
Report of the Commissioner of Finance 2025 to 2026 Regional Budget

1. Recommendation

Council refer the following recommendations for consideration at the November 28, 2024 Council meeting, subject to any subsequent changes resulting from the 2025 Budget deliberation process:

1. Council approve operating and capital budgets as follows:
 - a. 2025 operating budget, resulting in a tax levy increase of 3.55% as detailed on page 46 in the 2025 to 2026 Budget Book (Attachment 1)
 - b. A Rapid Transit / Infrastructure Levy, resulting in a tax levy increase of 1% as summarized on page 46 in the 2025 to 2026 Budget Book
 - c. 2025 capital expenditures and Capital Spending Authority by project and by program group and associated funding sources detailed on pages 60-61 in the 2025 to 2026 Budget Book
2. Council approve a 3% transit fare increase, annually, in July of each of 2025 and 2026, to address increasing service costs, as noted on page 86 in the 2025 to 2026 Budget Book.
3. Council endorse the proposed 2026 operating outlook and 10-year capital plan, as detailed on pages 47 and 58-59 in the 2025 to 2026 Budget Book.
4. Council approve debt authority and related items as follows:
 - a. Debt authority for capital projects up to amounts specified in the “Debt Authority Requirements” appendix of the 2025 to 2026 Budget Book, starting on page 341
 - b. Approve a contribution of \$204.8 million to Sinking Fund Reserve to meet the Region’s 2025 sinking fund obligations as shown on page 229 of the 2025 to 2026 Budget Book

- c. Authorize funding of capital projects previously approved for debt financing from reserves where there are sufficient funds available and at the discretion of Commissioner of Finance and Regional Treasurer
 - d. Affirm the Region's Long Term Debt Management Plan (Attachment 2)
5. Council endorse reconciliation of 2025 Budget to full accrual basis of accounting, as required under Ontario Regulation 284/09, as detailed in the "Accrual Budget Presentation" chapter of the 2025 to 2026 Budget Book, starting on page 63.
6. Council authorize repayment of \$13,424,169 of user rate debt originally planned to be refinanced in 2025, with \$11,431,256 from Capital Asset Replacement Reserve - Wastewater and \$1,992,913 from Capital Asset Replacement Reserve – Water.
7. Council approve the following items specific to reserves and authorize Regional Solicitor to prepare and/or amend the necessary bylaws:
 - a. Close Tax Stabilization Reserve and amend Fiscal Stabilization Reserve to fund unforeseeable expenditures or temporary revenue shortfalls
 - b. Rename Capital Reserve to Capital Contingency Reserve and amend its purpose to fund capital contingencies or any other purpose as approved by Regional Council
 - c. Rename Debt Reduction Reserve to Debt Avoidance Reserve
8. Council approve revisions to the following policies:
 - a. Reserve and Reserve Fund Policy, to amend Surplus Management to include Fiscal Stabilization Reserve (Attachment 3)
 - b. Investment Policy, to clarify delegated authorities and staff responsibilities (Attachment 4)
9. Council authorize Commissioner of Finance and Regional Treasurer to:
 - a. Make any necessary adjustments within approved net budget to reflect organizational changes and other reallocation of expenditures
10. Apply for, accept and adjust Budget and Capital Spending Authority for any additional Provincial, Federal, and/or other external funding provided there is no tax levy impact.
11. Authorize the Regional Solicitor to prepare the necessary bylaws including bylaws to authorize the fees and charges relating to transit and water and wastewater detailed on pages 86 and 93, respectively, in the 2025 to 2026 Budget Book.

2. Purpose

This report seeks Council approval of proposed 2025 to 2026 Regional Budget as outlined in the 2025 to 2026 Budget Book, and other related recommendations.

Key Points:

- The proposed budget includes \$4.6 billion in 2025 operating and capital expenditures for Regional services and key priorities of investing in safer communities, enabling growth in our communities, and keeping people, goods and information moving.
- The proposed budget includes gross operating expenditures of \$3.4 billion, net operating expenditures (before assessment growth) of \$1.4 billion, a tax levy increase of 3.55% in 2025, which is above the previously endorsed outlook increase of 2.6%, and an additional 1% increase for the Rapid Transit / Infrastructure Levy
- A 2026 operating outlook, with an associated tax levy increase of 3.22% and an additional 1% for the Rapid Transit / Infrastructure Levy is presented for Council's endorsement.
- The budget proposes 2025 capital expenditures of \$1.3 billion, part of the \$12.2 billion 10-year capital plan, with \$6.2 billion in Capital Spending Authority for multi-year projects.
- The proposed budget includes transfers between reserve funds totalling \$79.7 million, as outlined in Table 2

3. Background

2025 Budget is the third year of the 2023-2026 Multi-Year Budget covering the term of Council

In the first year of a four-year term of Council, a multi-year budget covering all four years is prepared for Council approval. Each year Council considers the proposed budget for the upcoming year and outlook for remaining years of Council's term. For the 2025 to 2026 budget, Council is asked to approve the proposed 2025 operating budget and endorse the outlook for 2026, which will form the basis of 2026 budget process. Any revisions to the outlook will be presented as part of the process.

Previously endorsed outlook was the starting point for the proposed 2025 to 2026 Regional Budget

In April 2024, Council approved the [2025 Budget Directions](#), reaffirming 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 2025 outlook endorsed during the 2024 Budget process. Over the

past several months, staff from all departments have been involved in developing the Budget. Draft plans were reviewed by senior management and Chief Administrative Officer.

Approved 2024 Budget and previously endorsed 2025 to 2026 Outlook included an annual 3% transit fare increase

In December 2023, Council [approved](#) the 2024 operating budget and endorsed the 2025 to 2026 operating outlook, which [included](#) an annual 3% transit fare increase beginning in July 2024, to help offset rising service costs.

Combined user rate increases for 2025 were approved in 2021 Rate Study

In September 2021, Council [approved](#) six years of 3.3% increases to the Region’s combined wholesale water and wastewater rate. The approved rates are effective from April 1, 2022 to March 31, 2028 and achieve and maintain full cost recovery starting in 2022. Beyond the rate approval period, financial modelling indicated that annual increases of 2.9% should be sufficient to maintain full cost recovery.

4. Analysis

2025 to 2026 Budget Book provides detailed discussion of proposed budget

This consolidated 2025 to 2026 Regional Budget report, along with the 2025 to 2026 Budget Book, Long-Term Debt Management Plan, Reserve and Reserve Fund Policy, and Investment Policy attachments, replaces separate departmental budget and Fiscal Strategy reports provided in past years. The 2025 to 2026 Budget Book includes content noted in Table 1.

Table 1
2025 to 2026 Budget Book content

Chapter	Starting Page #	Content Included
Executive Summary	7	High-level summary of York Region’s proposed responsible and responsive budget
Business Planning and Budgeting	15	Budget planning framework aligned with York Region’s Vision, 2023 to 2027 Strategic Plan and financial policies
Budget Context	29	External factors affecting the proposed budget
Operating Budget	37	Proposed operating spending, non-tax revenue trends, budget drivers, and impact on average tax bill
Capital Budget	49	Proposed capital plan, top initiatives, funding sources, and use of program groups

Chapter	Starting Page #	Content Included
Accrual Budget Presentation	63	Differences between the proposed budget under modified accrual and full accrual base of accounting
Departmental Budget chapters	71	Details for each department's budget, including alignment to Strategic Plan and performance measures
Fiscal Strategy and Long-Term Financial Planning	221	Fiscal Strategy principles and long-term financial planning process to ensure ongoing financial sustainability

OPERATING AND CAPITAL BUDGET

2025 to 2026 Regional Budget proposes a tax levy increase of 3.55% in 2025 and 3.22% in 2026, and an additional Rapid Transit/Infrastructure Levy of 1% per year

As summarized in the Operating Chapter in the Budget Book, starting on page 37, the proposed budget includes a tax levy increase of 3.55% for 2025 and 3.22% for 2026. It also includes an additional 1% increase for the Rapid Transit / Infrastructure Levy for each of 2025 and 2026 to help fund Regional infrastructure priorities, including bus rapid transit (BRT) infrastructure and community housing. The proposed tax levy increase is above the previous budget outlook due to proposed additional staffing resources for York Regional Police over the next two years. Other departmental budget pressures were offset through departmental reductions from endorsed outlook.

The proposed budget assumes continuing use of any available annual operating surplus and Rate Stabilization Reserve, as an interim measure, to address reduction in development charge collections as a result of Bill 23, the *More Homes Built Faster Act, 2022* and *Bill 185, the Cutting Red Tape to Build More Homes Act, 2024*, including new development charges discount and exemptions.

Transit costs are partially offset by forecasted higher transit revenues

As mentioned on page 86 of the Budget Book, transit fares offset some of the costs of transit services. As transit ridership continues to recover, the proposed 2025 budget and 2026 outlook include 3% annual transit fare increases effective July 2025 and 2026. The fare increase is estimated to generate new revenue of \$1.3 million in 2025 and \$3.8 million in 2026. The increased revenue will help offset rising service costs.

The combined water and wastewater user rate increase in the 2025 budget is 3.3%

As outlined on page 93 of the Budget Book, the budget proposes a 2.5% increase to the wholesale water rate from \$1.4381 to \$1.4734 per cubic meter and a 3.9% increase to the wholesale wastewater rate from \$1.9508 to \$2.0273 per cubic meter starting on April 1, 2025.

This is equivalent to a combined rate increase of 3.3% from \$3.3889 to \$3.5007 per cubic meter.

\$12.2 billion 10-year capital plan includes \$1.3 billion in 2025 expenditures

The Region's 2025 proposed capital budget is \$1.3 billion, with \$12.2 billion in planned expenditures over the next 10 years. Capital Spending Authority of \$6.2 billion is also requested to allow departments to enter into multi-year contracts beyond 2025.

Budget approval by program group provides flexibility in capital project implementation by allowing departments to reallocate spending between projects within a program group, subject to conditions outlined on page 57 of the Budget Book. Any requests to reallocate beyond the scope of program group authority will be brought forward for Council's approval.

Further details on proposed 2025 capital expenditures and Capital Spending Authority by program group, including associated funding sources, are summarized on pages 60-61, with a full project list for each program group starting on page 243 in the Capital Appendix.

\$2.4 billion in identified priority projects are not yet included in the 2025 10-Year Capital Plan, pending senior government funding commitments

Departments identified \$2.4 billion of expenditures over the next 10 years for priority projects beyond those reflected in the capital plan, including \$2.0 billion to advance the bus rapid transit network and \$380.2 million for community housing. These projects remain critical, but are not yet included in the capital plan, as they require funding commitments from senior levels of government and are subject to the Region's fiscal constraints.

The 2025 10-year capital plan includes preconstruction costs to ensure readiness while the Region continues to advocate for new funding opportunities. Further details are provided in the Capital Appendix on page 339 of the 2025 to 2026 Budget Book.

FISCAL STRATEGY

2025 Fiscal Strategy builds on achievements from successive fiscal strategies and continues to target long-term financial sustainability through careful management of the capital plan, reserves and debt, while also balancing the needs of current and future residents.

Sections below outline proposed changes to reserve and reserve funds, surplus management and Investment Policy. The transfers between reserves will ensure projects in the capital plan are adequately funded, while the updates to reserve bylaws will ensure that bylaws are aligned with the reserve's future intended use/purpose. They also describe debt authority required to support projects with 2025 Capital Spending Authority and reference the Region's Long-Term Debt Management Plan.

Transfers between reserves are required to ensure projects in the capital plan are adequately funded

Funding requirements of 10-year Capital Plan are assessed annually alongside projected balances in each reserve and reserve fund. Periodically, transfers between reserves are required when funding sources change, or new needs are identified. Table 2 provides an overview of balance transfers between reserves through the Treasurer’s delegated authority as per the Reserve and Reserve Fund Policy.

**Table 2
Proposed Reserve Fund Transfers**

Reserve Fund	Transfer to	Transfer from
Tax Levy Development Reserve		\$3,312,760
Social Housing Development Reserve	\$3,312,760	
Transit Vehicle Replacement Reserve		\$13,180,600
Transit Reserve	\$13,180,600	
Tax Stabilization Reserve		\$63,164,000
Fiscal Stabilization Reserve	\$63,164,000	
Total	\$79,657,360	\$79,657,360

Transfer from Tax Levy Development Reserve to Social Housing Development Reserve replaces development charge funding community housing projects, lost as a result of Bill 23. Transfer from Transit Vehicle Replacement Reserve to Transit Reserve partially offsets Zero Emission Transit Fund (ZETF) grant funding reallocated from a growth project to a rehabilitation and replacement project, ensuring both reserves are adequately funded.

Transfer from Tax Stabilization Reserve to Fiscal Stabilization Reserve will allow for the closing of the Tax Stabilization Reserve. The amount included in Table 2 for the Tax Stabilization Reserve is based on the forecasted 2024 ending balance and the amount to be transferred will be based on actual closing balance.

Tax Stabilization and Fiscal Stabilization Reserves are proposed to be combined

Tax Stabilization Reserve was established in 2002 to fund unforeseeable one-time expenditures and Fiscal Stabilization Reserve was established in 2012 to fund temporary revenue shortfalls. It is recommended that the two reserves be combined with transfers as outlined in Table 2, allowing the Tax Stabilization Reserve to be closed shortly thereafter.

It is recommended that the Fiscal Stabilization Reserve purpose be amended to mitigate the impact of unforeseeable expenditures and temporary revenue shortfalls.

Purpose of Capital Reserve is proposed to be amended to reflect intended use

Capital Reserve (established in 1997) funds any purpose of the Regional Corporation as may be determined from time to time. Since the Debt Reduction Reserve was created in 2013, Capital Reserve has had limited use. It is recommended that the purpose of Capital Reserve be amended to instead fund capital contingencies or any other purpose as approved by Regional Council. To better align with its use, it is also recommended that Capital Reserve be renamed Capital Contingency Reserve.

Debt Reduction Reserve is proposed to be renamed Debt Avoidance Reserve

To better align with the intended reserve purpose, it is recommended that the Debt Reduction Reserve be renamed Debt Avoidance Reserve.

Reserve and Reserve Fund Policy is proposed to be amended to include Fiscal Stabilization Reserve in the Surplus Management allocation

As part of the Reserve and Reserve Fund Policy, Surplus Management defines how operating surpluses, if any, can be used to provide funding for some reserves. Operating surpluses may be used to fund unforeseeable expenditures and temporary revenue shortfalls as part of the allocation to the Fiscal Stabilization Reserve. It is therefore recommended that the Surplus Management be updated to include the Fiscal Stabilization Reserve. Any operating surpluses would then be allocated to reserve funds that are below target in priority order as outlined in Attachment 3.

Revisions to Investment Policy are recommended to maintain good governance

York Region's Investment Policy establishes the objectives, standards of care, eligible investments, reporting requirements and responsibilities for managing surplus funds and investments in support of the Region's Fiscal Strategy. Administrative revisions (Attachment 4), related to delegated authorities and staff responsibilities are recommended to maintain good governance practices and ensure business continuity.

Use of reserves is recommended to avoid refinancing user rate debt for specific projects

In 2015, the Region issued \$300 million of 10-year debentures, which will mature in 2025. However, some projects financed with those debentures required debt amortization of twenty years. Like a mortgage, there will still be an amount owing for those projects when the debenture matures. Although the Region could refinance this debt (estimated at \$130 million), given Council's strategy not to issue any new user rate-funded debt, it is recommended that \$13,424,169 of user rate debt coming due in 2025 be repaid from:

1. User rate-funded Capital Asset Replacement Reserve - Wastewater (\$11,431,256)
2. User rate-funded Capital Asset Replacement Reserve - Water (\$1,992,913)

Debt authority of \$3.15 billion is required for capital projects with 2025 Capital Spending Authority

Debt authority represents the portion of Capital Spending Authority financed by debt and Debt Avoidance Reserve. For 2025, Council approval of \$3.15 billion debt authority is requested in accordance with the Capital Financing and Debt Policy.

The Region has a long-standing Council directive to avoid new tax levy and user rate funded debt through the use of reserves, including the Debt Avoidance Reserve, which is a key element of the Fiscal Strategy. Avoiding tax levy funded debt allows the Region to maximize the debt capacity available to support growth-related infrastructure. In 2022, to enable a \$136 million low-interest loan from Canada Infrastructure Bank through Federal government's Zero Emission Transit Fund joint program, Council authorized a one-time exemption to this directive. The loan is included in the 2025 10-Year Capital Plan.

Actual debt ultimately required may be less than total debt authority being sought

The total debt authority Council is being asked to approve includes an increment over and above the debt projected in 2025 budget, as a risk-mitigating feature. This provides debt flexibility so approved capital projects can continue if funding is required sooner than expected.

This practice also allows staff to optimize the use of development charge reserves by shifting available reserve funding to those projects ready to proceed rather than committing reserves to a specific project that may be delayed or not as active in a particular year. Any excess debt authority will be cancelled if no longer needed in the following year's budget.

Council affirmation of 2025 Long-Term Debt Management Plan is required to access additional growth-related borrowing capacity

In 2011, the Province provided a York-specific growth cost supplement for ten years that allowed the Region to borrow a higher amount than permitted under the regular Annual Repayment Limit (ARL) based on its development charges collections. In April 2021, the Province renewed the Region's growth-related cost supplement component of the ARL for another ten years, expiring on December 31, 2031.

To qualify for this additional growth-related borrowing capacity, Council's affirmation of Long-Term Debt Management Plan is requested for the Region's long-term debt and financial obligations annually. This Plan is provided as Attachment 2 to this report.

REPORTING REQUIREMENTS

The Budget is also presented on a full accrual basis, which is used to present financial statements in the annual Community Report

York Region's Budget is prepared on a modified accrual basis of accounting, while financial statements are presented in accordance with Public Sector Accounting Standards using full

accrual method. The Accrual Budget Presentation chapter in the 2025-2026 Budget Book, starting on page 63, discusses key differences between the two bases and reconciles the proposed budget to the full accrual method used for financial statements in the annual Community Report.

Using full accrual accounting, the Region's budget reflects a planned surplus of \$907.4 million in 2025. The surplus reflects net investments in capital assets and saving for future needs through reserve contributions. Reserve management is a significant component of the Region's fiscal strategy and help facilitate Council's commitment to long-term financial sustainability, meeting capital needs while reducing reliance on debt.

TREASURER'S AUTHORITY TO MAKE IN-YEAR BUDGET ADJUSTMENTS

Flexibility is requested for budget adjustments with no tax levy impact

Delegated authority is requested for the Commissioner of Finance and Regional Treasurer to make budget adjustments that do not affect tax levy. These adjustments can arise from organizational changes and operational needs. Reallocations from contingency to address risks may also be required.

Delegated authority is also requested for the Commissioner of Finance and Regional Treasurer to apply, accept and adjust the Budget and Capital Spending Authority for any Provincial, Federal and/or other external funding opportunities that may arise throughout the year, provided there is no tax levy impact. This would facilitate timely application to external funding and grant opportunities for any time-limited initiatives.

STRATEGIC PLAN

Proposed 2025 to 2026 Regional Budget supports the Strategic Plan

The Budget is aligned with the 2023 to 2027 Strategic Plan priorities under four Vision Areas of Focus and provides resources to help achieve goals of the Strategic Plan. In developing the budget, departments and other service providers assess existing and planned activities in consideration of Strategic Plan priorities to determine the best use of available resources.

More information is provided in the Business Planning and Budgeting Chapter of the 2025 to 2026 Budget Book, starting on page 15.

5. Financial Considerations

The proposed 2025 to 2026 Regional Budget is based on the framework set out in the Fiscal Strategy, with its focus on long-term financial sustainability. Financial considerations include:

- A 2025 tax levy increase of 3.55% with an additional 1% increase for Rapid Transit / Infrastructure Levy

- Capital budget of \$1.3 billion in 2025 capital expenditures and multi-year Capital Spending Authority of \$6.2 billion
- 3% annual transit fare increase effective July 2025, which is included in the proposed 2025 operating budget
- Uniform water service rate of \$1.4734 per cubic meter, and a uniform wastewater service rate of \$2.0273 per cubic meter for April 1, 2025 to March 31, 2026
- Debt authority of \$3.15 billion for growth-related needs in the 2025 10-Year Capital Plan
- Adoption of Long-Term Debt Management Plan (Attachment 2), approval of reserve fund transfers and updates to the Reserve and Reserve Fund and Investment Policies (Attachments 3 and 4) and other specific reserve items to ensure projects will be adequately funded, maintain good governance practices and reflect intended future use of reserves

Mid-year and year-end operating and capital financial results relative to budget are reported to Council in the Fall of the year and Spring after the end of fiscal year.

6. Local Impact

The Region provides essential services and capital infrastructure for residents and businesses in all local municipalities within York Region. The proposed 10-year capital plan includes vital infrastructure projects to support local municipal housing pledges. The proposed 2025 to 2026 Regional Budget aims to meet growing demands for service and ensure sustainable multi-year capital investments. Location of planned capital projects and other services can be found in various maps included in departmental budget chapters of the budget book.

7. Conclusion and Next Steps

This report presents the proposed 2025 to 2026 Regional Budget. The Budget outlines operating and capital spending needed to support the 15 core services and Council's key priority areas of investing in safer communities, enabling growth in our communities, and keeping people, goods and information moving.

After the Budget is tabled, Committee of the Whole will review the proposed budget on November 7. Recommendations of this report and any subsequent changes from Committee of the Whole will be summarized and a final proposed budget will be provided for consideration at the November 28 Council meeting. The recommendations included in this report would enable delivery of Regional services, support capital infrastructure needs, and help maintain fiscal sustainability.

For more information on this report, please contact Kelly Strueby, Director, Office of the Budget, at 1-877-464-9675 ext. 71611. Accessible formats or communication supports are available upon request.

Recommended by:



Laura Mirabella

Commissioner of Finance and Regional Treasurer

Approved for Submission:



Erin Mahoney

Chief Administrative Officer

October 16, 2024
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Attachment 1 – 2025 to 2026 Budget Book (#16360227)
Attachment 2 – 2025 Long-Term Debt Management Plan (#16232663)
Attachment 3 – Reserve and Reserve Fund Policy (#16312791)
Attachment 4 – Investment Policy (#16309208)