

The Regional Municipality of York

Committee of the Whole
Finance and Administration
December 12, 2019

Report of the Commissioner of Finance

2020 to 2022 Budget – Corporate Management and Governance, Financial Initiatives, External Partners and Court Services

1. Recommendations

1. Committee of the Whole recommend the budget as submitted for Corporate Management and Governance, Financial Initiatives, External Partners and Court 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 Corporate Management and Governance, Financial Initiatives, External Partners and Court Services for consideration by Committee. Details of the budget can be found on pages 127, 149 , 153, and 141 of the 2020 to 2022 Budget book.

Key Points:

- The 2020 proposed gross operating expenditures for Corporate Management and Governance, Financial Initiatives, External Partners and Court Services are \$259.8 million, which is 10.5% of total Regional operating expenditures.
- The proposed net operating budget is \$206.9 million, or 17.4% of the Region's net expenditures after non-tax revenues of \$52.9 million.

- The proposed capital budget is \$61.8 million in 2020, or 7.5% of the proposed Regional capital budget, and the proposed Capital Spending Authority is \$162.1 million.

3. Background

This report covers the 2020-2022 budget for the following four areas:

- Corporate Management and Governance comprises several areas, including the Office of the Chief Administrative Officer, Legal Services, Finance and Corporate Services. These program areas provide professional services and advice to Regional Council and help make the organization more strategic, responsive and efficient.
- Court Services administers the provincial offences court program in York Region, which deals with a range of non-criminal charges, and provides related prosecution services.
- Financial Initiatives include strategic support for special initiatives, contributions to Regional reserves to manage risk, and organization-wide expenses.
- External Partners comprise several public sector entities and organizations to which the Region provides funding, generally with the aim of providing direct benefits to Regional residents. The 2020-2022 budgets for Conservation Authorities are considered separately.

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 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 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

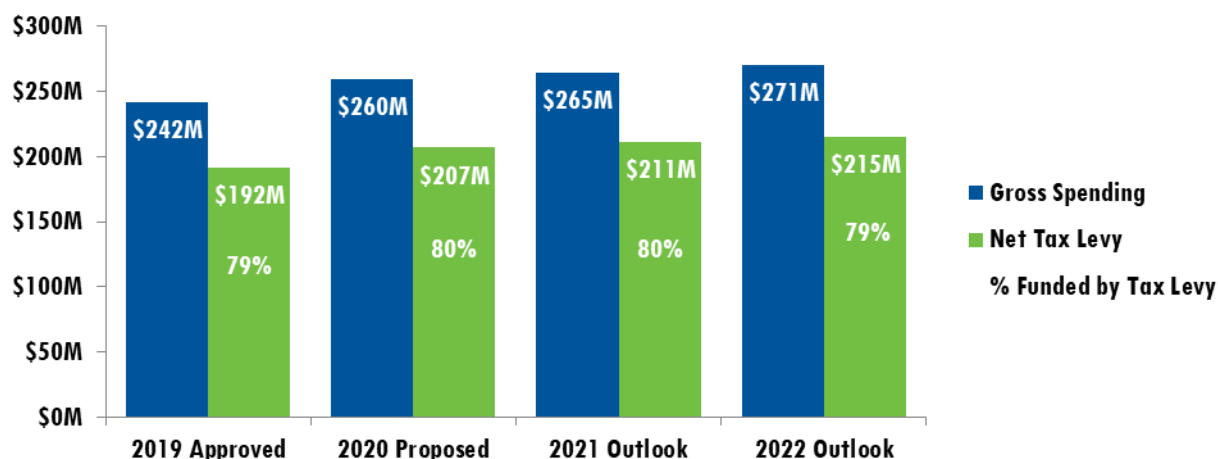
Approval of 2020 gross expenditures of \$259.8 million and net expenditures of \$206.9 million is requested

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 Corporate Management and Governance, Financial Initiatives, External Partners and Court Services, revenues include fine revenues, fees, supplementary taxes,

and draws from reserves. A portion of Corporate Management and Governance costs are also recovered from the water and wastewater user rate.

The 2020 proposed gross operating expenditures for Corporate Management and Governance, Financial Initiatives, External Partners and Court Services are \$259.8 million, or 10.5% of total Regional expenditures. The proposed 2020 net expenditures of \$206.9 million are 17.4% of the total. The tax levy funds 79.6% of Corporate Management and Governance, Financial Initiatives, External Partners and Court Services' 2020 gross expenditures, as shown in Figure 1 below.

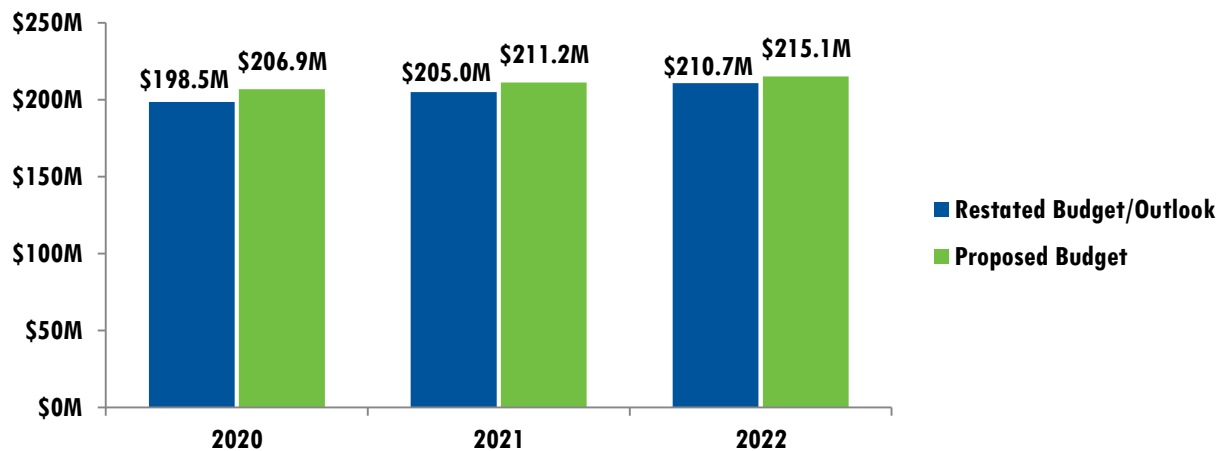
Figure 1
2020 to 2022 Gross and Net Operating Expenditures



A proposed increase in 2020 operating expenditures compared to the previously endorsed outlook is due to higher reserve contributions, which are partially offset by savings initiatives

As illustrated in Figure 2, Corporate Management and Governance, Financial Initiatives, External Partners and Court Services' proposed 2020 net budget is \$8.3 million higher than the endorsed outlook. The outlook for 2021 and 2022 is also above the outlook endorsed as part of the 2019 to 2022 Budget by \$6.2 million in 2021 and \$4.4 million in 2022.

Figure 2
2020 to 2022 Proposed Net Budget Compared to Outlook



The increase relative to the previously endorsed outlook is mainly a result of increased contributions to the Debt Reduction Reserve to fund future infrastructure projects and an increase in contingency funds set aside for risk mitigation. This is partially offset by savings initiatives, including a reduction in reserve contributions to support future hospital capital projects, lower contributions to the Innovation Investment Fund, increased planning and engineering fees and the introduction of new fees, revised revenue projections, and deferral of planned staffing growth.

The proposed reduction in reserve contributions to support hospital capital projects will result in planned contributions that are sufficient to cover only existing commitments. These Council-approved projects include a cancer clinic at Southlake Regional Health Centre, redevelopment of Markham Stouffville Hospital, and the new Mackenzie Vaughan Hospital. Funding to support potential new projects may be considered in the future as the need is identified. This focus on committed projects would result in total tax levy savings of \$25.2 million from 2020 to 2022 inclusive, including \$8.3 million in 2020. This reduction is listed in Attachment 2.

The 2019 budget approved new contributions to the Innovation Investment Fund of \$1 million a year for major transformational initiatives, such as research projects leveraging Regional infrastructure, new post-secondary campuses, centres of excellence, and public-private research collaborations that promote business competitiveness and community benefits. The 2020 budget reflects proposed reductions to the annual contributions of \$150,000 in 2021 and an additional \$250,000 in 2022. This reduction is listed in Attachment 2.

Total savings of \$45.3M are included in the 2020-2022 budget

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 and other net tax levy offsets of \$10.7 million over three years. Examples include an increase in planning and engineering fees and the introduction of new fees, budget rationalization to reflect expected spending, and anticipated lease savings of \$6 million from consolidation of services into the new 17150 Yonge Street facility that will help offset the operating costs of the facility. The new facility is expected to result in long term savings of \$26 million.
- Program and service level adjustments of \$0.6 million over 3 years resulting from the reduced contribution to the Innovation Investment Fund in 2021 and 2022; and
- Risk tolerance and other savings of \$34.1 million over 3 years, including lower reserve contributions of \$25.2 million to support future hospital capital projects and the deferral of 15 new staff positions planned to address expected growth.

Select savings initiatives are highlighted in Attachment 2.

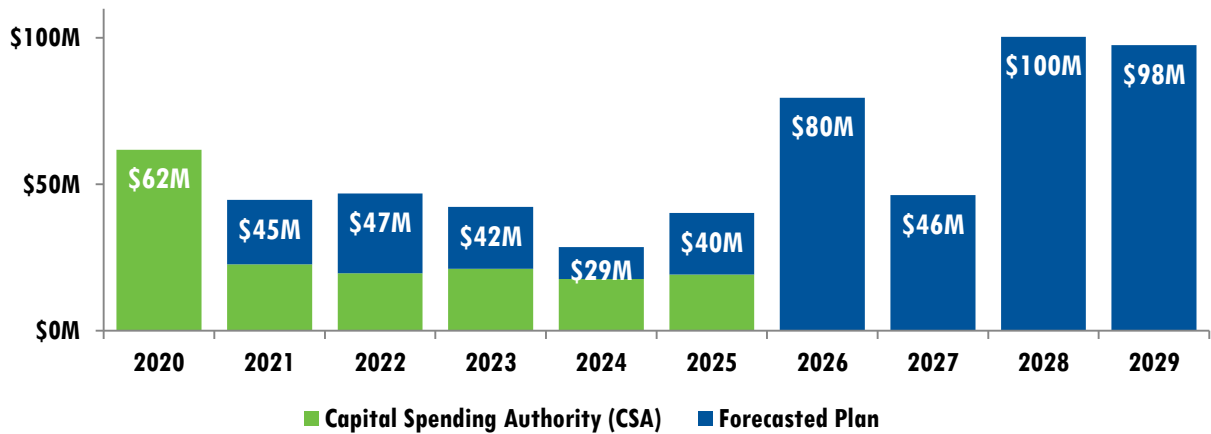
CAPITAL BUDGET

Approval of 2020 capital expenditures of \$61.8 million and Capital Spending Authority of \$162.1 million is requested

The capital budget for Corporate Management and Governance and Court Services enables infrastructure projects in support of growth, and renewal of Information Technology, Court Services, and Property Services infrastructure. This includes end-user devices, voice and data assets, equipment and technology at Regional court locations, new Regional facilities, long-term care locations, and paramedic response stations.

The proposed Capital Spending Authority for Corporate Management and Governance and Court Services is \$162.1 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 Capital Spending Authority by program and shows the associated funding sources for Corporate Management and Governance and Court Services. Details on the individual projects are available in the 2020 to 2022 Budget book starting on pages 267 and 275.

The proposed budget supports the 2019 to 2023 Strategic Plan

The budget for Corporate Management and Governance, Financial Initiatives, External Partners and Court Services supports the Good Government, Economic Vitality, Healthy Communities and Sustainable Environment community result areas 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 Corporate Management and Governance, Financial Initiatives, External Partners and Court Services totals \$206.9 million, as summarized in Attachment 1.

The proposed 2020 capital budget of \$61.8 million and 2020 Capital Spending Authority with an associated multi-year commitment of \$162.1 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.

In addition to delivering programs and services themselves, Corporate Management and Governance, Financial Initiatives, External Partners and Court Services play an important role in enabling delivery of Regional services to residents and businesses alike. These service areas continue to invest in initiatives that support shared outcomes and efficiencies with local municipal and community partners.

7. Conclusion

This report sets out the proposed 2020 operating and capital budgets and the 2021 to 2022 outlook for Corporate Management and Governance, Financial Initiatives, External Partners and Court 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.

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November 26, 2019

Attachments (3)

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