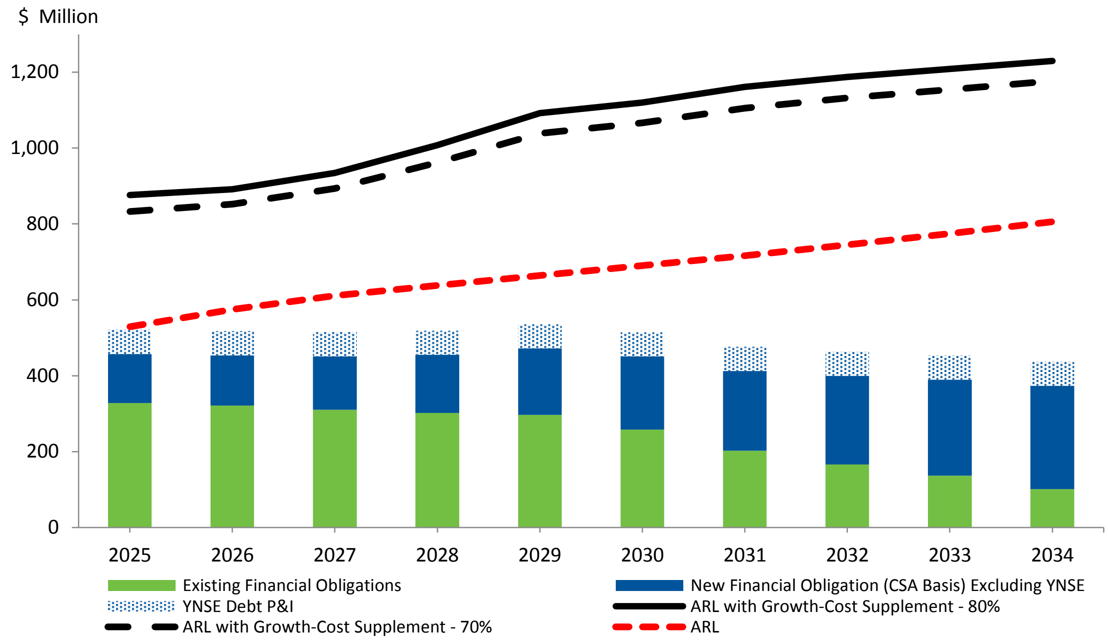
Development charge collections (used to calculate growth-cost supplement) can vary significantly from one year to the next as economic conditions and legislations change (i.e., Bill 23, *More Homes Built Faster Act, 2022* (Bill 23), and Bill 185, *Cutting Red Tape to Build More Homes Act, 2024* (Bill 185)). Lower than expected collections could limit Region's debt borrowing ability to levels below what has been indicated in this Long-Term Debt Management Plan and require changes in the phasing of the capital plan if the overall debt level is to be maintained as planned. Staff continuously monitor development charge collection trends and will update the forecast to incorporate necessary changes before finalization of the capital plan during the budget process. Please refer to the 2025 Budget Book, Fiscal Strategy and Long-Term Financial Planning Chapter for more discussion on development charge collections and the impact of recent legislative changes.

Capital plan is measured against an adjusted annual repayment limit

To mitigate risk, the capital plan is measured against an adjusted annual repayment limit that uses only 70 per cent of the three-year rolling average of development charge collections as a cost supplement, versus the 80 per cent permitted, unless specific Council approval is obtained to do otherwise. This is illustrated in Figure 7, showing Region's obligations would still be within its annual repayment limit and would have the effect of partially mitigating the impact of lower-than-expected development charge collections.

Figure 7

Adjusted Annual Repayment Limit



Source: York Region Finance Department

Bill 185 reversed some previous changes introduced by Bill 23, softening the downward pressure on development charge collections

On June 6, 2024, the Province passed Bill 185, which reversed some of the previous changes introduced through Bill 23 that reduced development charge collections. Bill 185 repealed the development charge rate phase-in, allowing the Region to resume collecting 100% of Council-approved 2022 development charge bylaw rates. Previously under Bill 23, development charge rates were reduced to 80% of Council-approved rates in the first year of the bylaw, increasing by 5% each year after, until reaching 100% in the fifth year. Bill 185 also reinstated growth studies as a development charge eligible cost and service.

Despite these reversals, some provisions from Bill 23 that reduce development charge collections remain, such as removal of housing services and provision of discounts and exemptions for certain residential developments. On June 1, 2024, the affordable residential exemptions came into effect, where residential units below a threshold price, as determined in the Affordable Residential Units for the Purpose of the *Development Charges Act, 1997* Bulletin (Bulletin), are eligible for development charge exemption.

These recent legislative changes have softened the downward pressure on development charge collections compared to what was estimated last year, which has a positive impact on the Region's debt capacity. However, reductions to development charge collections remain, and without additional funding, any infrastructure capital costs not collected from development charges would be made up from non-development charge revenue, such as tax levy or user rates.

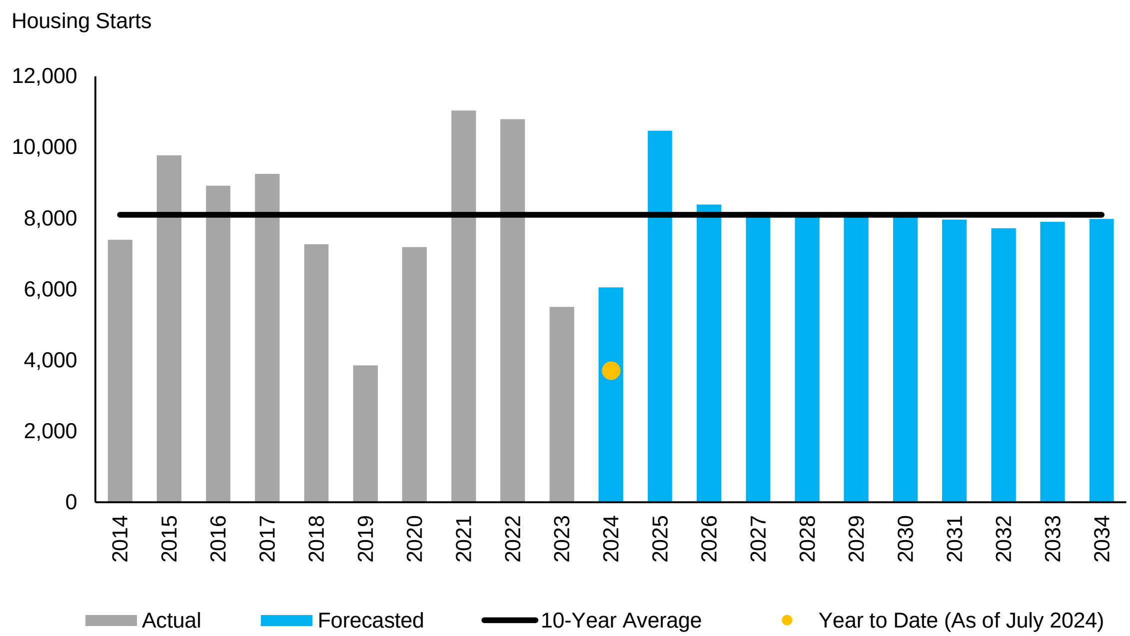
The Region's development charge collection forecast is predicated on robust growth that reflects recent Provincial Housing Targets

Development charge collections are highly dependent on the pace of growth and development. The development charges collections forecast supporting this Long-Term Debt Management Plan is premised on a robust level of DC revenue resulting from growth in line with achieving over 60% of new provincial housing targets overall from 2022 to 2031, with higher-than-average growth in the near term.

The forecast assumes that from 2025 to 2034, the average annual level of development will be approximately 8,300 residential units per year (Figure 8). That level of development activity is moderately higher than the average annual number of units developed in the Region for the last 10 years (approximately 8,100 units), as the forecast incorporates the accelerated growth needed to achieve the housing targets by 2031.

Figure 8

Actual and Forecasted Housing Starts



Source: CMHC, York Region Finance Department

New non-residential development continues to be slow, particularly for office and retail space, due in part to the lingering effects of COVID-19. However, starting in 2025, the non-residential Gross Floor Area (GFA) is expected to grow over time as it considers employment needs associated with accelerated population growth to 2031 as a result of the housing pledges, particularly industrial and institutional employment growth.

Overall, the forecast assumes that from 2025 to 2034, there will be 2.8 million square feet of non-residential development annually, which is below historic averages.

Developer financing for infrastructure projects mitigates debt risk and provides certainty of when growth will occur

Advancing North York Durham Sewage System (YDSS) Phases 2 and 3 will be critical to support delivery of new housing units to meet provincial housing targets. The Region does not control when growth occurs. By asking developers to share the risk of advancing Phases 2 and 3 of the North YDSS project by financing it until appropriate development charges are received, it supports not only delivery of needed infrastructure, but also incentivizes development. Therefore, to support fiscal sustainability, this option has been used when developing the 10-year Capital Plan.

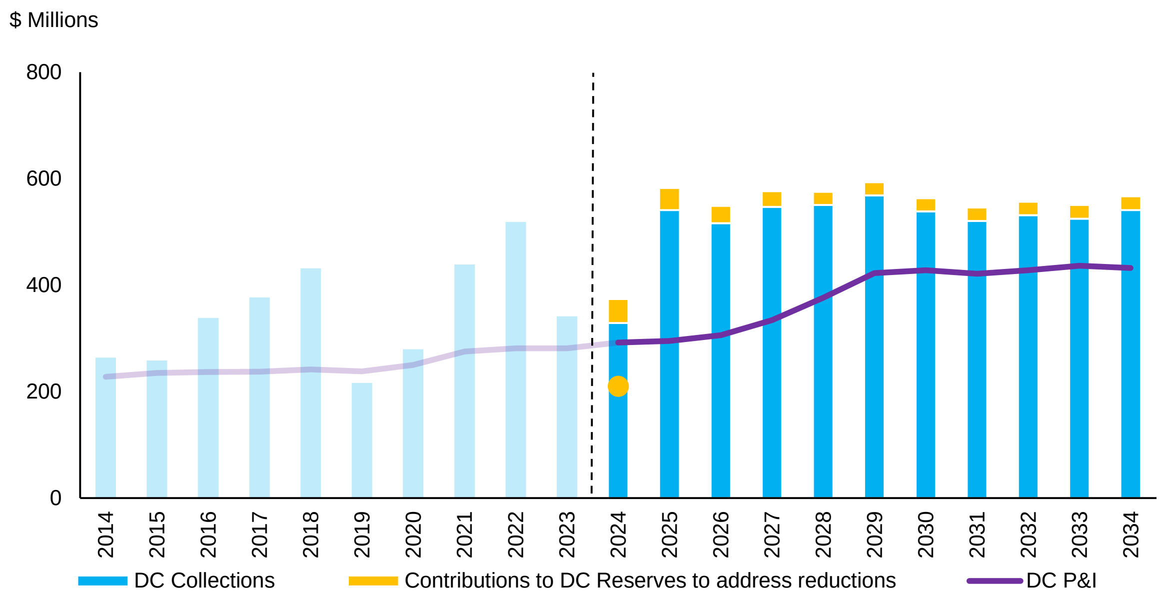
Development charge collections are expected to exceed principal and interest payments over next ten years

As of the end of August, the Region collected $210.1 million in development charge collections (cash basis), of the updated year-end forecast of $329 million. Over the next ten years, the Region anticipates collecting, on average, $538 million (in 2025 dollars) in development charges annually to pay for growth infrastructure and servicing development charges supported debt (Figure 9). This forecast considers impacts of Bill 23, which includes removal of Housing Services, discounts and exemptions for certain types of residential development, and capping interest rate at prime plus 1%.

During the same period, 2025 Budget assumes that average annual DC funded principal and interest payments are expected to be $388 million per year, which is premised on annual contributions to development charge reserves to address Bill 23. This includes the Yonge North Subway Extension related debt. Contributions to development charge reserves are forecasted to average approximately $23 million annually.

Figure 9

Historic and Forecasted Development Charge Collections and P&I



Source: York Region Finance Department

It is anticipated that there will continue to be significant year-over-year fluctuation with collections, due to fluctuation on construction activities and changes in the economic cycle. In years where collections may fall short of the principal and interest payments needed, development charges reserves would need to be drawn down to bridge the gap. If prolonged and consistent lower-than-expected collections occur, some capital expenditures may need to be deferred while DC collections “catch up” to annual principal and interest payments.

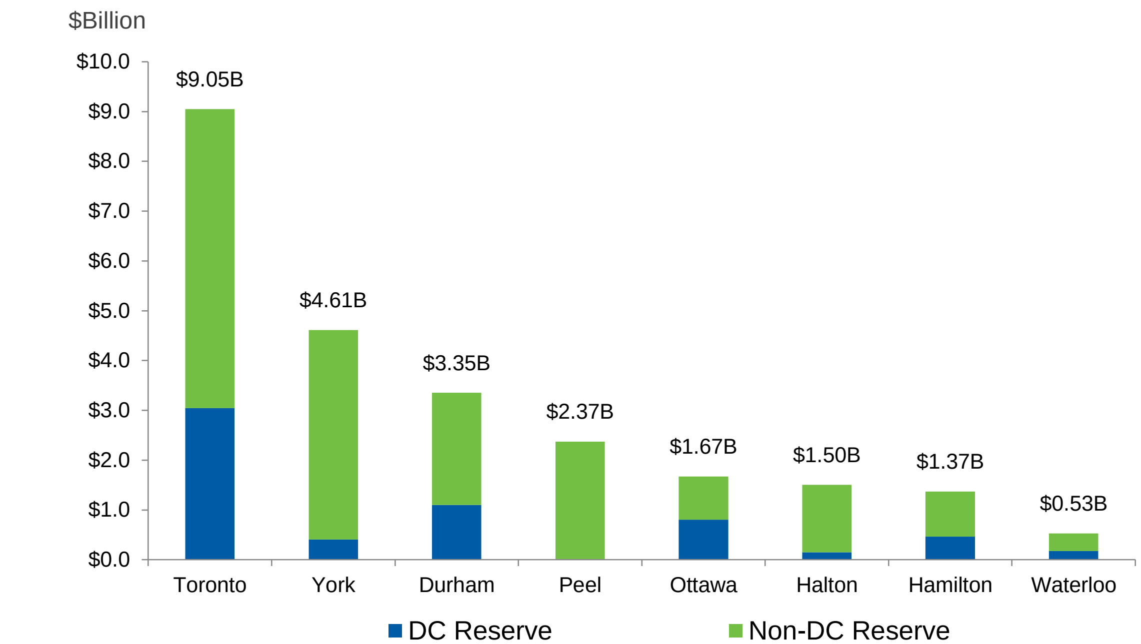
Capital planning will continue to focus on aligning growth with infrastructure and avoiding undertaking capital projects prematurely. This will include considering need to phase projects carefully to better match expected funding and avoid over-burdening the Region with debt.

Reserves are critical to Region’s Long-Term Debt Management Plan

In assessing Region’s risk profile, credit rating agencies evaluate liquidity and consider reserves an indicator of fiscal prudence. Reserves provide funding for infrastructure investments to help fulfill non-capital long-term liabilities and protect against external shocks. Region has been successful in building up a level of reserves that is above the weighted per capita average of comparable municipalities, as shown on Figure 10.

Figure 10

Comparison of 2023 Reserves and Reserves per Capita



Per capita ($) 2,908 3,668 4,558 1,545 1,543 2,310 2,312

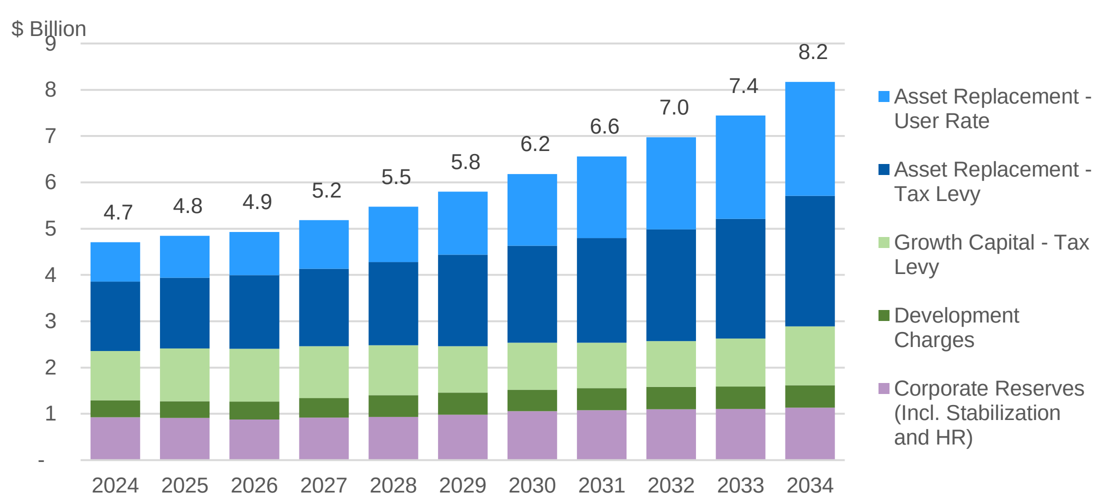
Source: York Region Finance Department

Hamilton figures from 2022 given timing of report finalization and publication of their Financial Information Return

The Region maintains several reserves and reserve funds, which have been categorized as shown in Figure 11. These reserves and reserve funds are estimated to be approximately $4.7 billion by the end of 2024. Total reserves could grow to approximately $8.2 billion by 2034 based on current and planned contributions increases occurring during this period.

Figure 11

Total Reserves (2024 – 2034)



Source: York Region Finance Department

York Region remains a "net investor"

Since 2019, York Region holds more in reserves than it has in outstanding net debt. A ratio greater than 100 per cent indicates Region is a net "investor" while a ratio of less than 100 indicates a net "borrower." Respective levels of debt and reserves are among key considerations for rating agencies when evaluating Region's credit worthiness. York's net investor status is favourably looked upon by both rating agencies.

With projected debt forecast in the 10-year capital plan and forecasted reserves balances, ratio could increase from 228% in 2024 to 234% by 2034.

Forecast includes an increase in expected costs of debt financing over time

Average interest rates are weighted to incorporate actual cash flow timing of a given year's CSA commitment given there are multi-year projects. Interest rate assumptions are summarized in Figure 12.

Figure 12

Interest Rate Forecast

Interest Rate	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Annual Estimate (%)	4.40	4.40	4.40	4.40	4.40	4.40	4.40	4.40	4.40	4.40
Weighted Average on a CSA basis (%)*	4.40	4.40	4.40	4.40	4.40	4.40	4.40	4.40	4.40	4.40

* Weighted average interest rates apply to new debenture requirements in the 2025 capital plan.

Interest rate fluctuations will also affect debt with refunding provisions. Refunding provisions occur where debt amortization period (e.g., 20 years) is longer than contractual terms (e.g., 10 years), requiring part of debt to be refinanced for an additional term. Concept is like a mortgage whereby mortgage amortization period (e.g., 20 years) is longer than mortgage contractual term (e.g., 5 years), requiring borrower to refinance mortgage upon expiration of contractual term (e.g., obtain another mortgage contract after 5 years). For existing debt, this risk has been accounted for by calculating annual repayment on amount outstanding after contract term expires using an additional 10-year term with a re-forecasted future interest rate. For new debt, forecast annual repayments have been calculated at rates noted in Figure 12 using a 20-year term.

Region can offset market risk through a variety of mechanisms

Given volatility of financial markets in recent years, there is a risk that borrowing costs will be higher than expected and/or market may not be able to absorb issuance of new debt at the specific time when it is needed.

Interest/market risk mitigation strategies that are being employed to deal with this possibility include:

- Conservative interest rate forecasts
- Use of bond forward agreements to hedge interest costs on new debt issues when appropriate
- Pre-financing of capital projects where it is financially beneficial to do so
- Borrowing applications to government agencies such as Infrastructure Ontario
- Use of variable rate debt/lines of credit or short-term borrowing from reserves in the event of market disruption or in anticipation of significantly lower interest rates
- Use of underwriting syndicates
- An active Investor Relations program
- Structuring new debt to better meet the needs of potential investors.

Long-Term Debt Management Plan has other risks

Other risks relate to forecast of capital infrastructure costs. Factors such as change orders, inflation, addition of new projects or projects being moved forward in capital plan, could result in higher debt requirements than are anticipated in this Long-Term Debt Management Plan. To address this risk, phase-in strategies for large capital projects will be considered when appropriate.

4. Long-term debt and financial obligations policy

Council approved a Capital Financing and Debt Policy that guides overall management of the Region’s current and expected financing needs and underpins this Long-Term Debt Management Plan. This policy, last updated on December 16, 2021, is reviewed annually to identify and incorporate best practices.

Policy covers all long-term financial obligations entered by the Region. It establishes objectives, standards of care, authorized financing instruments and reporting requirements and responsibilities to ensure that Region’s infrastructure needs are financed effectively.

5. Prudent and cost-effective management of existing and projected long-term debt and other financial obligations

The Capital Financing and Debt Policy sets out provisions to manage existing and projected long-term debt and other financial obligations in most prudent and cost-effective manner possible.

These provisions include:

- Parameters and risk considerations for financing leases, which can be used in certain circumstances where long-term debt financing is neither feasible nor appropriate (i.e., lease versus buy)
- Diversification and optimization of the term structure of debentures through a review of interest rate curves
- Limiting the term of financing to the lesser of the anticipated useful life of the underlying asset or the period over which repayment will occur
- Ensuring a high standard of care by ensuring that staff are sufficiently knowledgeable with respect to standard financing transactions and/or the use of outside advice when necessary
- Maintaining an investor relations program to increase market awareness and boost demand for Regional debentures
- Maintaining at least an AA- credit rating to minimize interest costs and maximize access to capital markets
- Use of an underwriting syndicate to facilitate the marketing and selling of debenture issues.

6. Estimated temporary borrowing needs

Temporary borrowing needs arise from needing to finance operational expenditures pending receipt of taxes and other revenues and need to finance capital expenditures until long-term financing is in place.

Region's temporary borrowing requirements are addressed in detail in a report to Committee of the Whole on Nov 9, 2023. In 2024, it was estimated that approximately $605 million will be required for operating needs. Temporary borrowing can also result from need to interim finance capital expenditures until long-term financing is in place. In 2024, it was estimated that approximately $300 million will be required for interim capital financing. The temporary borrowing authorization for 2025 will be addressed in a report to Committee of the Whole on December 5, 2024.

Like long-term debt and financial obligations, Province limits amount of funding used for temporary borrowing needs to 50 per cent of budgeted total revenue from January to September of the previous year and 25 per cent from October to December.[6] Region's estimated temporary borrowing needs noted above are well within these limits. It is a Regional policy to fund these short-term needs out of reserves and promissory notes when it is economically advantageous to do so in the event borrowing rate is lower than what the Region earns on its investment portfolio. Any funds borrowed from reserves are always paid

[6] Temporary borrowing provisions are set out in Sections 405 and 407 of the *Municipal Act, 2001*. Temporary borrowings are not part of the annual repayment limit calculations.

back during the year of borrowing with interest at the same rate that would have been earned on the corresponding reserves.

7. Evaluation and comparison of 2024 projections and outcomes

Figure 13 shows York Region was in compliance with its annual repayment limit for 2024.

Figure 13

Region's 2024 Annual Repayment Limit ($Million)

Components	Forecast	Actual	Difference
25% of Own Source Revenues	486	486	0
Plus: Growth Cost Supplement[7]	330	330	(0)
Total Annual Repayment Limit	**816**	**816**	**0**
Less: Existing Debt Payment and Financial Obligations	317	329	13
Less: Anticipated New Debt Payment	78	76	(2)
Remaining Annual Repayment Limit	**422**	**411**	**(11)**

Source: York Region Finance Department

Numbers may not add due to rounding

A difference of $13 million to service existing debt payment and financial obligations was attributable to the December 2023 debenture issuance that had not been captured in the forecast given the late timing of the issuance. This was the main reason actual 2024 remaining annual repayment limit was $11 million lower than projected.

Conclusion

Long-Term Debt Management Plan addresses matters that Council is required to consider for Region to qualify for the growth-related cost supplement. Financing what Region requires to fund and manage its current capital plan is within its annual repayment limit with the growth-related cost supplement.

Staff will continue to assess long-term implications of the annual repayment limit methodology as outlined in the regulation.

[7] Growth Cost Supplement in 2024 is calculated at 80 per cent of the 3-year rolling average of development charge collections (2020-2022 inclusive).

APPENDIX A

Determination of Annual Repayment Limit (ARL)

1. Step 1: Calculate 25 per cent of Own Source Revenue

Own source revenue includes:

- Property tax revenue
- Water and wastewater revenues
- Transit fares
- Fees provided for police services, public housing rents, and fees from services provided to other municipalities.

Own source revenue does not include development charges, grants and subsidies from other levels of government, other deferred revenues (e.g., gas tax revenues), and contributions from reserves.

Figure A1 provides 2025-2034 forecast of Region's own source revenues. Calculation uses own source revenues from two years prior to current year, corresponding to Financial Information Return year as it is the most recent information submitted to Ministry of Municipal Affairs at the time of the calculation. The annual repayment limit for 2025 is based on actual results of 2023 Financial Information Return. Limit for 2026 is based on 2024 Forecast from 2025 Operating Budget. Limit for 2027 is based on 2025 Operating Budget for 2025.

Figure A1

Calculate 25 per cent of Own Source Revenues ($Millions)

Annual Repayment Limit determination	2025	2026	2027	2028	2029
Property taxes/Payments in lieu[1]	1,357	1,414	1,496	1,576	1,641
User rates - sewage/water/solid waste[2]	413	488	518	542	561
Transportation user fees	79	77	88	93	96
Other user fees and charges[3]	62	141	143	130	137
Provincial fines	21	29	51	58	63
Other revenue[4]	186	149	149	153	159
Total - Net revenues	2,118	2,298	2,445	2,553	2,658
25% of Net revenues	530	575	611	638	665

Numbers may not add due to rounding

Annual Repayment Limit determination	2030	2031	2032	2033	2034
Property taxes/Payments in lieu[1]	1,708	1,778	1,849	1,922	1,999
User rates - sewage/water/solid waste[2]	584	607	631	656	682
Transportation user fees	100	104	109	113	117
Other user fees and charges[3]	143	147	152	156	161
Provincial fines	57	54	52	49	48
Other revenue[4]	167	177	189	202	216
Total - Net revenues	2,760	2,867	2,980	3,098	3,222
25% of Net revenues	690	717	745	774	806

Numbers may not add due to rounding

Notes:

1. Property taxes forecast assume a 1% annual increment to the infrastructure levy for 2025 and 2026 to fund other large Regional infrastructure projects. Property taxes for 2027 ARL calculation is based on expected results for 2025 and assume 1.27 per cent assessment growth with a total tax levy increase of 4.55 per cent, including Rapid Transit Infrastructure Levy (RTIL) of 1.00 per cent. Thereafter, property taxes are assumed to increase by 4.22 per cent for 2026 (including 1.00 per cent for RTIL) and 3.00 per cent beginning in 2027 (does not include any per cent for RTIL).

2. Water and wastewater rates include 3.30 percent increases on April 1 each year from April 1, 2022 to March 31, 2028, as approved by Council, and assumed increases of 2.90 per cent annually thereafter.

3. Other user fees and charges include revenues generated by: Environmental Services, Transportation, Social Housing, Police Services, Public Health, Paramedic Services and Planning. Based on the 2025 Operating Budget other user fees are assumed to increase by 11.48 per cent in 2025. Thereafter, fees are assumed to increase on average by 14.42 per cent.

4. Other revenue includes Investment Income, Sale of Publications and recoveries. Investment income is based on reserve balance forecasts assuming a rate of return of approximately 3.45 per cent for 2025. Thereafter, rates of return range from 3.25 per cent to 3.65 per cent.

2. Step 2: Calculate Growth Cost Supplement

Growth-related cost supplement is based on development charge collections. Regulation allows the Region to include an amount equal to 80 per cent of average development charge collections for preceding three fiscal years. A forecast of development charge collections is also required as part of this Long-Term Debt Management Plan.

10-year development charge collections forecast was prepared for period 2025 to 2034 using econometric and financial models that differentiate between short, medium and long terms. Development charge collection estimate for 2024 was based on actual year-to-date collections as well as recent housing activity. Please see Figure 9 in this Long-Term Debt Management Plan.

Region anticipates collection of $5.4 billion in development charges from 2025 to 2034. This is $0.5 billion higher than what was forecast in the 2024 budget. Annual average collection is approximately $538 million for these 10 years, which exceeds forecast of average annual principal and interest payment on development charge related debt.

Step 3: Calculate Total Annual Repayment Limit

Final step is to calculate total annual repayment limit by adding revenues and collections calculated in Steps 1 and 2 above, as summarized in Figure A2. While the Regulation allows Region to include an amount equivalent to 80 per cent of average development charge collections for preceding three fiscal years as a growth cost supplement, 2025 to 2034 ARL is calculated based on a more conservative assumption of 70 per cent.

Figure A2

Total Annual Repayment Limit ($Millions)

Component Description	2025	2026	2027	2028	2029
Total own source revenues	2,118	2,298	2,445	2,553	2,658
25% of Own source revenues (A)	530	575	611	638	665
Development charge collections (3-year rolling average)	433	396	404	462	535
Development charge cost supplement (%)	70%	70%	70%	70%	70%
Development charge cost supplement ($) (B)	303	277	283	323	374
Growth related debt and financial obligation limit (Annual repayment limit) (A+B)	**833**	**852**	**894**	**962**	**1,039**

Component Description	2030	2031	2032	2033	2034
Total own source revenues	2,760	2,867	2,980	3,098	3,222
25% of Own source revenues (A)	690	717	745	774	806
Development charge collections (3-year rolling average)	538	556	553	543	530
Development charge cost supplement (%)	70%	70%	70%	70%	70%
Development charge cost supplement ($) (B)	377	389	387	380	371
Growth related debt and financial obligation limit (Annual repayment limit) (A+B)	**1,067**	**1,106**	**1,132**	**1,154**	**1,177**

Numbers may not add due to rounding

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