

The Regional Municipality of York

Committee of the Whole
Transportation Services
December 5, 2019

Report of the Commissioner of Finance

2020 to 2022 Budget – Transportation Services

1. Recommendations

1. Committee of the Whole recommend the budget as submitted for Transportation Services as follows:
 - a. The 2020 operating budget and the 2021 to 2022 operating outlook, as summarized in Attachment 1.
 - b. 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 Transportation Services for consideration by Committee. Details of the budget can be found on page 53 of the 2020 to 2022 Budget book.

Key Points:

- The 2020 proposed gross operating expenditures for Transportation Services are \$479.4 million, which is 19.5% of total Regional operating expenditures.
- The proposed net operating budget is \$332.1 million, or 27.9% of the Region's net expenditures after non-tax revenues of \$147.4 million.
- The proposed capital budget is \$404.0 million in 2020, or 48.9% of the proposed Regional capital budget, and proposed Capital Spending Authority is \$821.9 million.

3. Background

Transportation Services builds, operates and maintains York Region's transportation network for more than 635,000 daily travellers with 2.1 million trips taken every single day across the Region's nine local municipalities.

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

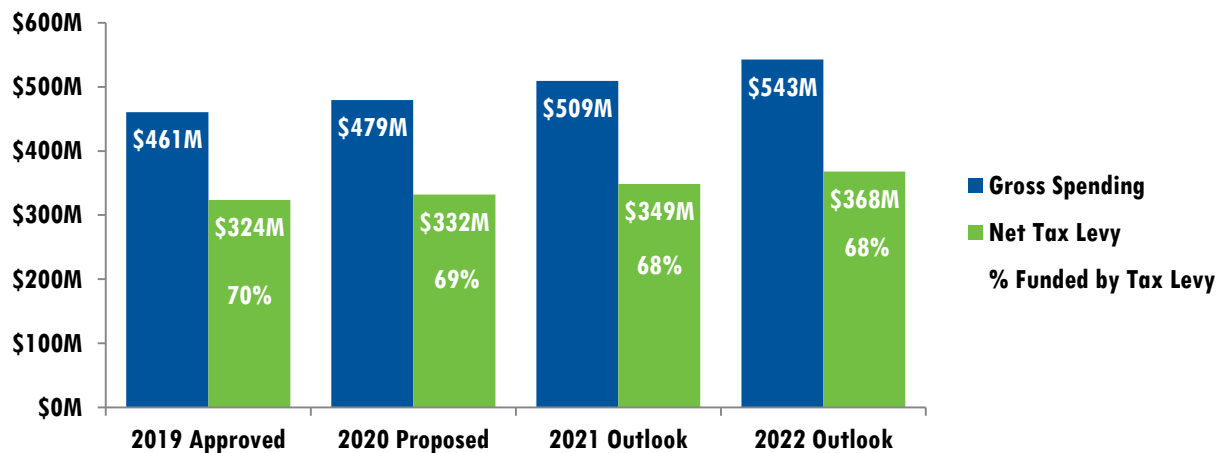
OPERATING BUDGET

Approval of 2020 gross expenditures of \$479.4 million and net expenditures of \$332.1 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 Transportation Services, non-tax revenues come from transit fares, development charges, reserves, fees and charges, provincial gas tax transfers, and third party recoveries

The 2020 proposed gross operating expenditures for Transportation Services are \$479.4 million, or 19.5% of total Regional expenditures. The proposed 2020 net expenditures of \$332.1 million are 27.9% of the total. The tax levy funds 69.3% of Transportation Services' 2020 gross expenditures, as shown in Figure 1 on the next page.

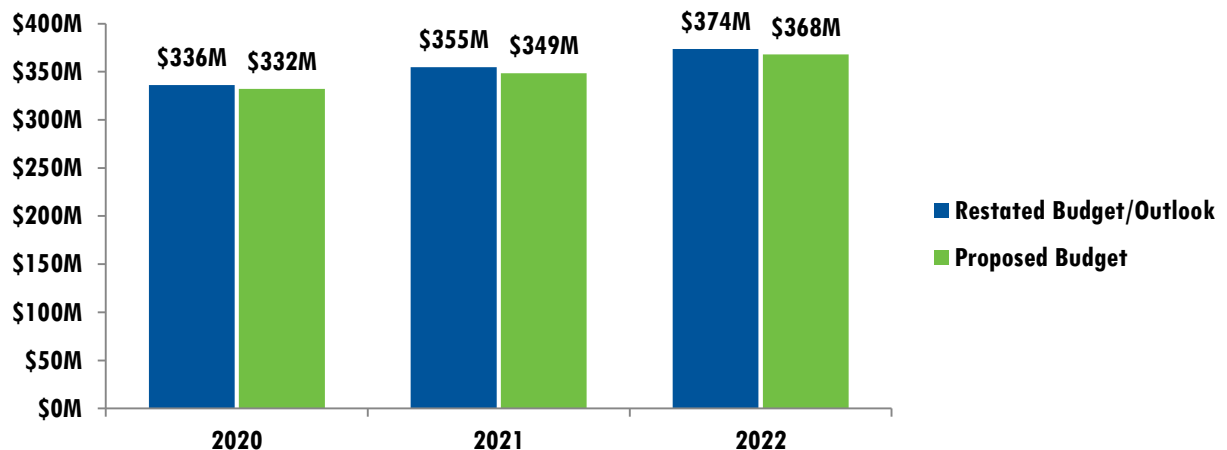
Figure 1
2020 to 2022 Gross and Net Operating Expenditures



Transportation Services’ proposed 2020 operating budget is lower than the previously endorsed outlook

As illustrated in Figure 2 below, Transportation Services’ proposed 2020 net budget is \$4.0 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 \$6.1 million in 2021 and \$5.9 million in 2022.

Figure 2
2020 2022 Proposed Net Budget Compared to Outlook



The department’s proposed 2020-2022 net budget is below the outlook as a result of savings initiatives, including adjustments to transit service, roads and transit maintenance activities, and internal efficiencies. Savings relative to outlook are partially offset by pressures

associated with lower-than-expected transit ridership growth and higher costs to maintain a more urban road network.

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 \$3.9 million over three years;
- Program and service level adjustments of \$14.0 million over 3 years; and
- Risk tolerance and other savings of \$8.0 million over 3 years, including the deferral of growth-related costs.

Select savings initiatives are highlighted in Attachment 2.

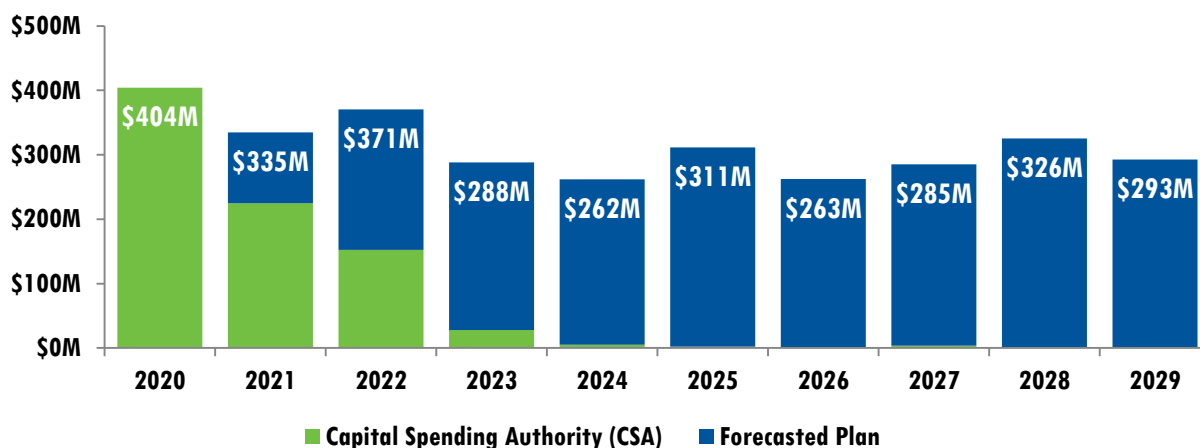
CAPITAL BUDGET

Approval of 2020 capital expenditures of \$404.0 million and Capital Spending Authority of \$821.9 million is requested

Transportation Services capital budget enables infrastructure projects in support of growth, such as road widenings and intersection improvements, and, renewal of buses and related facilities, including preservation of pavement, bridges and culverts.

The proposed Capital Spending Authority for Transportation Services is \$821.9 million as shown below in Figure 3, or 30.1% 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 Transportation Services. Details on the individual projects are available in the 2020 to 2022 Budget book starting on page 191.

Projects funded by the Roads Capital Acceleration Reserve have been included in the Ten-Year Capital Plan for Transportation Services. These projects account for \$251 million of the total \$3,138 million Transportation Services' Ten-Year Plan.

Attachment 4 lists the projects funded by the Roads Capital Acceleration Reserve along with the original project date and the accelerated date.

The proposed budget supports the 2019 to 2023 Strategic Plan

The budget for Transportation Services supports the Economic Vitality 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 Transportation Services totals \$479.4 million, as summarized in Attachment 1.

The proposed 2020 capital budget of \$404.0 million and 2020 Capital Spending Authority with an associated multi-year commitment of \$821.9 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.

Potential changes to service levels may impact local municipal services and residents. Transit service level adjustment includes rationalization of underperforming routes serving a relatively small number of patrons. Local municipalities directly impacted by the transit service level adjustment include Markham, Vaughan and Newmarket.

7. Conclusion

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

Recommended by: **Paul Jankowski**
Commissioner of Transportation Services

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

November 20, 2019
Attachments (4)
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