YORKNET

2020 TO 2022 BUDGET

PRESENTATION TO
COMMITTEE OF THE WHOLE

NAME: LAURA BRADLEY
DATE: DECEMBER 12, 2019

EDOCS #10250903
ABOUT YORKNET

• Incorporated in 2017
• Improve access to high-speed internet
• Facilitate savings
• Influence investment and business growth
• Enhancing connectivity, particularly within underserved areas
THE BUDGET SUPPORTS THE 2019 TO 2023 STRATEGIC PLAN

**ECONOMIC VITALITY**

**Priority:**
Increase economic prosperity

**Objectives:**
1. Fostering an environment that attracts businesses, grows employment opportunities and attracts people
2. Increasing access to efficient transportation options

**HEALTHY COMMUNITIES**

**Priority:**
Support community health, safety and well-being

**Objectives:**
1. Supporting safe communities
2. Delivering and promoting affordable housing
3. Improving access to health and social support services

**SUSTAINABLE ENVIRONMENT**

**Priority:**
Build sustainable communities and protect the environment

**Objectives:**
1. Delivering and promoting environmentally sustainable services
2. Encouraging growth in the Region’s centres, corridors and built-up urban areas
3. Enhancing and preserving green space

**GOOD GOVERNMENT**

**Priority:**
Deliver trusted and efficient services

**Objectives:**
1. Ensuring reliable, responsive, effective, efficient and fiscally responsible service delivery
2. Managing the Region’s assets for current and future generations
3. Maintaining public confidence in Regional Government
Access to fibre infrastructure enables business attraction and retention in a data dependent world, while providing a revenue stream to the Region

- Connect to Innovate Project will facilitate Fibre to the Building (through 3rd parties) which is particularly impactful in the rural areas of the region

- Co-builds enable service providers to expand faster than they could if constructing network independently
BUDGET HIGHLIGHTS

PRIORITY: DELIVER TRUSTED AND EFFICIENT SERVICES

Improved connectivity enables efficient operations and enhanced services for our regional, local municipal and other public sector customers.

Owning our own network provides greater control and reduces costs paid to outside parties.

- Regional, Municipal and other Public Sector connections enjoy increased bandwidth at a lower cost.
- Collaborating with the private sector results in a lower cost to construct the network.
- Contribution to reserves to meet future asset replacement needs.
ORGANIZATIONAL CHART

REGIONAL COUNCIL

Sole Shareholder

Defines the governance framework through the Shareholder Direction

9 Board Members, appointed by Council

YorkNet
BOARD OF DIRECTORS

Establishes operational policies and oversees management of the company

EXECUTIVE LEADERSHIP TEAM

YorkNet provides executive and support staff to manage the day-to-day operations of the corporation

REGIONAL STAFF

Regional staff and related services provided through a Management Agreement

York Region Chairman and CEO
Wayne Emmerman

Mayor
Town of Georgina
Margaret Burt
Chair

Mayor
Town of East Gwillimbury
Virginia Nickson

Mayor
Township of King
Steve Pelletier

Mayor
City of Markham
Frank Scarpitti

Mayor
Town of Newmarket
John Taylor

Mayor
Town of Whitchurch-Stouffville
Iain Lovett

Regional Councillor
City of Markham
Jim Jones

Regional Councillor
City of Vaughan
Gino Rosaldi

Vice President
Dino Basco

General Manager
Laura Bradley

Director Program Finance and Chief Financial Officer
David Di Giovanni
## EXISTING AND FUTURE NETWORK

### KILOMETRES OF FIBRE

<table>
<thead>
<tr>
<th>YEAR</th>
<th># OF KM</th>
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<tbody>
<tr>
<td>2002-2018</td>
<td>200</td>
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<tr>
<td>2019</td>
<td>279</td>
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<tr>
<td>2029</td>
<td>791</td>
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### CONNECTIONS

<table>
<thead>
<tr>
<th>YEAR</th>
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<tr>
<td>2002-2018</td>
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<tr>
<td>2029</td>
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</table>
MANDATE

1 Region

Ensure connectivity of Regional departments to enable efficiency and service delivery

2 Municipalities
Universities
Schools
Hospitals

Assist to optimize connectivity

3 Third Party Providers

Facilitate connectivity and economic development
2020 PRIORITIES

1. Deliver on key projects in 2020 capital plan
2. Develop Asset Management Plan
3. Focus on data collection, maintenance and reporting
OPERATING BUDGET
DEPARTMENTAL SHARE OF GROSS EXPENDITURES

- Community and Health Services $655M (26%)
- Environmental Services $644M (26%)
- Transportation Services $479M (19%)
- York Region Rapid Transit Corporation $31M (1.3%)
- YorkNet $3M (0.1%)
- External Partners $40M (2%)
- Financial Initiatives $92M (4%)
- Court Services $15M (0.6%)
- Corporate Management and Governance $119M (5%)
DEPARTMENTAL SHARE OF NET TAX LEVY

- York Regional Police: $348M, 29%
- Transportation Services: $332M, 28%
- Community and Health Services: $225M, 19%
- Environmental Services: $64M, 5%
- York Region Rapid Transit Corporation: $4M, 0.4%
- Corporate Management and Governance: $105M, 9%
- Court Services: ($1M), -0.1%
- Financial Initiatives: $73M, 6%
- External Partners: $37M, 3%
- YorkNet: $2M, 0.2%

Total Net Tax Levy: $1,197M
YorkNet’s gross spending of $2.8M in 2020 is funded through tax and non-tax revenues.
## Operating Budget Overview

<table>
<thead>
<tr>
<th></th>
<th>Approved 2019</th>
<th>Proposed 2020</th>
<th>Outlook 2021</th>
<th>Outlook 2022</th>
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<tbody>
<tr>
<td>Gross Expenditures ($M)</td>
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<td>Non-Tax Revenues ($M)</td>
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<td>Net Expenditures ($M)</td>
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<td>2.3</td>
<td>2.4</td>
<td>2.5</td>
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<tr>
<td>Increase/(Decrease) - Year over Year</td>
<td>10.7%</td>
<td>4.2%</td>
<td>1.0%</td>
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<tr>
<td>2019 Outlook</td>
<td>12.2%</td>
<td>5.5%</td>
<td>2.3%</td>
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<tr>
<td>FTEs - Total</td>
<td>8.0</td>
<td>9.0</td>
<td>9.0</td>
<td>9.0</td>
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<tr>
<td>- New</td>
<td></td>
<td>1.0</td>
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<tr>
<td>2019 Outlook (new FTEs)</td>
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## INCREMENTAL ANNUAL BUDGET CHANGES

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<tr>
<th></th>
<th>Proposed</th>
<th>Outlook</th>
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<tr>
<td></td>
<td>2020</td>
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<td>2022</td>
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<tr>
<td>Opening Budget (Net)</td>
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<tr>
<td>Status Quo</td>
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<tr>
<td>Revenues</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Efficiencies, Reductions &amp; Other Adjustments</td>
<td>(0.1)</td>
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<td>Debt Servicing Net of Development Charges</td>
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<td>Fiscal Strategy</td>
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<tr>
<td>Maintaining Service Levels for Growth</td>
<td>0.3</td>
<td>(0.1)</td>
<td>0.4</td>
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<tr>
<td>Enhancement and Transformation</td>
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<td>0.1</td>
<td>(0.5)</td>
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<td>Proposed Budget (Net)</td>
<td>2.3</td>
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<td>2.5</td>
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<tr>
<td>Total Budget Change</td>
<td>$0.2</td>
<td>0.1</td>
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<tr>
<td>%</td>
<td>10.66%</td>
<td>4.17%</td>
<td>1.05%</td>
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<td>Restated Outlook</td>
<td>2.4</td>
<td>2.5</td>
<td>2.6</td>
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<tr>
<td>Increase / (Decrease) from Outlook</td>
<td>-1.4%</td>
<td>-2.7%</td>
<td>-3.9%</td>
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SAVINGS FROM OUTLOOK WERE IDENTIFIED

Category 1: Efficiencies
- $74K in 2020
- $148K over 3 years
Reductions to better align budget with actuals
Using internal staff in place of consultant

Category 2: Service Level Adjustment
- Not Applicable

Category 3: Risk Tolerance and Other
- $33K in 2020
- $198K over 3 years
Deferral of a portion of the Connect to Innovate Build

Note: savings over three years are cumulative
MAKING OPERATIONS MORE EFFICIENT

Procure materials separate from construction contract

Reduce the cost of constructing the network through fibre swaps and coordinated network builds with telecom partners

Create a design roster for smaller design assignments

Continued focus on efficient methods of building to decrease the cost/km of construction (ploughing, spacing of infrastructure, amount of slack, type of materials)
TEN-YEAR CAPITAL IS 0.7% OF THE REGION’S PLAN
## Proposed Capital Budget

<table>
<thead>
<tr>
<th>Capital Budget</th>
<th>$ Millions</th>
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<tbody>
<tr>
<td>2020 Capital</td>
<td>$10.2 M</td>
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<tr>
<td>2020 CSA</td>
<td>$21.1 M</td>
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<tr>
<td>Ten-Year Capital Plan</td>
<td>$49.1 M</td>
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</table>
YorkNet’s 2020 ten-year capital budget is $49.1M, which is $2.4M less than the 2019 ten-year capital budget.
KEY PROJECTS IN 2020 BUDGET

- Complete Major Mackenzie
- Connect to Innovate (Phase 1)
- Markham (Phase 1)
- Whitchurch-Stouffville (Phase 2)

- 135 Regional Locations
- 1 York Regional Police
- 36 Municipal Locations
- Connection to Mackenzie Health
# Key Projects in the 2020 Capital Plan

<table>
<thead>
<tr>
<th>Projects</th>
<th>2020</th>
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<tr>
<td>Connect to Innovate</td>
<td>$4.2M</td>
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<tr>
<td>Markham</td>
<td>$3.8M</td>
</tr>
<tr>
<td>Major Mackenzie</td>
<td>$1.5M</td>
</tr>
<tr>
<td>Whitchurch-Stouffville</td>
<td>$700K</td>
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<tr>
<td><strong>Total 2020 Budget</strong></td>
<td><strong>$10.2M</strong></td>
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CAPITAL EXPENDITURES AND FUNDING

- **Growth**: $49M (100%)
- **10-Year Capital**: $49M
- **Federal Gas Tax Reserves**: $38M (77%)
- **General Capital Reserves**: $10M (19%)
- **Other Recoveries**: $2M (4%)

**10-Year Funding**: $49M
CAPITAL SPENDING AUTHORITY (CSA)

Capital Spending Authority $21M
Ten-Year Capital Expenditures $49M
WRAP UP
• Connects Regional, Municipal and Public Sector facilities

• Increases bandwidth and flexibility

• Enhances service delivery and operations for Region and municipal partners

• Raises revenue from outside parties

• Facilitates Internet Service Providers connectivity in underserviced areas
THE 2020 BUDGET SUPPORTS:

• Maintenance of 280 kilometres of fibre network
• Construction of 140 kilometres of fibre network
• Contribution of $630K to reserves

The 2020 budget enables:
• 135 new Regional Connections
• 1 York Regional Police
• 36 Local Municipal Connections
• Mackenzie Health Connection
### Operating Budget

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### Capital Budget

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<td>10</td>
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<td>Total Capital Spending Authority ($M)</td>
<td>21</td>
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Committee of the Whole recommend the budget as submitted for YorkNet as follows:

- The 2020 operating budget and the 2021 to 2022 operating outlook, as summarized in Attachment 1.
- The 2020 capital expenditures and the 2020 Capital Spending Authority, as summarized in Attachment 2.

The recommended budget be consolidated by the Commissioner of Finance and Regional Treasurer for consideration by Council on December 19, 2019.