The Regional Municipality of York

Regional Council
June 20, 2019

Report of the Commissioner of Finance

Fiscal Sustainability Update

1. Recommendations

Council receive this report for information.

2. Summary

This report updates Council on the fiscal sustainability of the Region. It also explains the key capital-related fiscal pressures the Region continues to face.

Key Points:

- Council has already taken positive steps towards achieving fiscal sustainability
- The *Municipal Act, 2001*, prescribes a limited set of revenue-raising powers for Ontario municipalities other than the City of Toronto
- The Region continues to face capital-related fiscal pressures for growth, rehabilitation and enhancement
- There are risks associated with future funding of major infrastructure projects such as the Yonge North Subway Extension
- *More Homes, More Choice Act, 2019 ("Bill 108")* proposes to significantly change the way municipalities determine and recover the costs of growth-related infrastructure
- Funding from other levels of government could help to alleviate infrastructure pressures
- Council is considering the Transportation Capital Acceleration Reserve Fund (TCAR) which is dedicated to the acceleration of priority growth-related transportation capital projects

3. Background

Fiscal sustainability is stewardship of the long-term

Achieving fiscal sustainability is mostly about managing service levels and infrastructure. It requires long term planning in a responsible manner that achieves the Region's *Strategic Plan* priorities, while mitigating both short and long-term financial risks.

York Region will be in a fiscally sustainable position when it can offer a level of service that can accommodate the long term needs of growth while maintaining infrastructure in a state of good repair. Achieving this requires taking actions that are guided by a number of financial principles (Table 1). The cost of providing this service must also be balanced with respecting Council's willingness to tax and residents' ability to pay.

Table 1

Fiscal Sustainability in the York Region Context

Principles	Region has taken steps towards fiscal sustainability
Growth can be accommodated without unacceptable tax levy, user rate or debt increases	Tax rates below 3 per cent Debt peaked in 2017 and is projected to decline
Infrastructure can be kept in a state of good repair and replaced at the right time	Asset management needs for water and wastewater infrastructure are fully funded by user rate reserves Increased savings for capital asset replacement with no expectation of issuing future tax-levy debt
Service levels can be maintained in the face of urbanization and changes in economic conditions	Service level standards are reviewed annually to ensure efficiencies
Full Cost Recovery – careful consideration of who should pay, and that they pay their fair share	Council approved annual blended rate increases for water and wastewater for five years at 9% commencing 2016 to 2020 and 2.9% in 2021 Full cost recovery pricing will support ongoing infrastructure requirements

Fiscal sustainability is also about adapting to the changing economy

York Region has enjoyed robust economic growth, with consistent job creation and an average annual population growth of approximately 18,500 residents per year over the past 10 years. A growing and urbanizing population alongside a diverse economy requires significant infrastructure investments, which are often large and complex.

It is important that the right financing tools are in place to allow the Region to continue to achieve its objectives in a fiscally sustainable manner. Challenges include coping with the changing nature of the economy, such as more people working from home, commercial re-occupation and intensification and its impact on the Region's assessment growth and its ability to save for the future.

Other than Toronto, Ontario municipalities have limited revenue-raising options

The *Municipal Act, 2001*, prescribes a limited set of revenue sources for Ontario municipalities. However, the *City of Toronto Act, 2006*, gave Toronto the power to levy additional taxes that are currently not available to other municipalities. These include a municipal land transfer tax, personal vehicle registration tax, third-party sign tax, alcohol tax, tobacco tax, and an amusement tax.

The revenue sources available to the Region and what they are used for are detailed in the table below.

Table 2

Current Revenue Powers Available to the Region

Revenue power	What it is used for
Property taxes, including the Vacant Unit Tax[1]	Operating and asset management costs
User fees and charges (including fees and charges, permits and rents)	Operating and asset management costs (e.g., water and wastewater rates; transit fares)
Development charges	Growth-related infrastructure (e.g., Roads, Transit, Public Health Services)
Fines and penalties	Operating costs (e.g., related to court administration)
Investment income	Contributions to reserves
Road tolls[2]	Not currently in use by the Region

[1] Vacant Unit Tax on residential units could be available to both upper-tier and lower-tier municipalities. In order to levy a Vacant Unit Tax a municipality first has to request it be 'designated' by the Minister of Finance. Once requested and approved, a regulation would be issued by the Province. At this time, no municipality in Ontario has the authority to levy a Vacant Unit Tax

[2] Under the *Municipal Act, 2001,* municipalities can levy tolls on roads they own, but they must apply to the Province for an enabling regulation. To date no municipality other than Toronto has made this request. Toronto's request was rejected by the Province. Toronto made this request in 2016 and was rejected by the Province in 2017.

Council advocated for Toronto's revenue powers for capital-related pressures

In May 2017 and again in May 2018, Council endorsed two reports, a report on Financial Sustainability (2017) and Meeting Growth Plan Infrastructure Demands and Financial Sustainability: 2018 Update. These reports discussed the capital-related fiscal pressures facing the Region, the inadequacy of current revenue sources, and offered a potential path for achieving fiscal sustainability by requesting *City of Toronto Act, 2006* revenue-raising powers.

In June 2017 and again in September 2018, at the direction of Council, the Regional Chair wrote to the Premier, requesting that the Province extend the same revenue-raising powers provided under the *City of Toronto Act, 2006* to York Region.

On October 2, 2018, the Region received notice from the Minister of Municipal Affairs and Housing that the Province would not be providing the Region with the same revenue-raising powers at this time. The principal reason given was that the residents of Ontario are not able to accommodate any additional taxes.

The Region has also requested a share of the Non-Resident Speculation Tax (NRST)

As part of the Fair Housing Plan released in April 2017, the Province introduced a 15 percent tax on the purchase of any residential property located in the Greater Golden Horseshoe Region made by foreign buyers. In the Province of British Columbia, the Foreign Buyers Tax is reinvested into affordable housing projects. According to the latest information provided by the Ministry of Finance, of the $394.3 million collected during the period from April 2017 to March 2019, $103.7 million (or 26.3%) was related to property transactions in York Region. The Regional Chair has requested the Province to provide a share of the NRST to support the implementation of rental housing initiatives. The Region has not received a response yet.

4. Analysis

The most significant risks to the Region's fiscal sustainability are capital-related

To achieve fiscal sustainability the Region must have a long-term plan to build, finance, fund, and maintain capital infrastructure needs to provide those programs and services now and into the future. The Region's infrastructure investments may be classified into three types: growth, rehabilitation and enhancement. Each type may be funded by different sources of revenue which is associated with its own pressures and risks.

Growth-related infrastructure is not fully funded by development charges

Development charges are mandatory fees imposed to help recover growth-related capital costs from new residential and non-residential development. Development charges are a major source of funding for the Region's capital plan as the majority of the capital investments over the next ten years are growth related. Development charge collections are also critical to repay the Region's outstanding development charge debt which was $2.4 billion as of December 31, 2018.

The ability for a municipality to determine and collect development charges is provided for in the *Development Charges Act, 1997*. Through this legislation and its associated regulations, the Province prescribes restrictions on the extent to which growth-related infrastructure that can be funded through development charges. Due to a number of statutory deductions, development charges do not cover the full cost of growth-related infrastructure.

In addition, Bill 108, which received Royal Assent on June 6, 2019, is expected to further restrict the share and timing of growth-related costs recoverable from development charges.

Infrastructure is planned to support targets prescribed by the Growth Plan

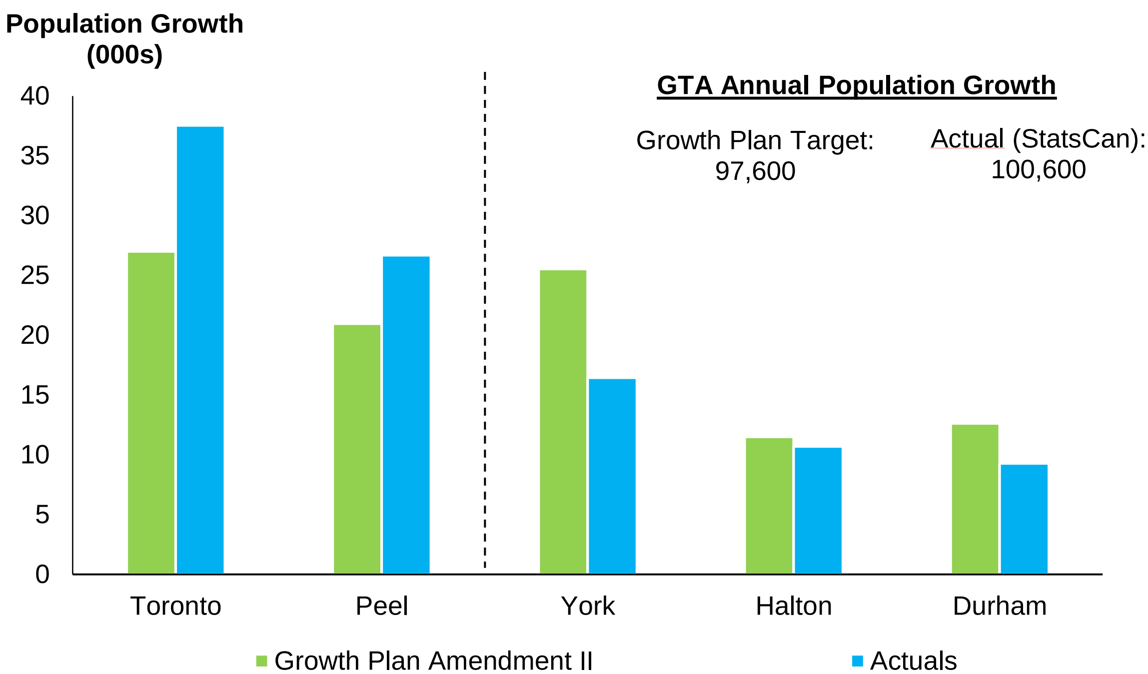
Municipalities in the Greater Golden Horseshoe are required to have official plans that conform to the growth targets set out by the Provincial Growth Plan. York Region's infrastructure master plans must include infrastructure needed to meet the population growth in its official plan. However, if the growth contemplated by the Growth Plan does not materialize as expected, municipalities may be in a situation where they have built and financed infrastructure capacity that sits unused and incurs operating and maintenance costs without the necessary assessment revenue to pay for these costs.

York Region's share of the GTA population growth has differed from the provincial Growth Plan target

From 2012 to 2017, the actual population growth for York Region was only 62 per cent of its Growth Plan target while the overall growth for the Greater Toronto Area was modestly more than what was expected. As shown on Figure 1, growth for Toronto and Peel exceeded their Growth Plan targets, while growth for York, Halton and Durham was less than projected.

Figure 1

Average Annual Population Growth Comparison 2012-2017



Data Source: Growth Plan Amendment II technical addendum, Hemson Consulting Ltd., StatsCan Table: 17-10-0084-01 (formerly CANSIM 051-0062)

Lower-than-expected growth results in lower-than-expected development charge collections

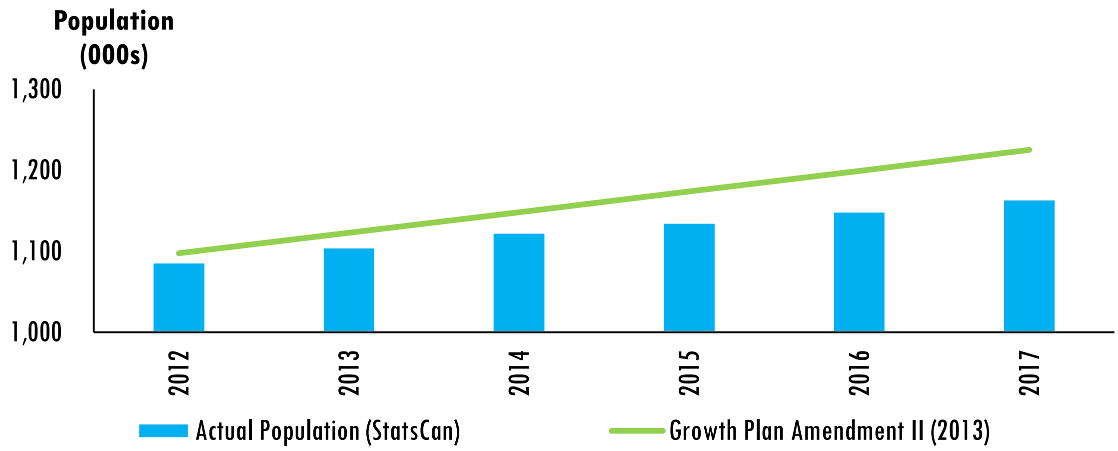
Development charge rates are a means to recover capital costs required to accommodate growth. An important input into the development charge calculation is the expected growth in population. If actual growth is less than forecast, then the amount of development charges collected would be insufficient to cover the cost of planned infrastructure.

The Region's 2012 and 2017 Development Charge Background Study calculated rates consistent with the growth targets set out in the Growth Plan for the Greater Golden Horseshoe.

Since 2012, the Region's growth was lower than anticipated under the Growth Plan (Figure 2) and as of 2017, York Region had 61,000 residents less than initially anticipated in the Growth Plan forecast.

Figure 2

Comparison of Total Population

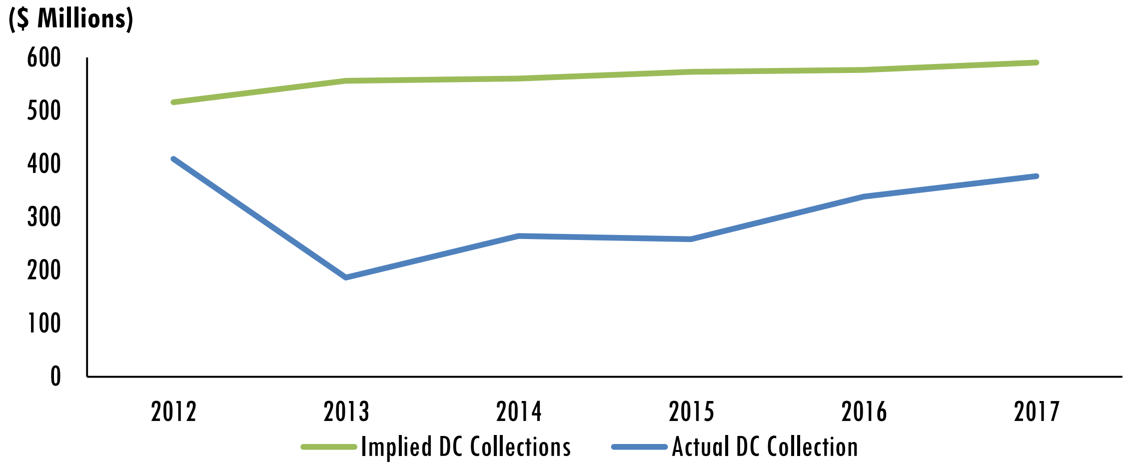


Data Source: StatsCan Table: 17-10-0084-01 (formerly CANSIM 051-0062)

Figure 3 illustrates that actual development charge collections have been consistently lower than the implied development charge collections in the respective background studies.

Figure 3

Comparison of Implied and Actual Development Charge Collections

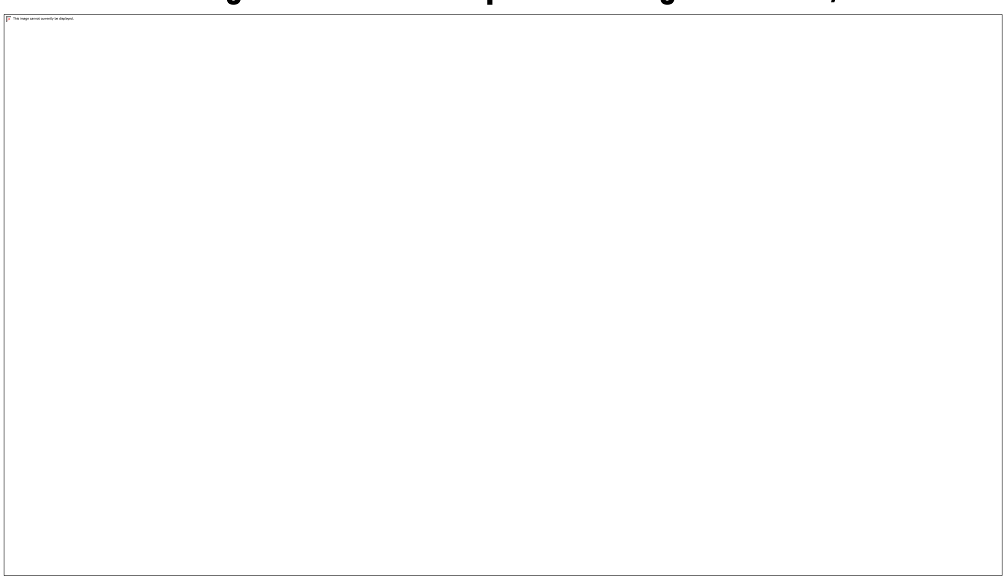


Data Source: York Region Treasury Office

York Region is not alone in experiencing development charge collection shortfalls as other municipalities face similar challenges (Figure 4).

Figure 4

Average Annual Development Charge Revenue, 2012-2017



Data Source: York Region Treasury Office using Financial Information Return data and municipal DC Background Studies

Although Peel Region's population growth has exceeded the Growth Plan forecast in recent years, it is still experiencing development charge collections shortfall due to lower than forecasted employment growth. In an April 2015 Peel Region report, staff showed that from 2002 to 2012, Peel Region only achieved about 55 per cent of the forecasted gross floor area associated with employment and 40 per cent of the forecasted non-residential revenues.

Even when population and employment growth materialize as forecasted, development charge collections may fall short of target. In York Region, employment growth has exceeded Growth Plan forecast. However, due to increasing employment densities, the Region's growth in non-residential floor space has been lower than forecast, resulting in less non-residential development and less DC collections.

Most growth-related infrastructure is paid for and built many years before the benefiting development arrives

The way growth is paid for, through development charges, is imperfect. There is financial risk to the municipality when growth does not happen at the predicted pace. Because much infrastructure has to be built before growth can occur, particularly water and wastewater assets, debt is a necessary financing tool. Also, once in service, these assets begin to incur operating, maintenance and rehabilitation costs, which are then appropriately funded by tax levy and user rates. The municipality faces two financial challenges if growth does not occur as expected. First, development charge collections may be insufficient to service the debt already incurred and also fund other planned infrastructure. Second, there may be insufficient growth in the assessment and/or rate base to support ongoing operations without undue tax levy or rate increases on existing residents and businesses.

Tax Levy and User Rates are a stable source of income

Tax levy and user rates are a stable source of income for the Region and they fund the operating and lifecycle costs of the infrastructure. In addition, tax levy revenue funds a portion of growth-related capital projects that benefit the existing population as well as costs that are ineligible for development charge funding.

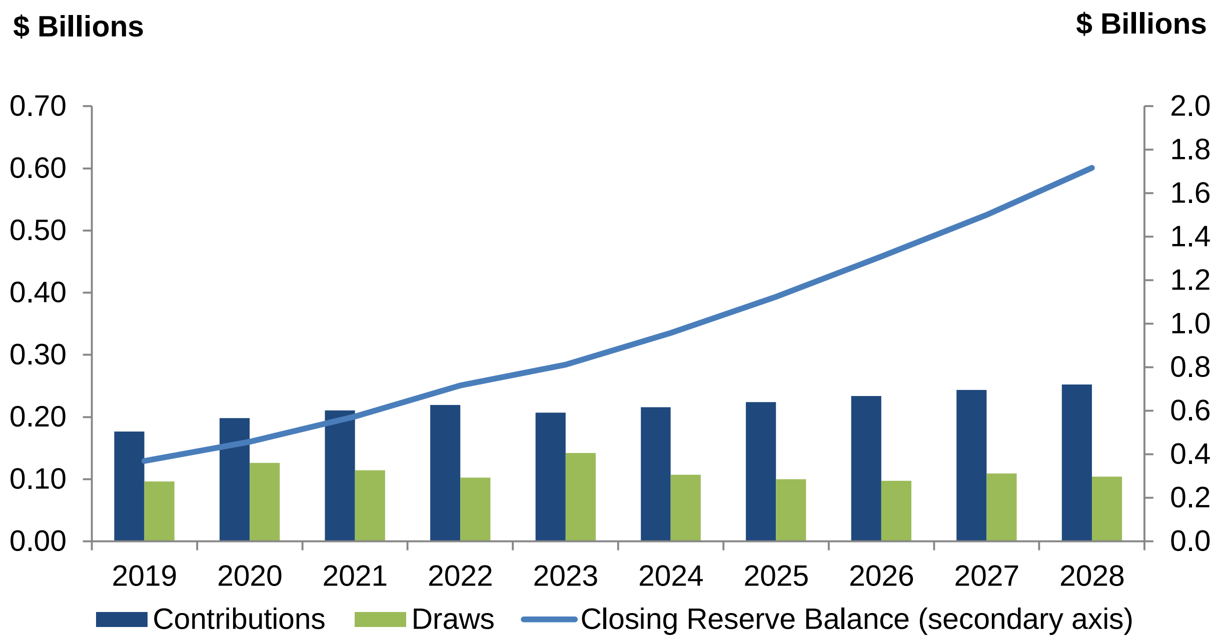
Full cost recovery pricing for user rates supports ongoing infrastructure requirements

The Region has taken steps towards fiscal sustainability by incorporating full cost recovery pricing for water and wastewater user rates that includes saving enough for asset management needs. In 2015, Council approved five years of 9.0% annual increases to blended water and wastewater rates from 2016-2020, followed by a 2.9% increase in 2021. To maintain full cost recovery after 2021, annual user rate increases of approximately 2.9% would be required.

Figure 5

10-year Projection of User Rate Funded Capital Reserves

(Water replacement and wastewater replacement reserves)



Data Source: York Region Finance

Contributions to rate-supported asset management reserves fund asset replacement needs

The guiding principle of the Region's asset management analysis is to meet the full spending needs while ensuring the same real per capita cost across generations, and assuming no issuance of tax levy or user rate debt. Contributions to the rate-supported asset management reserves are set to grow by 8 per cent a year until 2021 and thereafter moderate while maintaining full cost recovery.

Based on approved rate increases and asset management plans, Figure 5 projects that the rate-supported asset management reserves balance will grow to $1.7 billion by 2028. Reserve balances would continue to grow in anticipation of progressively higher spending needs beyond 2028.

For the period from 2019 to 2022, the Region is expected to be contributing $201 million (on average) to these reserves to cover both the replacement and rehabilitation needs of the water and wastewater assets. These contributions are based on a 100-year lifecycle analysis that should ensure that the Region is in a fiscally sustainable position to replace these key assets as needed.

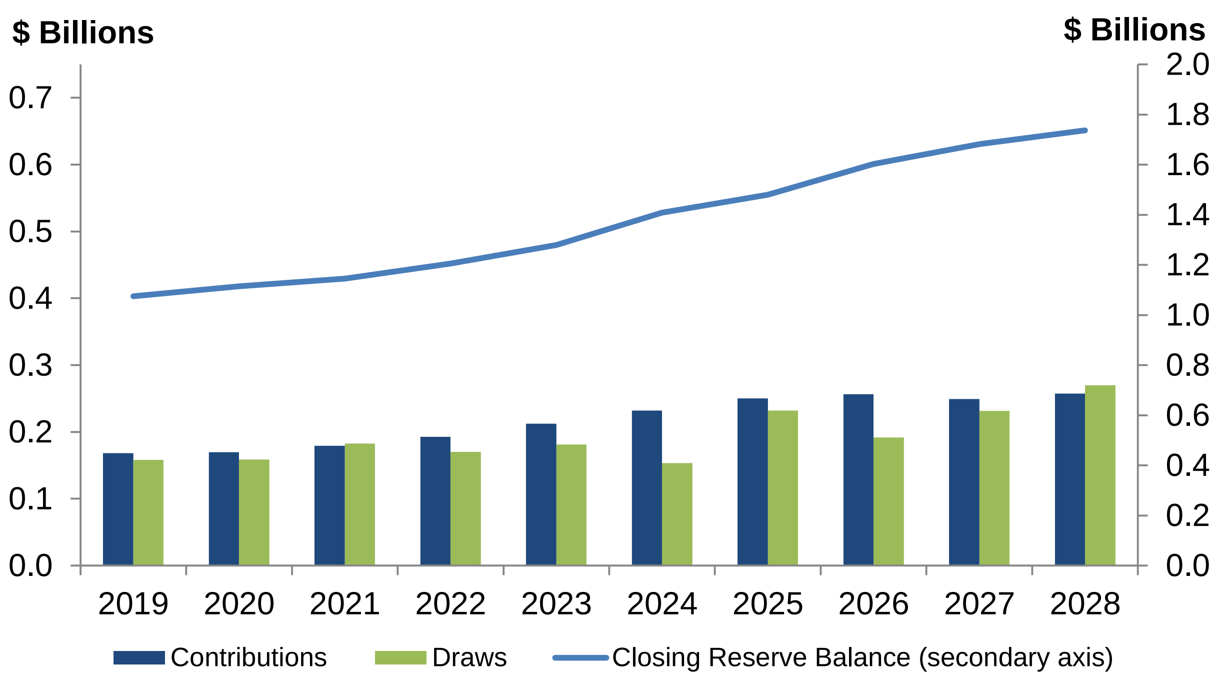
Region's tax levy is also critical for asset rehabilitation and enhancement

The tax levy is an important source of funding for rehabilitation and enhancement of assets such as Regional buildings, roads, buses, and transit garages. The Region strives for fiscal sustainability by avoiding the issuance of tax levy debt for capital projects and by prudently saving through reserves. The target amount to be saved is based on the principle of intergenerational equity. Planned contributions over the next four years are below what would have been needed to achieve intergenerational equity in 2019. To close the gap, an additional one-time contribution equivalent to about a 4 per cent tax levy increase would be needed. Thereafter the rate of growth in annual contributions could be in line with historical tax levy increases. The current plan anticipates closing the gap over the next term of Council.

As shown in Figure 6, the Region's tax levy asset replacement reserves are expected to have a balance of $1.7 billion by 2028. At this level, along with planned reserve contributions, the Region is expected to achieve intergenerational equity.

Figure 6

10-year Projection of Tax Levy Funded Asset Replacement Reserves



Data Source: York Region Finance

Tax levy contributions to the asset replacement reserves may have to grow

The Region is currently contributing an average of $178 million per year from 2019 to 2022 for both rehabilitation and replacement. This may be insufficient to meet the Region's asset management needs and increases the risk of having to issue tax levy supported debt in the future.

As shown in Figure 6, over the next 10 years the draws and contributions to the tax levy asset replacement reserves are similar. However, continued contributions to tax levy asset management reserves are necessary recognizing that asset management costs are, by their nature, ‘lumpy’ and inevitably increase as the assets age. Therefore contributing steadily to the asset management reserves will avoid having to significantly increase contributions in the future that may be unaffordable. Second, a stable contribution to the replacement reserves supports the concept of inter-generational equity meaning that all current and future consumers of these assets should pay their fair share.

There are additional funding pressures

In addition to the funding of the projects currently in the 10-year capital plan, the Region also faces now, funding pressures that could materialize over the near to medium term.

These pressures include:

- The Region’s share of the Yonge Subway extension project cost
- Potential cost overruns on the existing capital program
- Funding projects that are in the Master Plans but may not be in the capital plan due to affordability (e.g., the Langstaff Road Extension)
- *Bill 108* proposes to further limit a municipality’s ability to recover growth-related costs through development charges
- The need to build infrastructure faster to support growth

York Region will be expected to make a significant capital contribution towards the Yonge Subway Extension

On April 10, 2019, the Province committed to building four subways for a total expected cost of $28.5 billion, including the Yonge Subway Extension. Those projects are expected to be completed towards the end of the 2020s, with the subway into York Region expected to be finished by 2029-2030. The Yonge Subway Extension costs is estimated to be $5.6 billion based on a Class 4 estimate (i.e. preliminary) and could change substantially as design and planning progresses.

The Province committed $11.2 billion in total funding for the four subways and is expecting contributions from the Federal and municipal governments. There are further funding details to be negotiated, but the provincial budget announced the repurposing of up to $7 billion in federal funding towards the subways, with an intent to negotiate a further contribution by the federal government of up to 40 per cent of the subway program.

York Region and Toronto’s respective shares of the Yonge Subway Extension are still to be negotiated with the Province. However, the Provincial Budget stated that the Province expects York Region and Toronto to make “significant capital contributions” towards the projects.

The Region will continue to work with its federal, provincial and private partners in order to maximize all non-tax levy funded sources. As a matter of principle every effort will be made to minimize the impact on the Region’s tax levy. For the portion of the cost that is not funded from other levels of government or from private entities, a combination of development charges and tax levy sources with be used (the split still to be determined).

The development charge portion will likely involve additional debt as well as an increase to the DC rates. Funding for the tax levy component will be worked out once the Region’s total share is known.

The Region manages risks and pressures to the capital plan through reserves

There also may be unfunded pressures through cost overruns for projects that are either within the existing capital program, or through large infrastructure projects that the Region cost-shares with other levels of government. An example of this is the Toronto-York Spadina Subway Extension. The project experienced a 20.9% overall increase in project costs. Although cost-shared between four different governments, the federal and provincial contributions were largely fixed and the Region had to contribute $252 million in additional funding, which represents a 71.6% increase in the Regional share. The Region’s mitigation plan for these risks includes savings in the contingency reserves, which are forecasted to be $717 million by the end of 2028.

To help prevent project cost overruns, York Region departments apply a rigorous project management approach and monitors the actual capital spending regularly to ensure the spending is within the approved budget. In addition, the Finance Department reports to Council in September of each year on capital budget variances and mid-year financial results. Regular performance monitoring helps ensure that York Region delivers capital projects in a cost-efficient and effective manner.

Not all growth and capital enhancement projects in the Master Plans are currently funded

Council-endorsed Master Plans are based on Provincial Growth Plan population and employment targets. These plans included spending for growth and asset rehabilitation and replacement without signification tax increase beyond current levels through to 2041. Without contributions from other levels of government, the Region would be unable to afford all of the needed investments.

For example, the 2016 updated Transportation Master Plan recommended $8.9 billion for transit and $7.6 billion for road-related capital expenditures to 2041. This is in addition to $5.6 billion in estimated State of Good Repair needs over the same period.

Funding the full Transportation Master Plan with Regional revenue sources would result in significant tax levy and development charge pressures. In addition, the Region would need to accumulate considerably higher debt to finance these investments. Consequently, many projects have been deferred indefinitely and not included in either the Region’s DC Background Study or its 10-year capital plans. An example of a project that is unfunded is the potential Langstaff Road Extension over the CN rail yard in Vaughan which is estimated to be $620 million

Bill 108 proposes significant changes to how development charges are determined and collected

On May 2, 2019, the Provincial Government introduced *Bill 108.* This bill is aimed at addressing the challenges and barriers to new home ownership and rental housing. Among other things, this bill proposes to make changes to how municipalities determine and collect development charges.

Bill 108 would allow the Region to continue to levy development charges for water and wastewater, roads, policing, transit, paramedic services and waste diversion. Currently, these services account for 98.8 per cent of the residential rate and 99.9 per cent of the non-residential rate. A number of services for which the Region currently levies development charges would no longer be eligible services. These include public health, senior services, social housing and court services. A new tool, the Community Benefits Charge, may be used to recover costs no longer eligible for development charges. The Province has yet to release the details on how this charge may be determined and administered.

Under Bill 108, the amount of development charges payable is “frozen” on the day that a site plan or zoning application is made, with the payment made to the municipality at building permit issuance for most residential developments. For non-residential development, rental housing and not-for-profit housing, the payment of development charges would be delayed to occupancy and phased over time.

Early analysis shows collections could be $300 million less over the next five years

Overall, the proposed changes could further reduce the share of growth-related costs that can be funded through development charges. The provisions allowing “freezing” of the development charge rates at site plan or zoning application would limit the Region’s ability to collect development charges to fund new growth related projects. This is because freezing of rates allow developers to avoid rate increases due to project cost increases or addition of new projects. The provision related to delayed and phased payment constraints the Region’s ability to fund existing infrastructure, particularly in the short and medium term because it will have to finance longer timing differences. Early analysis shows that deferring and phasing of development charge payments from non-residential development could reduce the Region’s development charge collections in the order of $300 million from 2019 to 2023 compared to the 2019 budget forecast.

The 2019 budget approved a Roads Capital Acceleration Reserve (RCAR)

In recognition of the fiscal reality but also the need for more roads projects sooner, Council approved a Roads Capital Acceleration Reserve to provide funding to accelerate up to $200 million of growth-related roads projects without the need to issue additional debt. The reserve would be repaid from development charge collections in the year the projects were originally identified in the Region’s Capital Plan.

Subsequent to the approval of the 2019 Regional Budget, the Province announced two major developments that have the potential to significantly change the Region's long-term debt requirements; these being the Yonge Subway Extension and the changes anticipated from Bill 108.

Expanding the scope of this reserve would allow funding to be used for the Yonge Subway Extension

It is recommended that the scope of permissible projects be extended to allow for growth-related transportation and transit projects, and that the Roads Capital Acceleration Reserve be renamed the Transportation Capital Acceleration Reserve (TCAR).

A separate report on this reserve and its recommended funding has been submitted for Council's consideration (see report entitled: Transportation Capital Acceleration Reserve fund report).

Grants from the other levels of government may help fund growth projects

The federal budget reaffirms the 12-year, $180 billion Investing in Canada Plan that was announced in 2016 to provide infrastructure in communities across Canada. The second phase of the plan includes $81.2 billion in long-term funding for public transit, green infrastructure, social infrastructure, and infrastructure that supports trade and transportation, as well as rural and northern communities. However, the pace of spending has been slower than originally anticipated.

As per the 2019 federal budget, the government is currently working with provinces and territories to accelerate projects under their bilateral agreements. The Rural and Northern Communities Stream that is open to our northern six local municipalities and the Public Transit Stream for municipalities outside of the Greater Toronto and Hamilton Area were launched recently. In anticipation of the launch of the Public Transit Stream program for York Region by the end of 2018, Council approved an approach to use the Public Transit Stream funding in June 2018.

However, the Region may not be able to rely on some previously announced Phase II funding

In its 2019 Budget, the Province is anticipating to apply the full $4.2 billion Federal allocation under the Investing in Canada Infrastructure Program (ICIP) - Public Transit Stream, in Toronto to the subway projects. This is in addition to the $660 million already committed for the Scarborough Subway Extension. The Province also plans to use the entire $2.25 billion Ontario allocation of federal Green Infrastructure Fund for subway projects, which will bring the total potential federal contribution to over $7 billion. If this proceeds, it will result in other municipalities in Ontario, as well as the Region's environmental (water and wastewater), greenhouse gas mitigation, and climate change adaptation projects not having access to this funding.

The Region's $372 million allocation under the ICIP funding for the Public Transit Stream remains the same, at a maximum of $204 million in federal funding and $168 million provincial funding. However, the exact contribution towards the Yonge Subway Extension is still yet to be determined.

The 2019 Federal budget announced a top-up to the Federal Gas Tax Fund

As part of the 2019 Federal Budget it was announced that there would be a one-time municipal top-up of $2.2 billion to the Federal Gas Tax Fund. York Region primarily uses the Federal Gas Tax funding for transit-related capital projects. It is expected that the Region would receive $32.9 million from this increase.

The Federal Gas Tax funding could be used for a wide range of projects in the capital plan, and thus could free up capital funding room in the approved budget to accelerate growth related projects.

Since 2016, the Region has been approved for $581 million in application-based funding from other levels of government

Since 2016, the federal and provincial governments approved $581 million in funding for 39 projects under various funding programs. Table 3 summarizes the funding approved.

Table 3

Regional projects benefitting from federal and provincial funding

Fund	Year	Amount approved ($M)		Benefitting projects
		Fed.	Prov.	
Transportation/ YRRTC				
Public Transit Infrastructure Fund (PTIF)	2016	36.34		Yonge Subway Extension – Planning and Preliminary Engineering
Metrolinx Funding	2017		55.00	Yonge Subway Extension – Planning and Preliminary Engineering
Railway Safety Improvement Program (RSIP)	2017	1.48 [1]		Safety Assessment and Improvements at 88 Rail Crossings
	2018	2.78		Whistling Cessation on the Stouffville GO Line
Public Transit Stream (PTIF 2)	2018	203.64	168.01	TBD[4]
Environmental Services				
Disaster Mitigation and Adaptation Fund	2019	48.00		YDSS Forcemain Twinning
	2019	8.28		Aurora Sewage Pumping Station
	2019	10.14		Natural Infrastructure

Fund	Year	Amount approved ($M)		Benefitting projects
		Fed.	Prov.	
Clean Water Wastewater Fund*	2017	23.20	11.60	26 different projects throughout York Region including: Upper York Sewage Solutions – Phosphorus Offset Program Pilot and Membrane Filtration System Pilot
Green Municipal Fund	2019	0.19		Water Reuse Research Demonstration Project
Canadian Agricultural Partnership	2018	0.07 [2]		Water Reuse Research Demonstration Project
Municipalities for Climate Innovation Program	2018	0.57 [3]		Ambulance Anti-Idling Capital Upgrade
YorkNet				
Connect To Innovate	2019	2.00		Fibre backbone for parts of East Gwillimbury, Georgina and Georgina Island First Nation
Cap and Trade Funding				
Social Housing Electricity Efficiency Program (SHEEP)	2016		0.77	Energy retrofits of social housing units
Social Housing Apartment Improvement Program (SHAIP)	2018		4.70	Energy retrofits of social housing units
Ontario Municipal Commuter Cycling Program (OMCCP)	2017		3.51	New bike lanes and other cycling infrastructure
Other Provincial Programs				
Ontario Municipal Cycling Infrastructure Program	2016		0.33	Design and Construction of the Markham segment of lake to lake cycling route and walking trail - Phase 1
Ontario Sport and Recreation Communities Fund	2017		0.12	Making Tracks: Active Transportation Education Program
Total		**336.70**	**244.04**	

Notes

1. $1.09 million out of $1.48 million funding was applied on behalf of six local municipalities.

2&3. Exact amounts may change at project completion.

4. Funding was announced based on ridership allocation. Application process has not been launched yet.

Mitigating financial pressures and risks while maintaining sustainability

In the coming decade, the Region will face a significant number risks, challenges and opportunities. Meeting these challenges requires that the infrastructure needed to deliver growth can be built without unduly burdening taxpayers.

To do this, prudent and long-term financial planning such as the multi-year budget 10-year capital plan and the annual fiscal strategy are required concurrent with continued and sustained contributions to reserves to meet both the expected and unexpected challenges as they arise.

5. Financial

As part of each Budget process, the Region assesses its finances, the general state of the economy and its infrastructure plan to formulate the annual Fiscal Strategy. There are four principles that guide this analysis: savings for the future, reducing reliance on debt, managing the capital plan and achieving inter-generational equity.

6. Local Impact

The Region's fiscal pressures could impact its ability to deliver, maintain and enhance critical infrastructure to accommodate growth

Growth-related infrastructure is vital to the Region's local municipalities. Any fiscal pressures that impact the timing delivery, maintenance and enhancement of this infrastructure must be monitored and managed.

Bill 108 affects the fiscal sustainability of the Region's local municipalities

Bill 108 changes the way that all municipalities fund growth-related infrastructure. Like the Region, local municipalities would also be faced with the financial and administrative challenges resulting from Bill 108.

Bill 108 introduces the community benefits charge as a new vehicle for funding community infrastructure. This charge effectively combines the old Section 37 funds, park land dedication funds and potentially some soft services currently eligible for development charges. The community benefits charge are subject to various restrictions, include a cap on the charge that could be levied.

The Community Benefits Charge also entails additional administrative costs that will impact the local municipalities, including: costs developing, and consulting on, the Community Benefits strategy and the costs associated with reporting on the Community benefits revenues

While the Province has indicated that the new Community Benefits Charge will be revenue neutral, it is unclear how, or if, this will be the case. The regulatory framework that accompanies the Community Benefits Charge is expected in the coming weeks and should provide further guidance on this matter.

7. Conclusion

Despite challenges, the Region continues to work towards fiscal sustainability

Though limited in revenue-raising streams, initiatives of previous terms of Council the Region has taken great steps towards achieving fiscal sustainability. In order to continue upon this path, and address capital-related fiscal pressures, both current and in the future, the Region will continue to manage its capital budget in a fiscally prudent manner. In addition, the Region will continue to work with other levels of government to deliver infrastructure projects that are vital to the residents and businesses in York Region.

For more information on this report, please contact Edward Hankins, Director, Treasury Office at 1-877-464-9675 ext. 71644. Accessible formats or communication supports are available upon request.

Recommended by:

Laura Mirabella, FCPA, FCA
Commissioner of Finance and Regional Treasurer

Approved for Submission:

Bruce Macgregor
Chief Administrative Officer

June 12, 2019
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