

The Regional Municipality of York

Committee of the Whole
Environmental Services
December 5, 2019

Report of the Commissioner of Finance

2020 to 2022 Budget – Environmental Services

1. Recommendations

1. Committee of the Whole recommend the budget as submitted for Environmental 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 Environmental Services for consideration by Committee. Details of the budget can be found on page 77 of the 2020 to 2022 Budget book.

Key Points:

- The 2020 proposed gross operating expenditures for Environmental Services are \$643.9 million, which is 26.1% of total Regional operating expenditures.
- The proposed net operating budget is \$63.7 million, or 5.4% of the Region's net expenditures after non-tax revenues of \$580.2 million.
- The proposed capital budget is \$196.1 million in 2020, or 23.7% of the proposed Regional capital budget, and proposed Capital Spending Authority is \$1,421 million.
- Proposed efficiencies and service level reductions total \$6.1M over the 3 years

3. Background

Environmental Services delivers safe, reliable and high-quality water and wastewater, waste management and forestry services to people and communities in the Region. It is also responsible for the organization's energy use programs and, with Transportation Services, for leading the Region's corporate asset management planning.

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.

On June 27, 2019 Council referred savings initiatives for consideration in the 2020 budget process

The savings initiatives were developed to provide the necessary tax levy room for Roads Capital Acceleration in the event the non-tax levy option was not approved by Council, and to provide flexibility to address emerging pressures. The 2020-2022 Budget reflects the savings initiatives that were presented for Council consideration in June, including any updates made as part of the budget process. The savings included in the budget help offset various pressures that were identified as part of the budget process, including the impact of the provincial funding reductions.

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

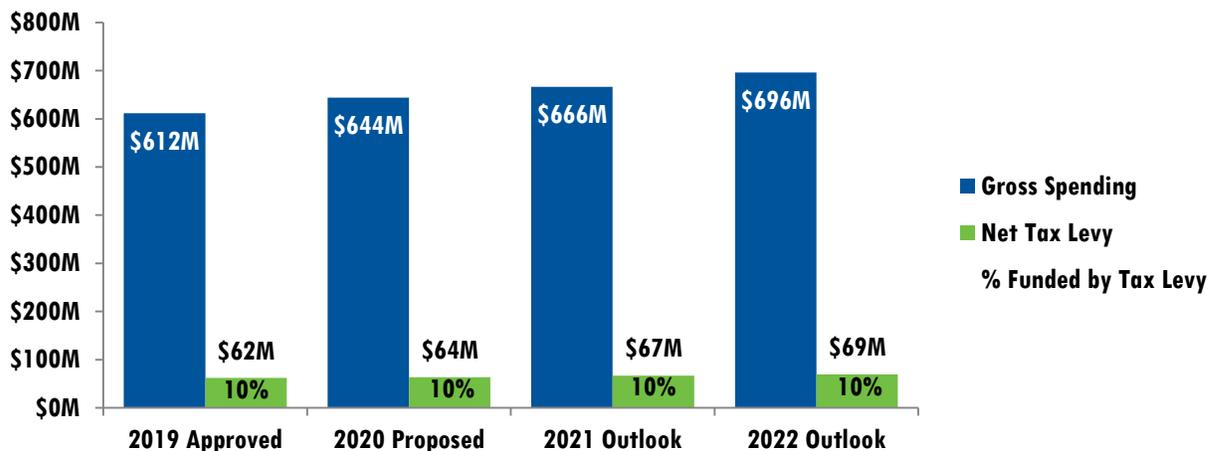
OPERATING BUDGET

Approval of 2020 gross expenditures of \$643.9 million and net expenditures of \$63.7 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 Environmental Services, non-tax revenues come largely from user rate.

The 2020 proposed gross operating expenditures for Environmental Services are \$643.9 million, or 26.1% of total Regional expenditures. The proposed 2020 net expenditures of \$63.7 million are 5.4% of the total. The tax levy funds 9.9% of Environmental Services' 2020 gross expenditures, as shown in Figure 1 below.

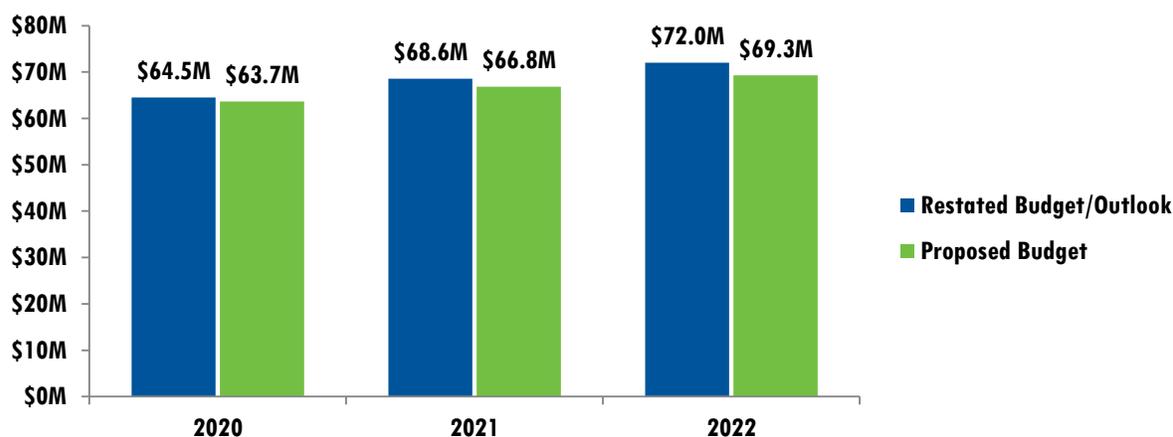
Figure 1
2020 to 2022 Gross and Net Operating Expenditures



Environmental Services' proposed 2020 operating budget is lower than the previously endorsed outlook

As illustrated in Figure 2 below, Environmental Services' proposed 2020 net budget is \$0.8 million lower than the endorsed outlook. The outlook for 2021 and 2022 is also below the outlook endorsed as part of the 2019 to 2022 Budget by \$1.7 million in 2021 and \$2.7 million in 2022.

Figure 2
2020 to 2022 Proposed Net Budget Compared to Outlook



The reductions relative to the previously endorsed outlook were achieved through savings initiatives including working with our local municipal partners and their contractors to reduce blue box contamination in curb-side recycling collection, introducing a new fee to dispose of yard waste at the Bloomington Yard Waste Depot, reducing frequency of mulching and watering landscape planters on transit corridors, and achieving savings in consulting, ground maintenance and other contracted costs. Reductions are partly offset by pressures, including a decrease in expected revenues for recycled materials and an increase in asset management reserve contributions due to aging infrastructure.

The 2020-2022 Budget includes the savings initiatives noted above and savings previously included in the outlook for 2020 to 2022 endorsed by Council as part of the 2019 budget approval. Total reductions include:

- Efficiencies of \$3.6 million over three years; and
- Program and service level adjustments of \$2.5 million over 3 years.

Select savings initiatives are highlighted in Attachment 2.

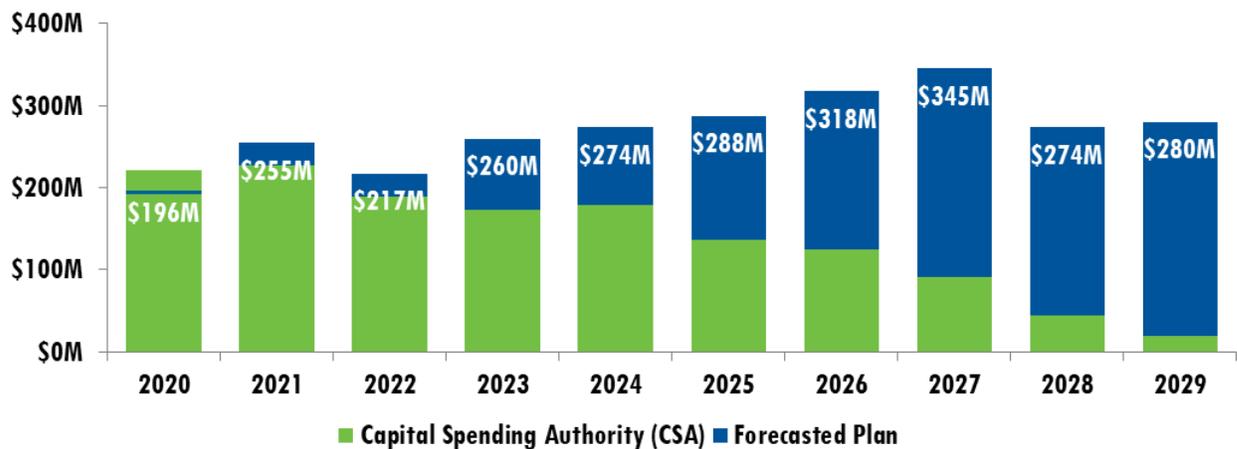
CAPITAL BUDGET

Approval of 2020 capital expenditures of \$196.1 million and Capital Spending Authority of \$1,421.2 million is requested

Environmental Services capital budget enables infrastructure projects in support of growth, and renewal of facilities and equipment including treatment plants, pumping stations, water mains, wastewater collectors, and living infrastructure.

The proposed Capital Spending Authority for Environmental Services is \$1,421.2 million as shown below in Figure 3, or 52.0% of the total Capital Spending Authority.

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



*In 2020, there is an approximate \$25 million reimbursement from Peel Region for a cost-shared capital project. As a result, the 2020 forecasted plan is \$25 million lower than 2020 CSA.

Attachment 3 summarizes Capital Spending Authority by program and shows the associated funding sources for Environmental Services. Details on the individual projects are available in the 2020 to 2022 Budget book starting on page 225.

The proposed budget supports the 2019 to 2023 Strategic Plan

The budget for Environmental Services supports the Sustainable Environment 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 Environmental Services totals \$63.7 million, as summarized in Attachment 1.

The proposed 2020 capital budget of \$196.1 million and 2020 Capital Spending Authority with an associated multi-year commitment of \$1,421.2 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.

To achieve the savings associated with reducing contamination in the curb-side recycling, significant collaboration involving education and enforcement (particularly in the southern municipalities) is required as these municipalities represent approximately 70% of the total blue box tonnes. If improved quality of curb-side recyclables is not achieved, additional measures including diverting highly contaminated loads of blue box material direct to garbage will be required. This will significantly impact Regional and local municipal diversion performance. Staff have been engaged with our local municipal partners over the past year in working together to improve the quality of recyclables at the curb.

7. Conclusion

This report sets out the proposed 2020 operating and capital budgets and the 2021 to 2022 outlook for Environmental 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

Erin Mahoney, M. Eng.
Commissioner of Environmental Services

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

November 20, 2019
Attachments (3)
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