Fiscal Sustainability Update

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York Region

OUTLINE

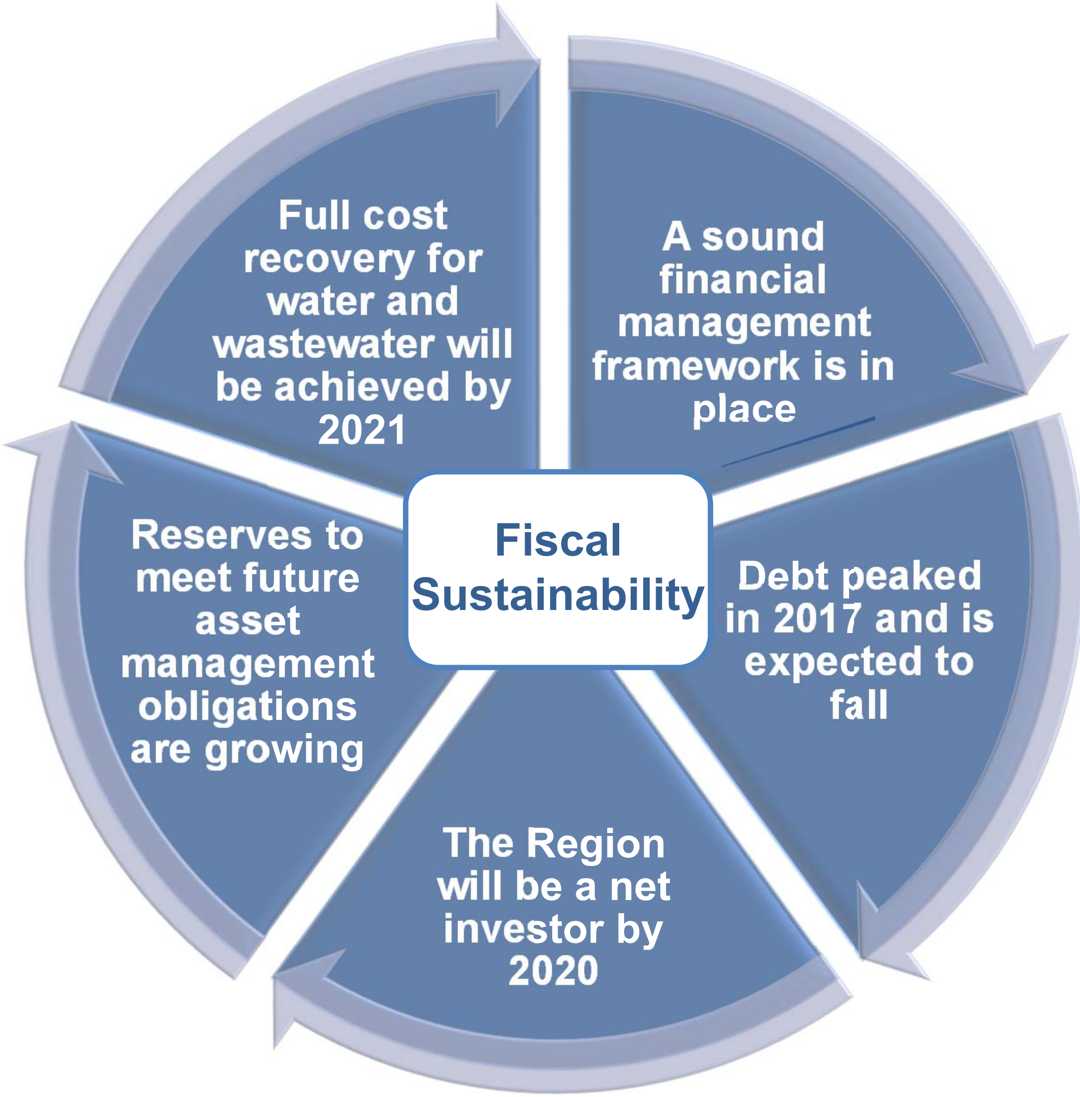
1. Fiscal sustainability: overview
2. The challenge of funding growth-related infrastructure
3. Continuing to fund asset management needs
4. Other pressures and risks
5. Summary

Fiscal Sustainability: Overview

WHAT DOES FISCAL SUSTAINABILITY LOOK LIKE IN YORK REGION

Criteria
Growth can be accommodated without unacceptable tax levy, user rate or debt increases
Infrastructure can be kept in a state of good repair and replaced at the right time
Service levels can be maintained in the face of urbanization and changes in economic conditions
Full Cost Recovery – careful consideration of who should pay, and that they pay their fair share

THE REGION CONTINUES TO WORK TOWARDS FISCAL SUSTAINABILITY

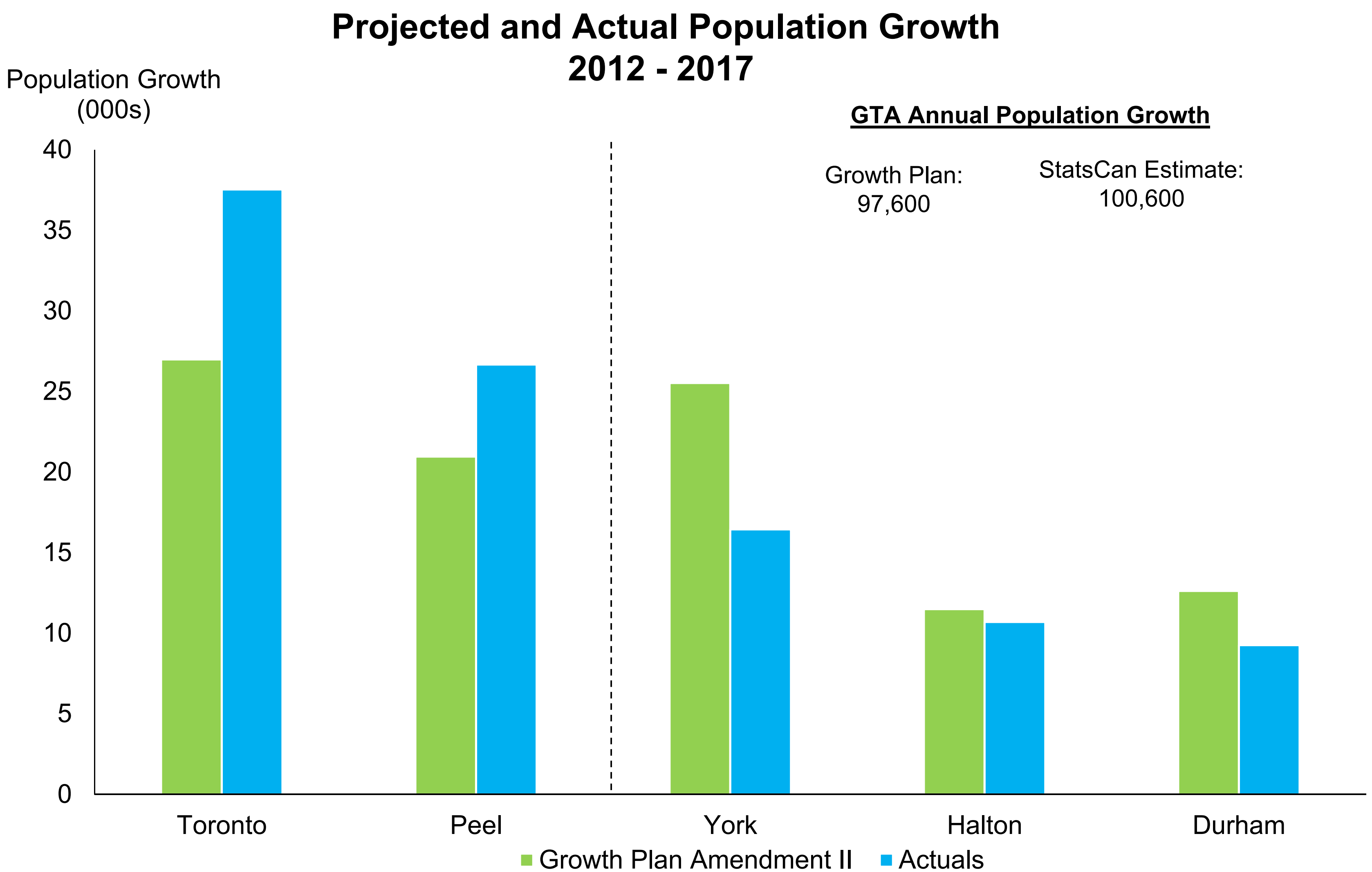


Fiscal Sustainability: Challenges of Funding Growth

THE REGION'S REVENUE-RAISING POWERS ARE LEGISLATED

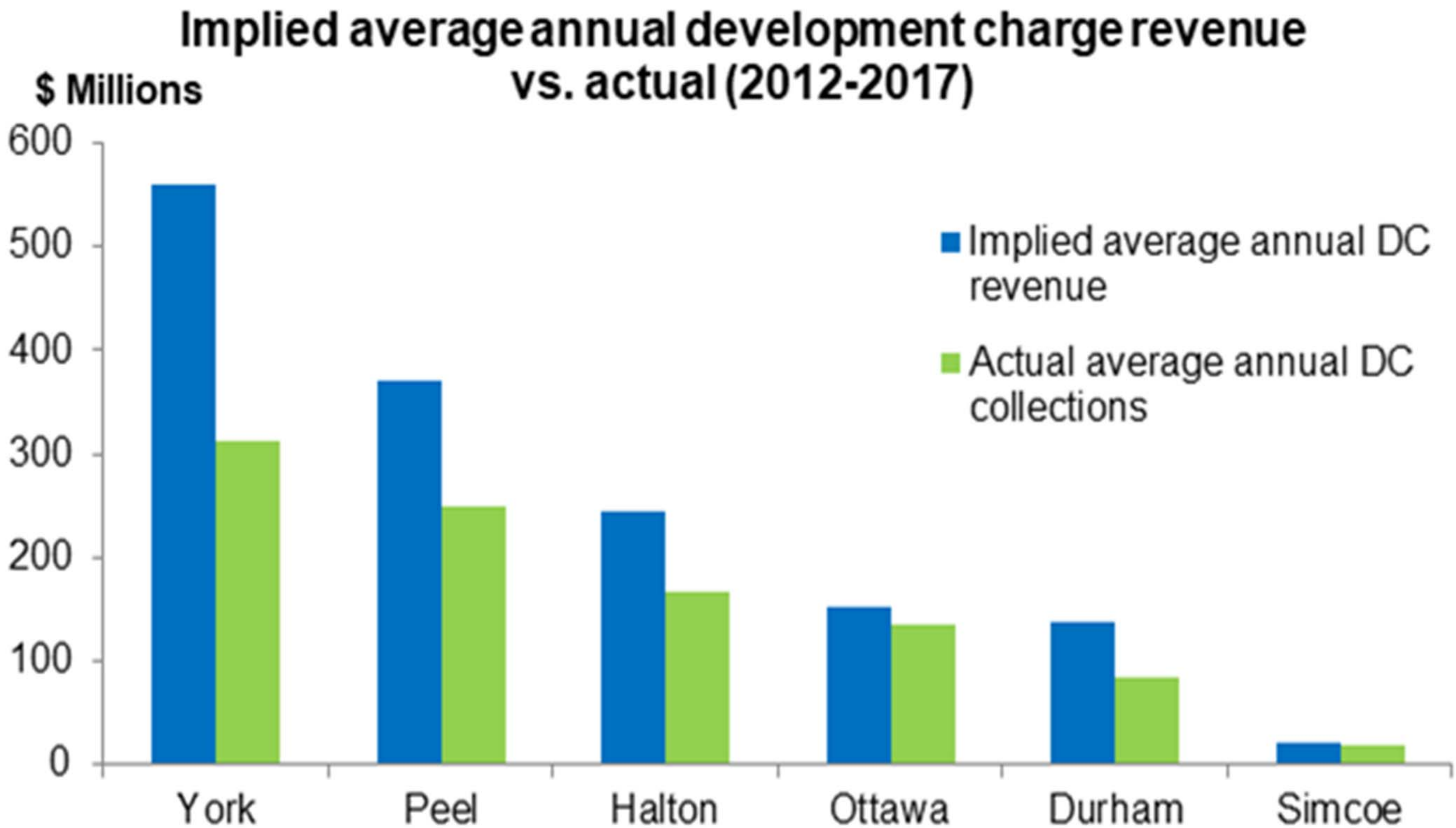
Revenue power	Relevant legislation	What it is used for
Property taxes, including the Vacant Unit Tax	*Municipal Act, 2001* *Assessment Act, 1990*	Operating and asset management costs
User fees and charges (including fees and charges, permits and rents	*Municipal Act, 2001*	Operating and asset management costs (e.g., water and wastewater rates)
Development charges	*Development Charges Act, 1997 and Municipal Act, 2001*	Growth-related infrastructure (e.g., Roads, Transit, Public Health Services)
Fines and penalties	*Municipal Act, 2001* *Provincial Offences Act, 1990*	Operating costs (e.g., related to court administration)
Investment income	*Municipal Act, 2001*	Contributions to reserves
Road tolls	*Municipal Act, 2001*	Not applicable

DISCONNECT BETWEEN PROJECTED AND ACTUAL POPULATION GROWTH

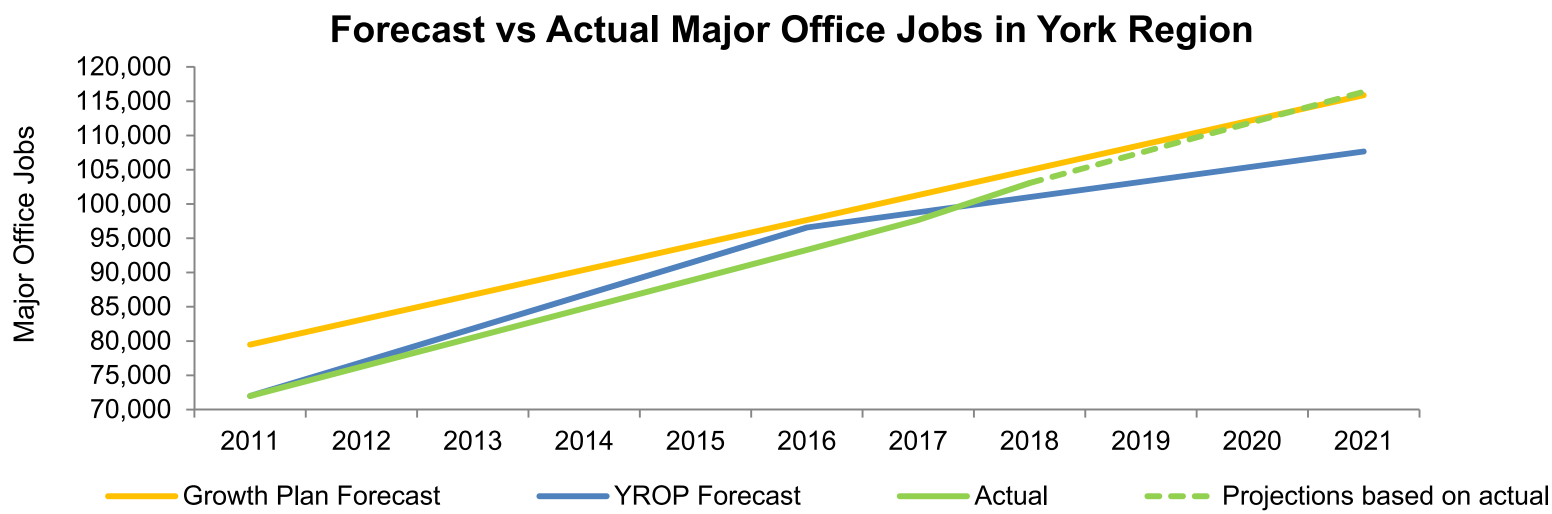


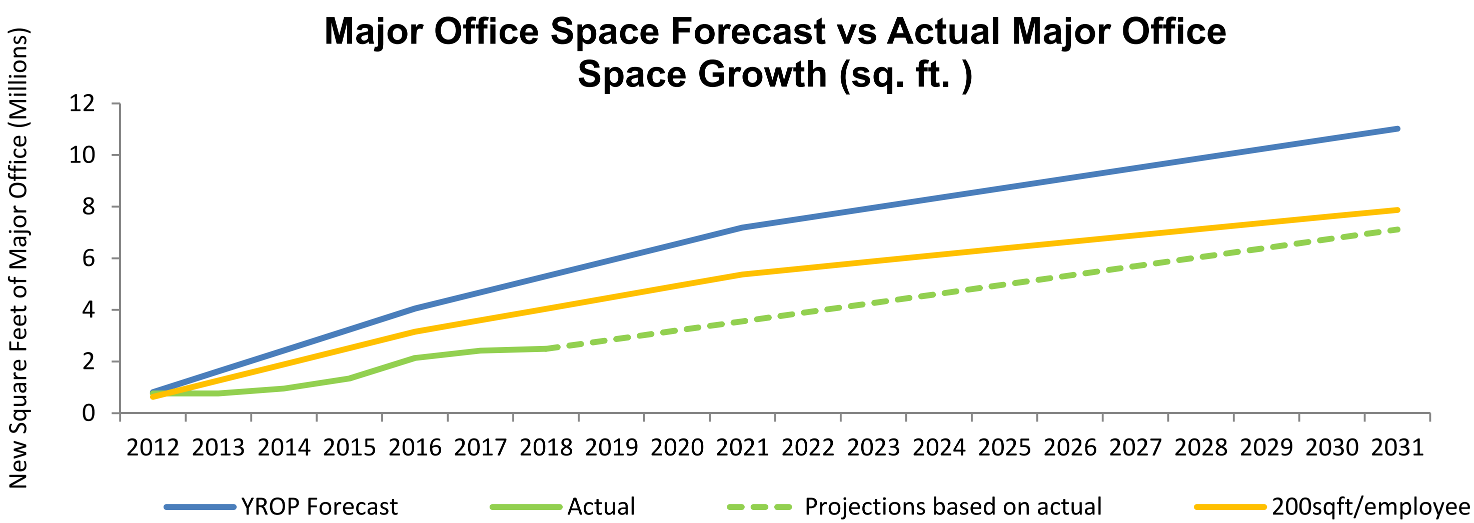
Data Source: Growth Plan Amendment II technical addendum, Hemson Consulting Ltd., StatsCan Table: 17-10-0084-01 (formerly CANSIM 051-0062)

LOWER-THAN-EXPECTED GROWTH RESULTS IN DEVELOPMENT CHARGE SHORTFALLS

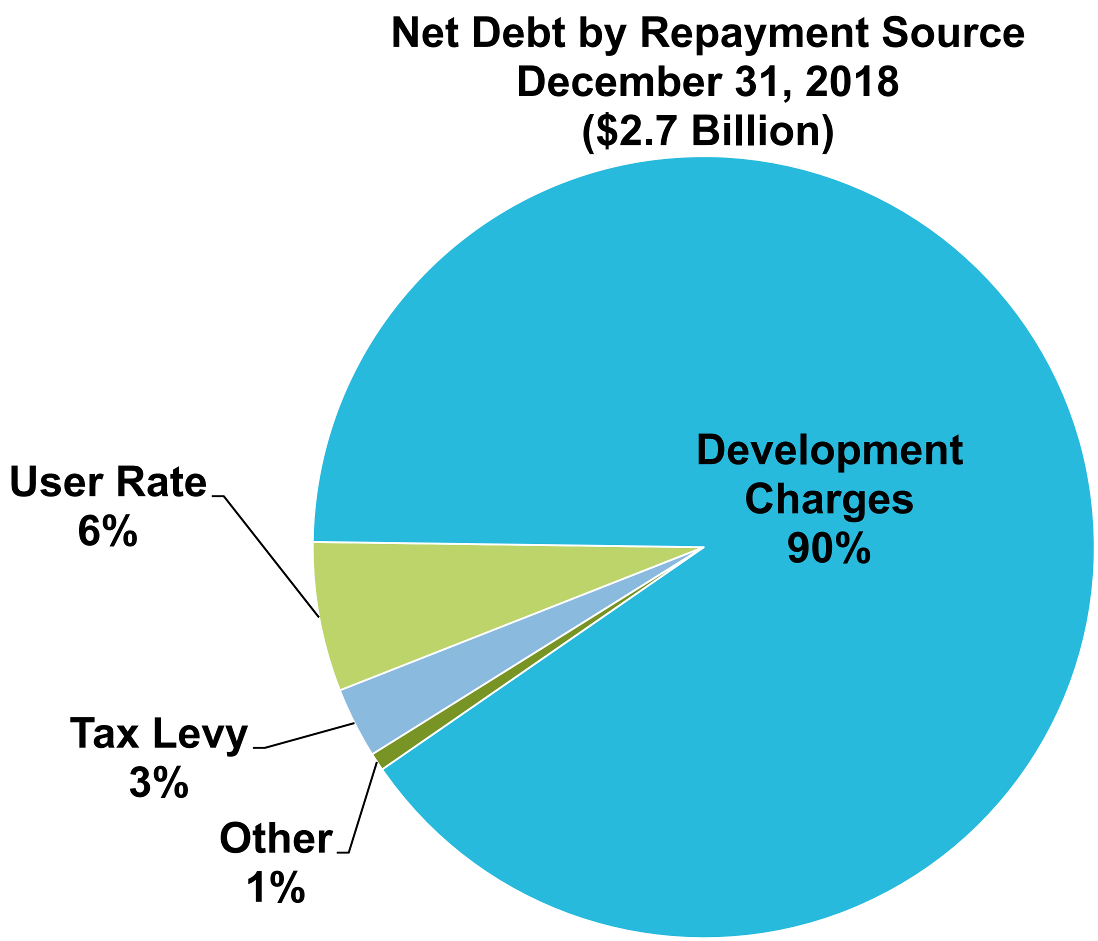


WHILE MAJOR OFFICE EMPLOYMENT GROWTH IS ON TRACK TO MEET FORECASTS, GROSS FLOOR AREA IS NOT

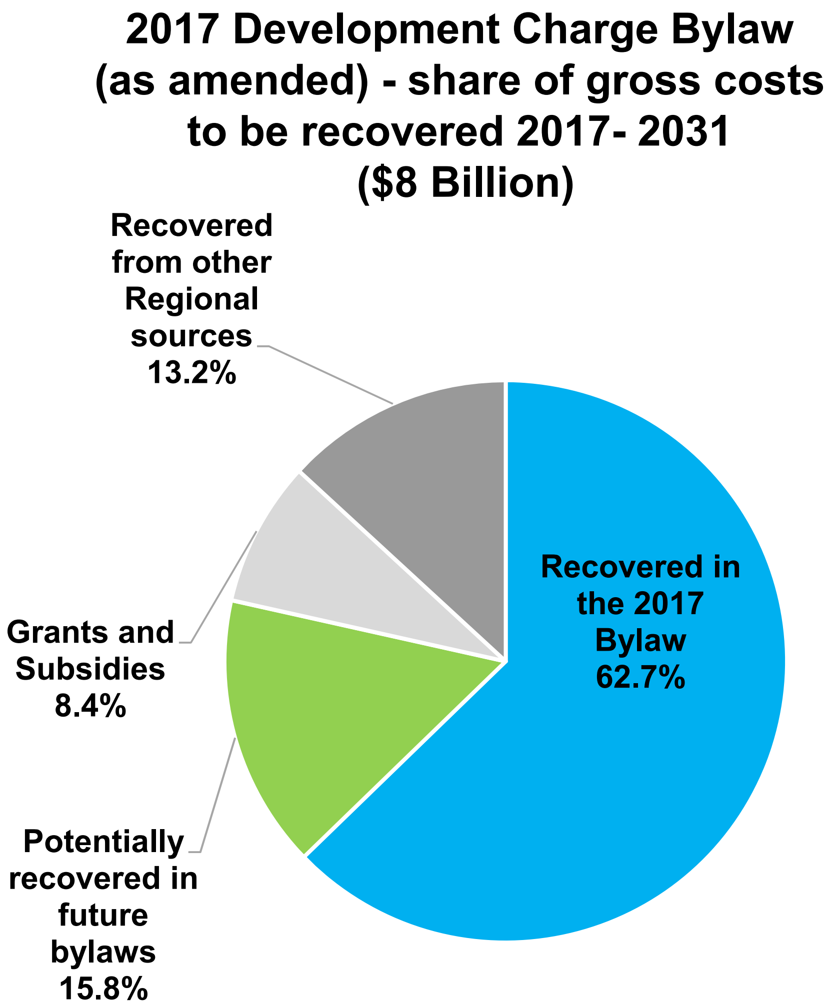




DEVELOPMENT CHARGE COLLECTIONS REPAY DEBT AND FUND NEW CAPITAL



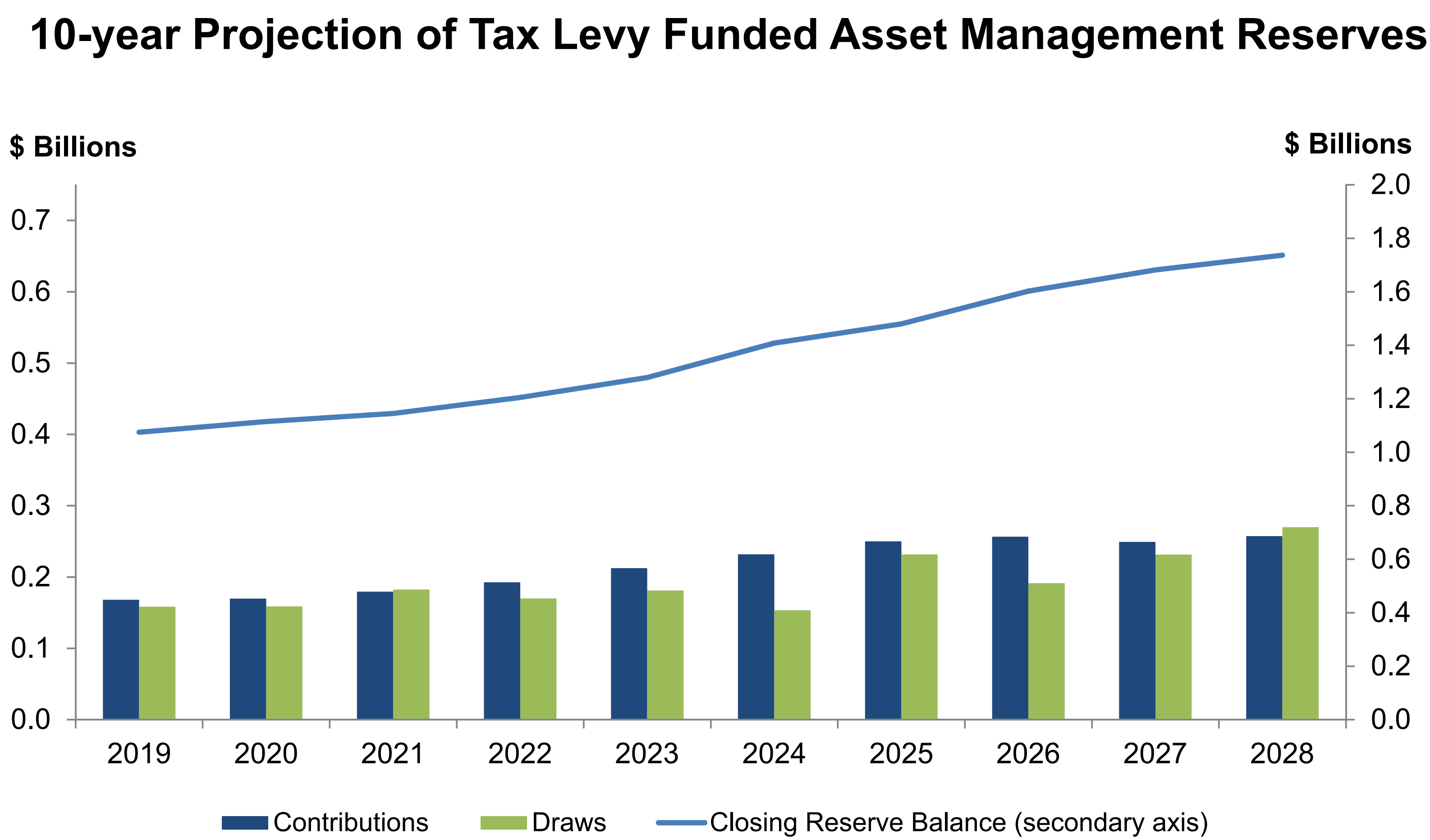
TOTAL COST OF GROWTH IS NOT RECOVERED FROM DEVELOPMENT CHARGES



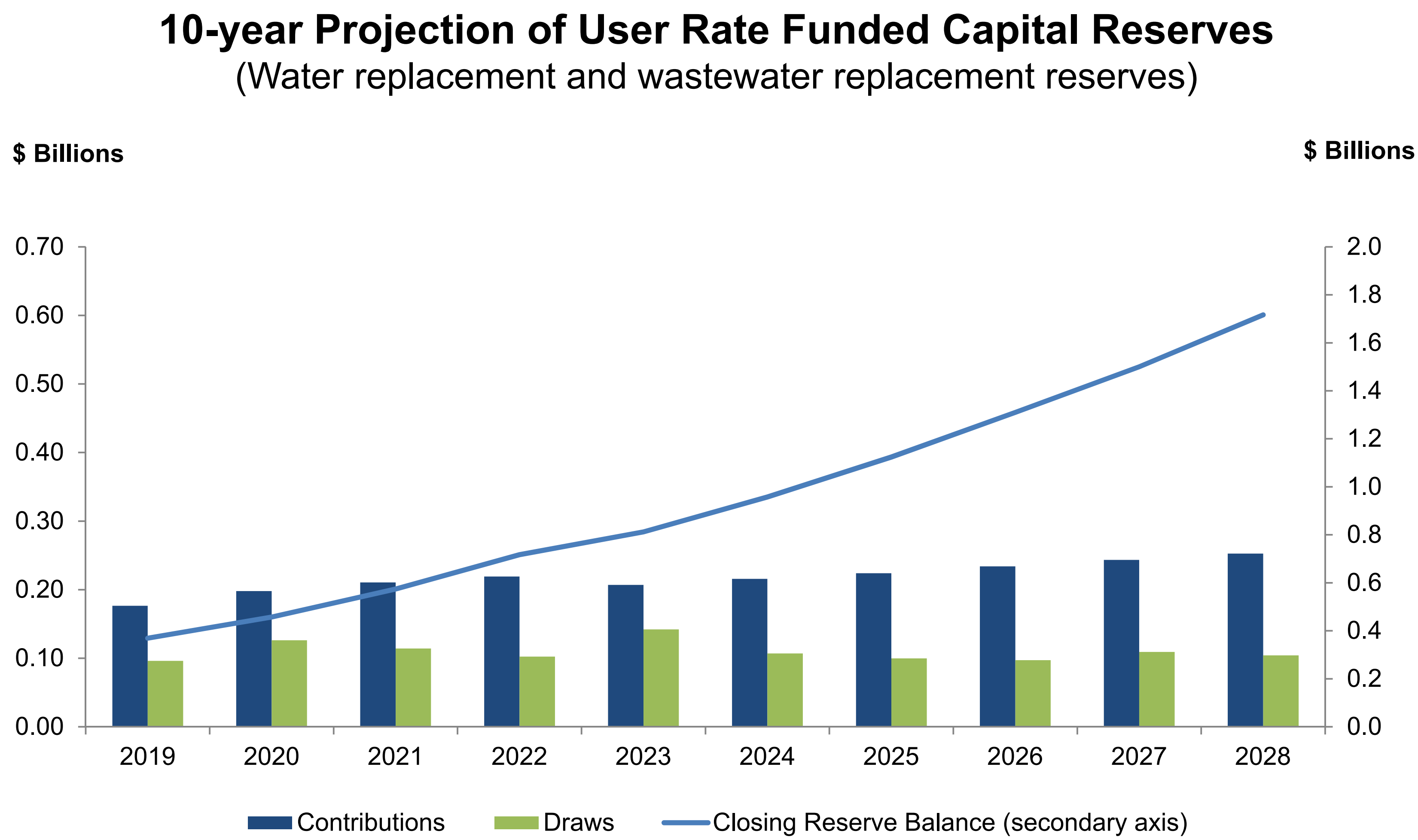
Category	2017 Development Charge Bylaw – as amended in 2018 ($ millions)
Recovered in 2017 Development Charge Bylaw	5,025
Potentially recovered under future bylaws	1,261
Recovered from other Regional sources (tax levy and rates)	1,053
Grants and Subsidies	669
Total	**8,009**

Fiscal Sustainability: Funding Asset Management Needs

RESERVE CONTRIBUTIONS MUST GROW TO MEET ASSET MANAGEMENT NEEDS



RESERVE CONTRIBUTIONS MUST GROW TO MEET ASSET MANAGEMENT NEEDS



Fiscal Sustainability: Other Pressures & Risks

OTHER PRESSURES AND RISKS

	Description
1	Implications of Bill 108, More Homes, More Choice Act, 2019
2	Region’s share of the additional transit growth infrastructure
3	Potential cost overruns on existing capital program
4	Projects that are in the master plan, but are not in the capital plan due to affordability (e.g., Langstaff Road Extension over the CN Railyard)
5	The need to build infrastructure faster to support growth

THROUGH BILL 108, THE PROVINCE HAS CHANGED HOW MUNICIPALITIES RECOVER GROWTH-RELATED INFRASTRUCTURE COSTS

1. Development charge rates ‘frozen’ at earlier stages of development

2. Delayed and phased payments for certain classes of development

3. The Region can continue to collect development charges for water, wastewater, roads, policing, transit, waste diversion and paramedic services

Purpose-built secondary suites would be exempt from development charges

CHANGES TO THE DEVELOPMENT CHARGES ACT WILL FURTHER LIMIT THE REGION'S ABILITY TO FUND GROWTH-RELATED INFRASTRUCTURE

- Changes through Bill 108 shifts significant financial risks to municipalities

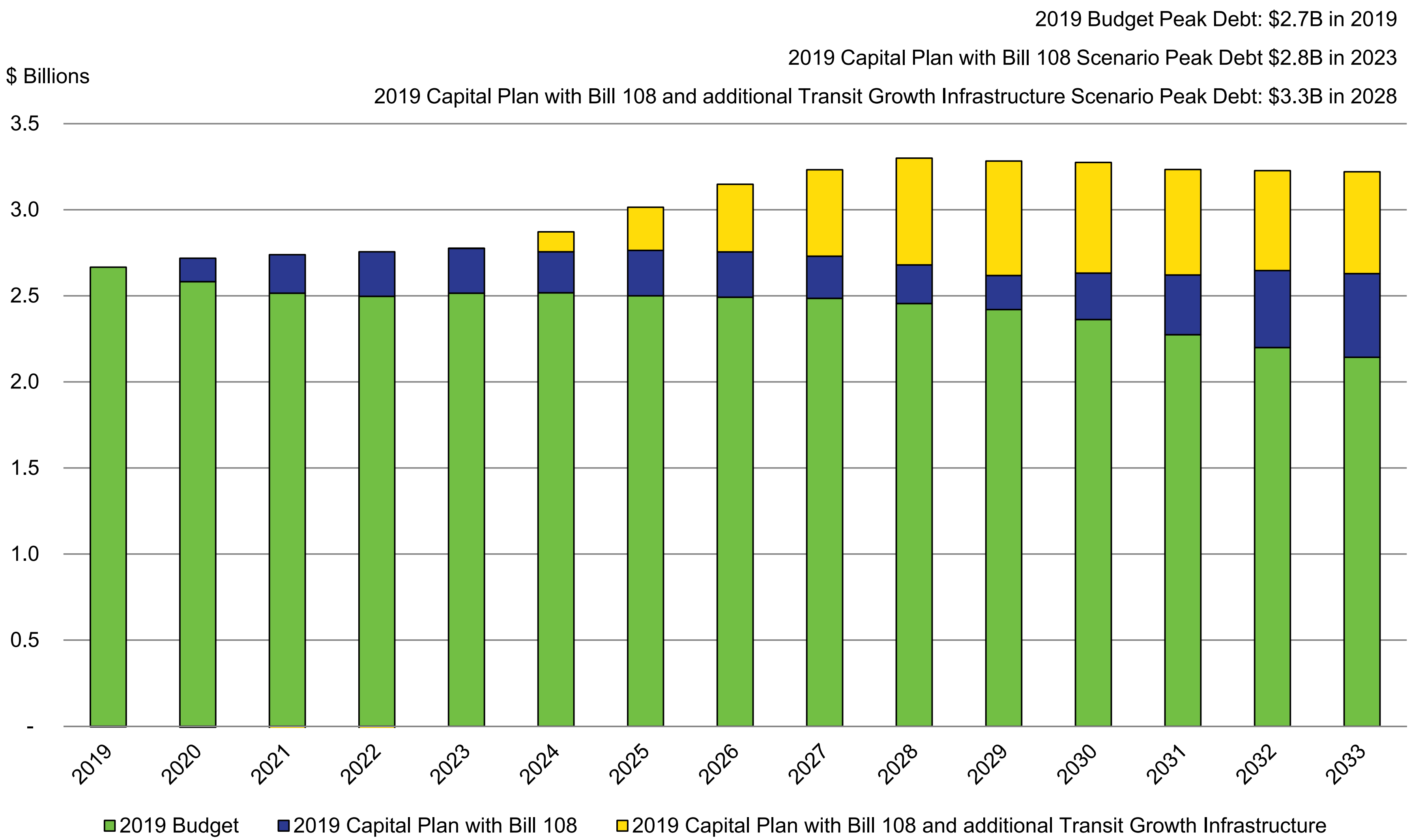
- Permitting rates to be 'frozen' at an earlier point in the development process limits the Region's ability to collect development charges to fund new projects such as the Yonge Subway Extension

- The delay and planned collection of development charges over a period of 5 – 20 years, puts downward pressure on collections particularly in the short and medium term
  - Early estimates show that this provision could reduce collections by $300M over the next five years compared to the 2019 budget forecast

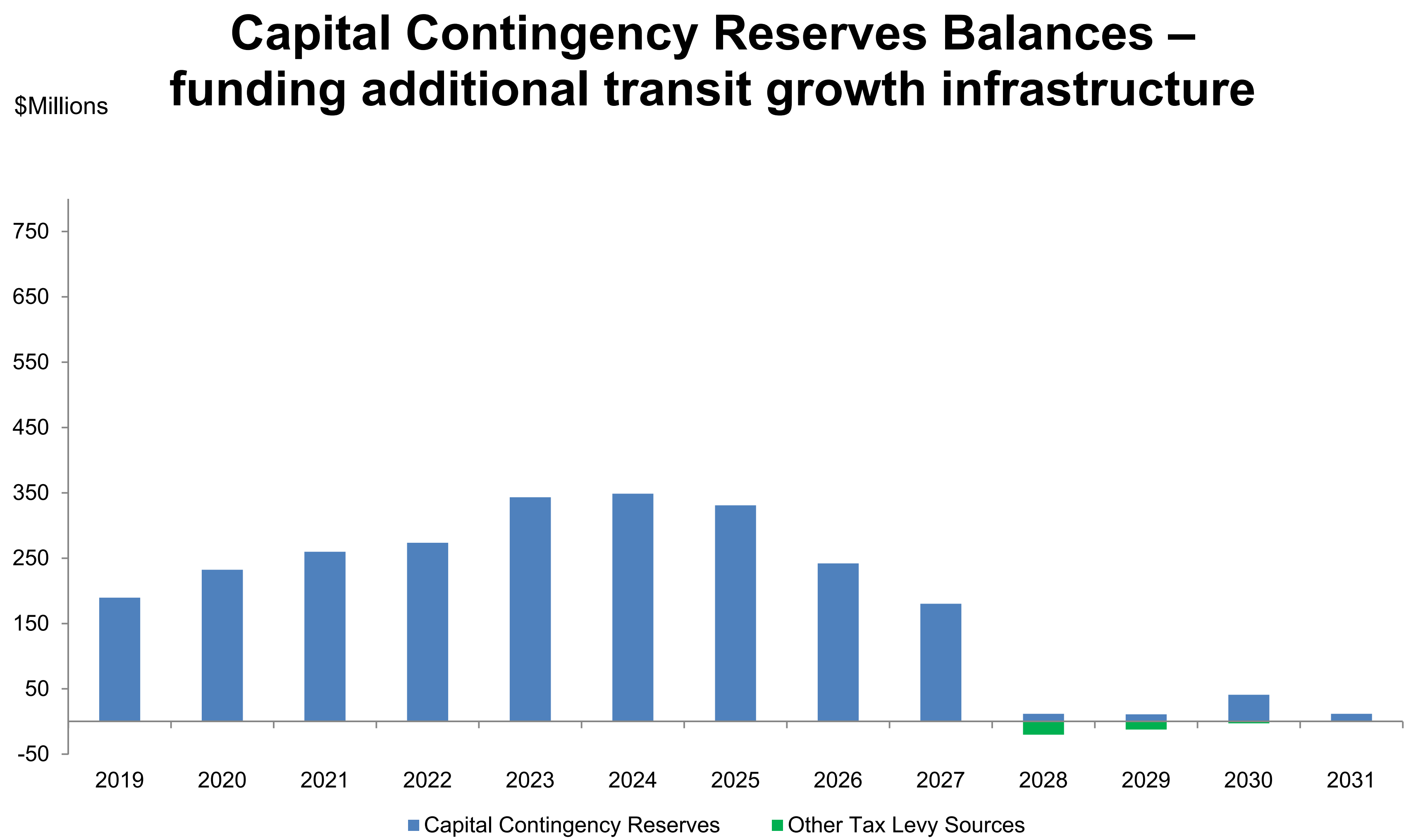
- It is unclear how much growth-related costs can be recovered through Community Benefit Charge

- Early analysis indicates that there is increased complexity in terms of administration of the DC bylaw and more clarity is needed

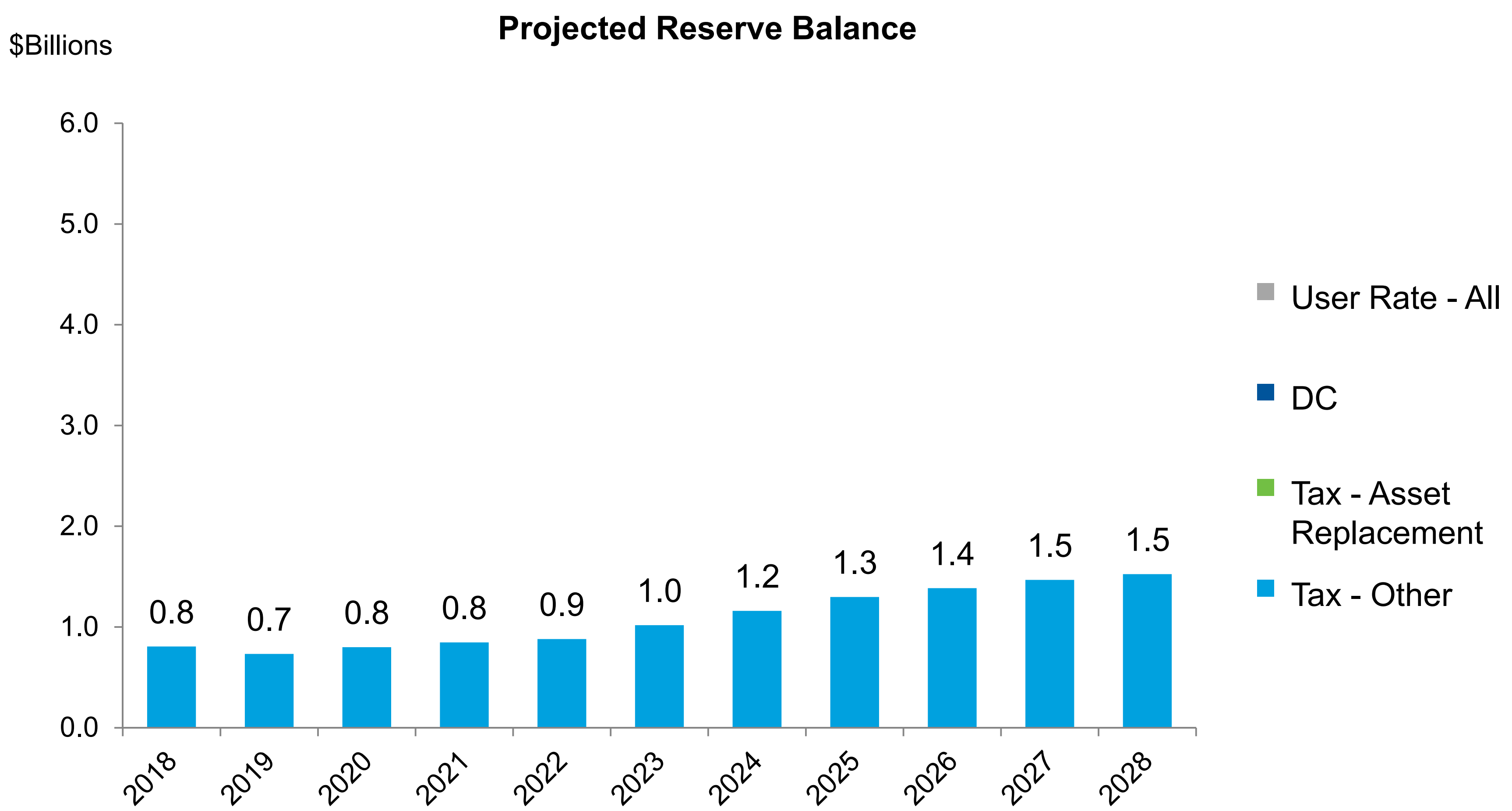
PRELIMINARY DEBT PROJECTION



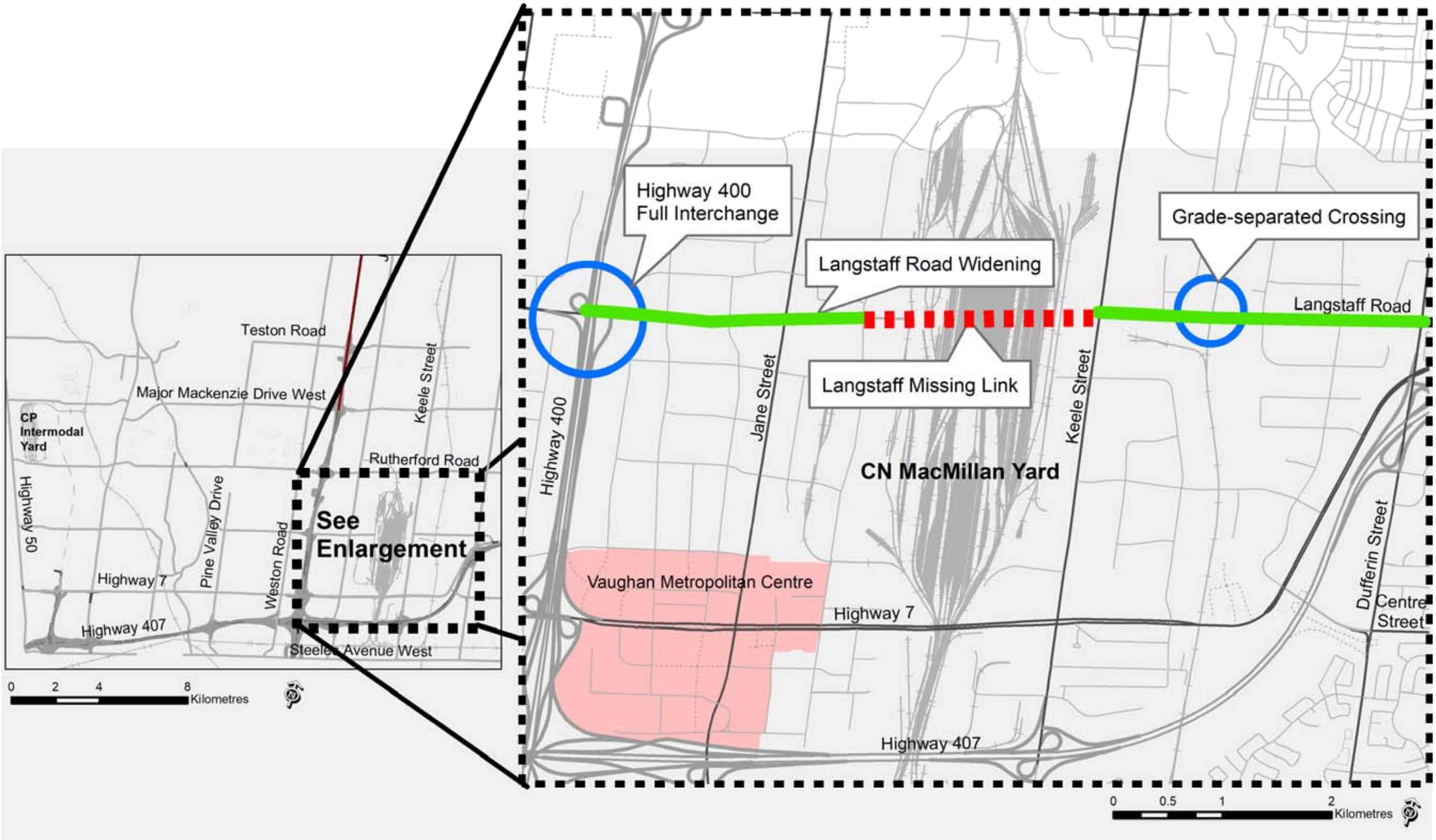
CAPITAL CONTINGENCY RESERVES COULD BE USED TO FUND ADDITIONAL TRANSIT INFRASTRUCTURE



POTENTIAL COST OVERRUNS ON CAPITAL ARE MITIGATED BY SAVING IN RESERVES



TO REMAIN AFFORDABLE, THE REGION'S CAPITAL PLAN DOES NOT INCLUDE ALL OF THE DESIRED PROJECTS IN THE TRANSPORTATION MASTER PLAN



The Langstaff Bridge is a Regionally significant project that requires commitment from other agencies

COUNCIL APPROVED A 1% LEVY IN 2019 FOR ROADS ACCELERATION

The 2019 Budget approval:

Tax Levy Change	2019	2020	2021	2022
Base	2.96%	2.96% including Roads Capital Acceleration Reserve Contribution		
Roads Capital Acceleration	1.00%			
Total	3.96%			

Council adopted an additional recommendation that:

> "The reserve be funded by a 1% tax levy contribution in 2019, and future tax levy contributions of up to 1% per year between 2020-2022, conditional on the overall tax levy increase not exceeding 2.96% in any given year, and the transfer of $82.7 million from the Debt Reduction Reserve in 2022."

Fiscal Sustainability: Summary

IN ORDER TO CONTINUE ON THE PATH TO FISCAL SUSTAINABILITY

Stay the course on prudent financial decisions already made	Fiscal sustainability
Vigilant oversight of the capital plan	
Further increases in contributions to asset replacement reserves	
Federal and provincial subsidies for infrastructure mega-projects	

THANK YOU

York Region