

The Regional Municipality of York

Committee of the Whole
Community and Health Services
December 5, 2019

Report of the Commissioner of Finance

2020 to 2022 Budget – Community and Health Services

1. Recommendations

1. Committee of the Whole recommend the budget as submitted for Community and Health Services as follows:
 - a. The 2020 operating budget and the 2021 to 2022 operating outlook, as summarized in Attachment 1.
 - b. The savings initiatives as summarized in Attachment 2.
 - c. The 2020 capital expenditures and the 2020 Capital Spending Authority, as summarized in Attachment 3.
2. The recommended budget be consolidated by the Commissioner of Finance and Regional Treasurer for consideration by Council on December 19, 2019.

2. Summary

This report provides a summary of the 2020 to 2022 Operating and Capital Budget for Community and Health Services for consideration by Committee. Details of the budget can be found on page 99 of the 2020 to 2022 Budget book.

Key Points:

- The 2020 proposed gross operating expenditures for Community and Health Services are \$658.4 million, which is 26.7% of total Regional operating expenditures.
- The proposed net operating budget is \$225.0 million, or 18.9% of the Region's net expenditures after non-tax revenues of \$429.6 million.
- The proposed capital budget is \$67.6 million in 2020, or 8.2% of the proposed Regional capital budget, and proposed Capital Spending Authority is \$160.9 million.

3. Background

Community and Health Services plans, delivers and oversees health, housing and social services in the Region. Many of its programs are provincially mandated and fully or partially funded by the Province. Other programs and services have been implemented by the Region to strengthen the Region's network of human services, support housing affordability and stability and improve access to health and social support services.

On February 28, 2019 Council endorsed an operating outlook for 2020-2022

As part of the 2019-2022 Budget, Council endorsed an outlook for the operating budget for 2020 to 2022.

As part of the budget approval, Council established the Roads Capital Acceleration Reserve. Council also requested that the planned additional contributions to this reserve of 1% of the tax levy in each year from 2020 to 2022 be accommodated within the endorsed tax levy increase outlook of 2.96% for those years. On April 25, 2019 Council received the presentation, Funding the Roads Capital Acceleration Reserve and considered a non-tax levy option to fund the reserve. On June 20, 2019, Council received the Transportation Capital Acceleration Reserve Fund report and approved the non-tax levy funding option.

Community and Health Services savings exercise focused on addressing provincial funding reductions

The 2019 provincial budget and subsequent announcements reflected changes in direction and funding in a number of areas that affect the department. These included changes that have a tax levy impact, such as a reduction in the share of grant funding available for administrative expenses, changes in the Provincial cost-share for Public Health costs and for creation of new child care spaces, reduced funding increases for Paramedic Services and Seniors Services compared to prior years, and a delay in a previously announced funding increase for Homelessness Prevention.

Potential savings initiatives presented to Council in June 2019 did not include savings proposals being developed in Community and Health Services as information on the provincial funding reductions was still being assessed. Given the significant amount of the reductions, Regional staff determined the department's savings exercise should be focused on addressing the provincial reductions. These savings are proposed for consideration through the current budget process.

The 2020-2022 Budget also reflects planned savings presented to the Board of Health for consideration on June 20, 2019. This includes items implemented shortly after the June 20, 2019 approval that have multi-year impacts. The Budget also reflects updates to some savings made as part of the budget process.

The budget was tabled with Council on November 21, 2019

The 2020 Budget Direction report, approved by Council on May 16, 2019, indicated that the tabled budget be reviewed at the Committee of the Whole meetings in December, with final 2020 budget approval by Council scheduled for December 19, 2019.

The proposed 2020 to 2022 Operating and Capital Budget was tabled with Council on November 21, 2019. It was received and referred to the December meetings of Committee of the Whole for consideration and recommendation.

The multi-year operating budget includes an outlook for 2021 to 2022

The operating budget includes the proposed 2020 budget and an outlook for 2021 to 2022. The outlook will be reviewed annually through the budget process. Each year, Council will consider the proposed budget for the upcoming year and the outlook for the remaining years of Council's term.

For the 2020 to 2022 budget, Council is asked to approve the 2020 proposed operating budget and endorse the 2021 to 2022 outlook.

Multi-year commitments for capital projects are proposed as part of the budget process

Many capital projects span several years of planning, design and construction, requiring multi-year spending authority.

Capital Spending Authority is requested for projects with contractual and other clear or certain multi-year commitments. As in previous years, Council is asked to approve the proposed capital expenditures and funding for 2020 and the multi-year Capital Spending Authority.

4. Analysis

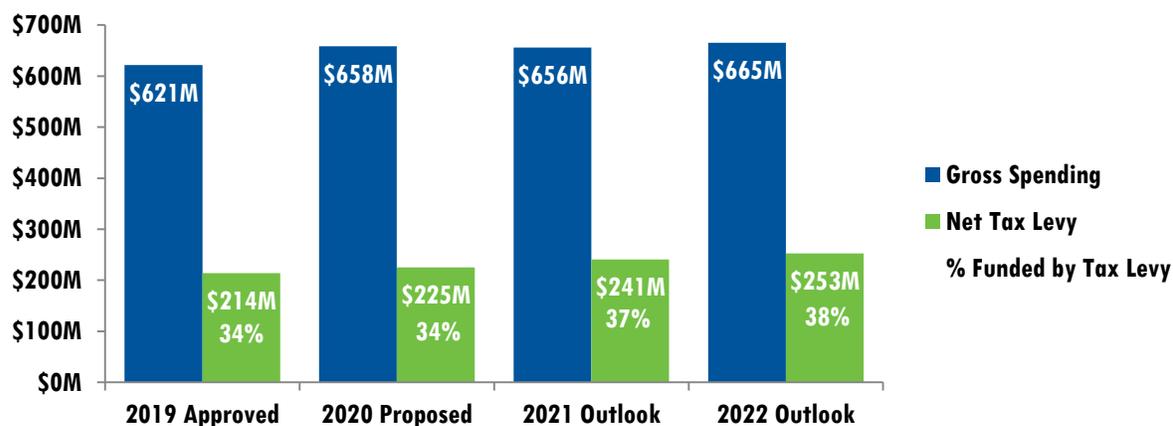
OPERATING BUDGET

Approval of 2020 gross expenditures of \$658.4 million and net expenditures of \$225.0 million is requested

The budget includes gross operating expenditures, or total budget, and net expenditures, which correspond to the portion of the budget paid by the tax levy. Non-tax revenues fund the difference. For Community and Health Services, non-tax revenues come from grants and subsidies, fees and charges, reserves, third party recoveries, tenant rents (as the Housing York Inc. budget is included in the Community and Health Services budget) and development charges.

The 2020 proposed gross operating expenditures for Community and Health Services are \$658.4 million, or 26.7% of total Regional expenditures. The proposed 2020 net expenditures of \$225.0 million are 18.9% of the total. The tax levy funds 34% of Community and Health Services' 2020 gross expenditures, as shown in Figure 1.

Figure 1
2020 to 2022 Gross and Net Operating Expenditures



A recent update by the Province will result in more child care funding to the Region than anticipated in 2020, with no impact on the tax levy

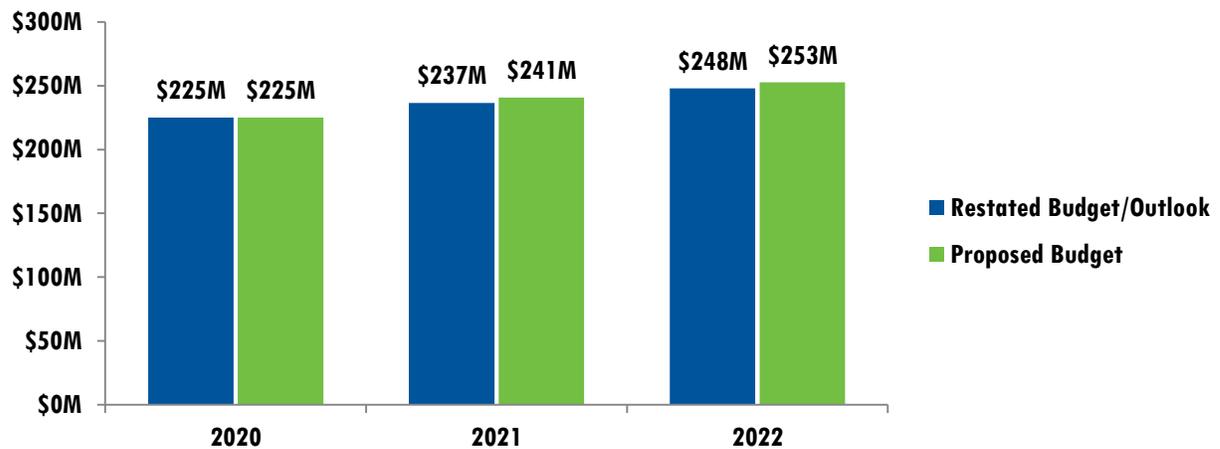
The department recently received confirmation of the Ministry of Education 2020 Child Care funding allocation. Updates to reflect this allocation were made following tabling of the budget and are included in this report. The amount includes an increase of \$3.2 million in core children’s services program funding over the 2019 amount. This funding can be used for expenses such as Child Care Fee Subsidy, general operating grants to child care operators and special needs resourcing. There is also a small increase in funding for EarlyON Child and Family Centres (\$0.2 million) and Child Care Expansion (\$0.36 million) over the budgeted amount. There is no tax levy impact in 2020 or the outlook years as a result of this update.

Community and Health Services’ proposed 2020 net operating budget is aligned with the previously endorsed outlook

As illustrated in Figure 2, Community and Health Services’ proposed 2020 net budget is not significantly different than the endorsed outlook.

The net tax levy outlook for 2021 and 2022 is above the outlook endorsed as part of the 2019 to 2022 Budget by \$4.2 million in 2021 and \$4.7 million in 2022. The increase in net tax levy requirements in 2021 and 2022 is due to anticipated reduced provincial cost-share contributions for Public Health expenses beginning in 2021.

Figure 2
2020 to 2022 Proposed Net Budget Compared to Outlook



The proposed budget reflects the tax levy pressure related to changes in provincial funding and direction, including phasing in a reduced provincial contribution for Public Health and child care, a delay in a previously announced funding increase for homelessness prevention and lower growth in funding for Seniors Services and Paramedic Services than provided historically. In 2020, these changes are expected to result in a pressure of \$6.66 million relative to the endorsed net outlook, as described in the Memorandum to the Committee of the Whole on November 14, 2019 titled, Updates to Provincial Funding Changes Affecting York Region. By 2022, this shortfall is expected to increase to \$20.89 million as these funding changes are fully phased in.

In 2020, the department was able to identify savings to mitigate the tax levy pressure and meet the outlook. Savings are driven primarily by growth-related cost reductions, program and service level adjustments to tax levy-funded programs and department-wide efficiencies.

While a number of changes by the Province are contributing to tax levy pressures, the Province is also increasing funding for some programs. These funds cannot be used to offset the reduced Provincial contributions to Public Health, child care or other cost-shared initiatives and can only be used for the specific program they are funding. The increases will result in the department's gross expenditures being above the endorsed 2020 outlook amount by \$22.2 million.

The 2020-2022 Budget reflects the changes in provincial funding noted above. It also reflects savings previously included in the outlook for 2020 to 2022 endorsed by Council as part of the 2019 budget approval. The department achieved the following total reductions:

- Efficiencies of \$8.3 million over three years;
- Program and service level adjustments of \$10.7 million over 3 years; and
- Risk tolerance and other savings of \$14.2 million over 3 years,

Savings Initiatives and opportunities for mitigation

Select savings initiatives with an impact on public facing services are summarized in Attachment 2. These adjustments are proposed based on a review of legislative requirements, funding obligations and community impacts. Staff explored mitigation strategies to address these changes by working with community partners, taking a phased approach to implementation so the community has time to adjust, as well as leveraging technology and automation to more efficiently deliver services.

These savings initiatives include:

Removing annual increases to Community Investment Fund – The Community Investment Fund supports non-profit community agencies to improve the well-being of York Region residents living with low and moderate income. Removing annual increases means the Fund will not keep pace with population growth and services demand. However, this may be mitigated by directing agencies to other funding sources, and providing advice on fundraising initiatives. The department will be reviewing the program in 2020 to look for improvements and efficiencies.

Ending the Home Repair Program in 2022 – This program helps eligible York Region homeowners address critical health and safety repairs, or accessibility modifications. This program would be phased out to give interested homeowners time to look for alternative sources of funding. Prior to the program ending, staff will explore opportunities to refer low-income homeowners to other community resources. In 2018, 51 households were supported by this program.

Phase out Emergency Aid program for families in receipt of Ontario Works – This discretionary benefit provides a backpack and winter coat allowance to families receiving Ontario Works. Increases to Federal and Provincial child benefit programs, and other community resources to support families may mitigate the impact. Staff will work with community partners to help support families in need of these and other similar supplies.

Other Savings initiatives include removal of a number of planned future FTEs across multiple programs which may have an impact on public facing services.

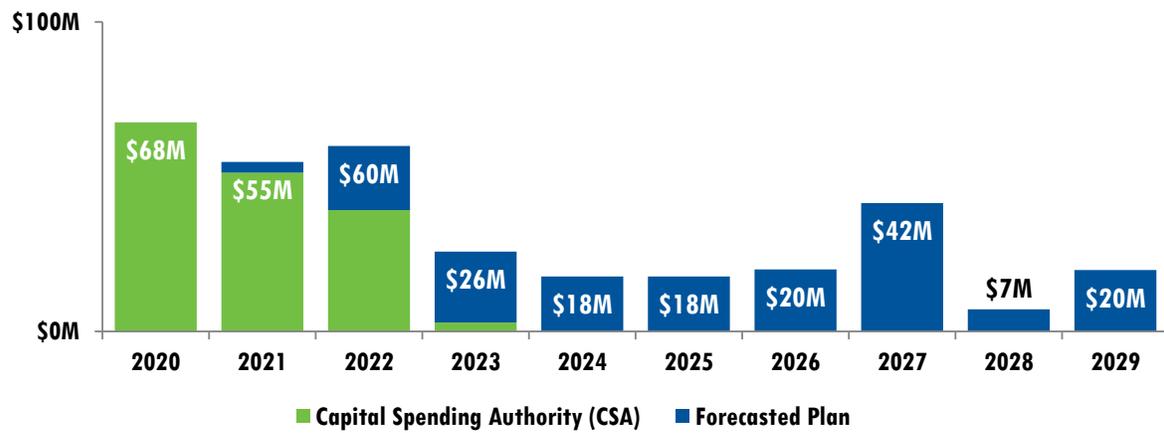
CAPITAL BUDGET

Approval of 2020 capital expenditures of \$67.6 million and Capital Spending Authority of \$160.9 million is requested

The Community and Health Services capital budget enables infrastructure projects in support of growth, and renewal of housing facilities, paramedic stations, vehicles and equipment, and long term care equipment and technology.

The proposed Capital Spending Authority for Community and Health Services is \$160.9 million as shown below in Figure 3, or 5.9% of the total Capital Spending Authority.

Figure 3
Ten-Year Capital Plan and Capital Spending Authority (CSA)



Attachment 3 summarizes the Capital Spending Authority by program and shows the associated funding sources for Community and Health Services. Details on the individual projects are available in the 2020 to 2022 Budget book starting on page 253.

The proposed budget supports the 2019 to 2023 Strategic Plan

The budget for Community and Health Services primarily supports the Healthy Communities community result area of the 2019 to 2023 Strategic Plan. More information is provided in the 2020 to 2022 Budget book.

5. Financial

The proposed 2020 net operating budget for Community and Health Services totals \$225.0 million, as summarized in Attachment 1.

The proposed 2020 capital budget of \$67.6 million and 2020 Capital Spending Authority with an associated multi-year commitment of \$160.9 million are summarized in Attachment 3. Expenditures not identified as part of Capital Spending Authority but contained within the Ten-Year Capital Plan are provided in the budget book for planning purposes and may be brought forward for formal approval in subsequent budget years.

6. Local Impact

The Region’s budget supports a wide range of public services that support and benefit residents and local economies. The Region works with its local municipal partners to develop many Regional programs and services. Local needs and impacts are an important consideration in delivering effective and efficient services for a growing population.

The Region recognizes the need to balance savings generation with the need to provide services to those most in need. Mitigation strategies are planned to minimize the impacts of service adjustments.

7. Conclusion

This report sets out the proposed 2020 operating and capital budgets and the 2021 to 2022 outlook for Community and Health Services. To facilitate completion of the budget process, it is recommended that the Committee's recommendations be forwarded to Council for consideration on December 19, 2019.

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, FCPA, FCA**
Commissioner of Finance and Regional Treasurer

Katherine Chislett
Commissioner of Community and Health Services

Approved for Submission: **Bruce Macgregor**
Chief Administrative Officer

November 21, 2019
Attachments (3)
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