

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 – YorkNet

1. Recommendations

1. Committee of the Whole recommend the budget as submitted for YorkNet as follows:
 - a. The 2020 operating budget and the 2021 to 2022 operating outlook, as summarized in Attachment 1.
 - b. The 2020 capital expenditures and the 2020 Capital Spending Authority, as summarized in Attachment 2.
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 YorkNet for consideration by Committee. Details of the budget can be found on page 159 of the 2020 to 2022 Budget book.

Key Points:

- The 2020 proposed gross operating expenditures for YorkNet are \$2.8 million, which is 0.1% of total Regional operating expenditures.
- The proposed net operating budget is \$2.3 million, or 0.2% of the Region's net expenditures after non-tax revenues of \$0.5 million.
- The proposed capital budget is \$10.2 million in 2020, or 1.2% of the proposed Regional capital budget, and proposed Capital Spending Authority is \$21.1 million.

3. Background

YTN Telecom Network Inc. ("YorkNet") is a Region-owned entity that builds and operates a fibre network on behalf of the Region. The mandate includes:

- Ensuring connectivity of Regional departments to enable efficiency and service delivery
- Working with municipalities, schools, hospitals and other public-sector organizations in the Region to leverage the network to improve the services they provide to residents
- Providing private-sector open access to the network to drive economic and social benefits

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 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 presented to YorkNet's Board on November 13, 2019 and 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

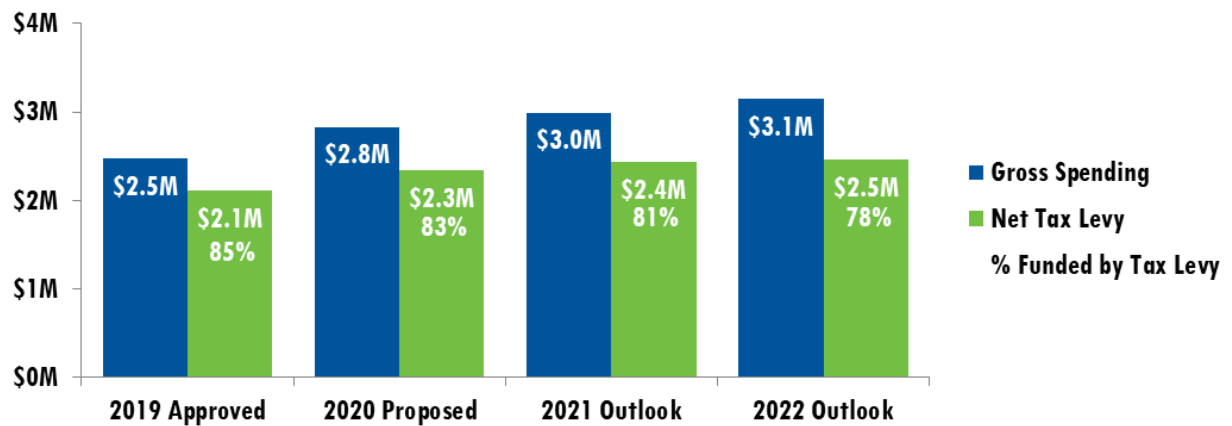
OPERATING BUDGET

Approval of 2020 gross expenditures of \$2.8 million and net expenditures of \$2.3 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 YorkNet, non-tax revenues come from fees and charges.

The 2020 proposed gross operating expenditures for YorkNet are \$2.8 million, or 0.1% of total Regional expenditures. The proposed 2020 net expenditures of \$2.3 million are 0.2% of the total. The tax levy funds 82.7% of YorkNet gross expenditures, as shown in Figure 1.

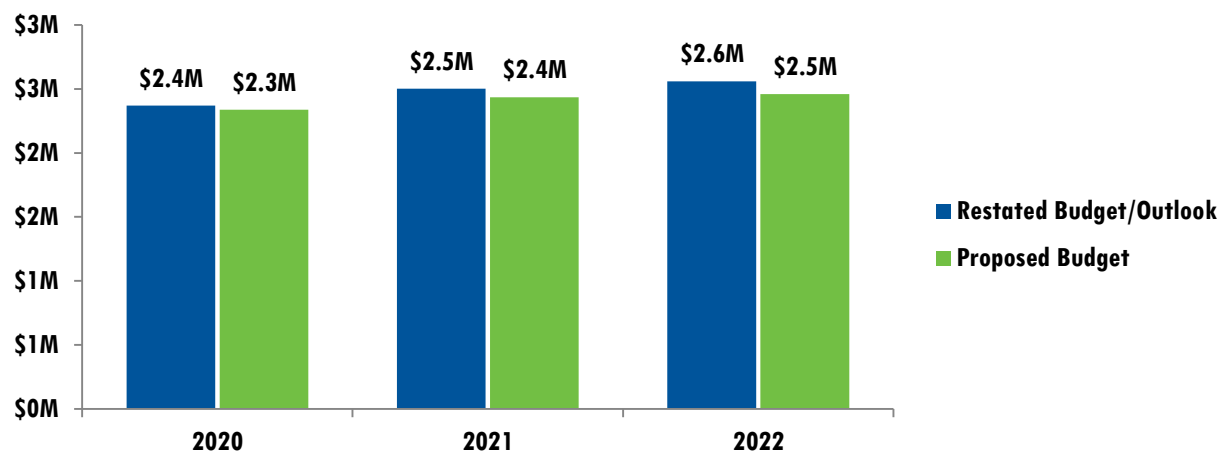
Figure 1
2020 to 2022 Gross and Net Operating Expenditures



YorkNet’s proposed 2020-2022 net operating budget is lower than the previously endorsed outlook

As illustrated in Figure 2 below, YorkNet’s proposed 2020 budget is \$0.03 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 \$0.07 million in 2021 and \$0.1 million in 2022

Figure 2
2020 to 2022 Proposed Net Budget Compared to Outlook



The reductions relative to the previously endorsed outlook are to align with recent federal funding announcements for the Connect to Innovate capital program. Certain portions of the planned YorkNet capital projects were deferred resulting in lower operating costs of \$0.2 million over three years related to repairs, maintenance and program fees.

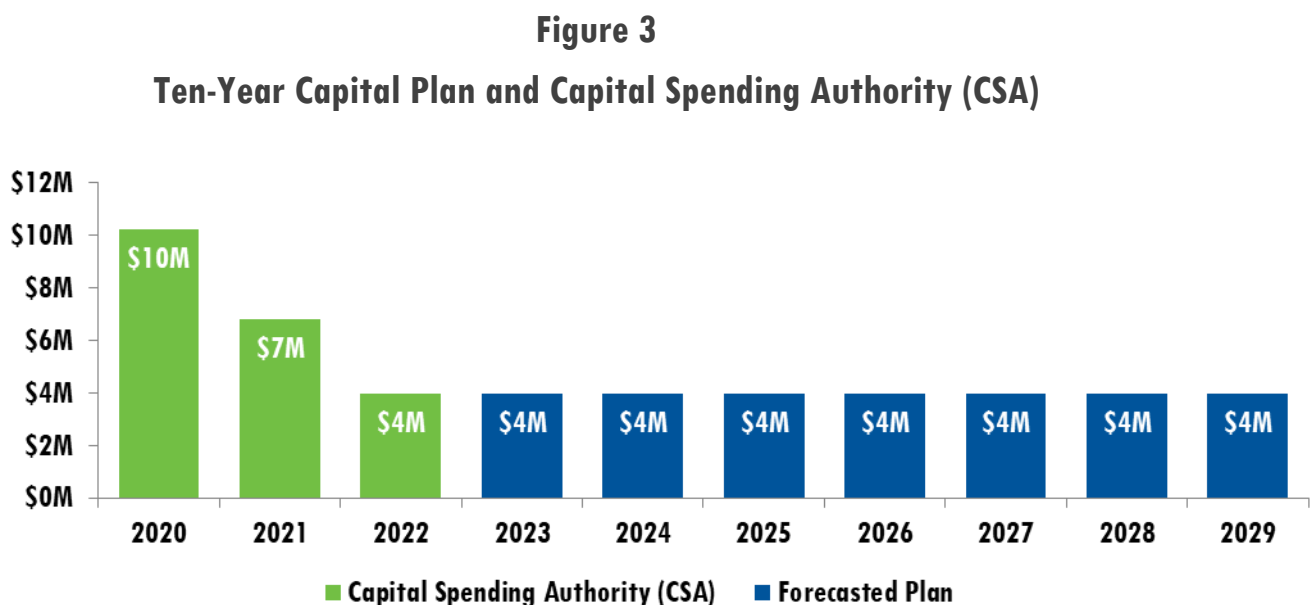
The YorkNet budget also includes efficiencies of \$0.1 million over three years that were reinvested into the corporation, including aligning planned spending to historical experience and accommodating previously outsourced functions using internal staff.

CAPITAL BUDGET

Approval of 2020 capital expenditures of \$10.2 million and Capital Spending Authority of \$21.1 million is requested

YorkNet's capital budget includes fibre network infrastructure projects in support of growth.

The proposed Capital Spending Authority for YorkNet is \$21.1 million as shown below in Figure 3, or 0.8% of the total Capital Spending Authority.



Attachment 2 summarizes the Capital Spending Authority by program and shows the associated funding sources for YorkNet. Details on the individual projects are available in the 2020 to 2022 Budget book starting on page 279.

The proposed budget supports the 2019 to 2023 Strategic Plan

The budget for YorkNet supports the Economic Vitality and Good Government 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 YorkNet totals \$2.8 million, as summarized in Attachment 1.

The proposed 2020 capital budget of \$10.2 million and 2020 Capital Spending Authority with an associated multi-year commitment of \$21.1 million are summarized in Attachment 2. 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.

Network construction undertaken in 2020 will facilitate 44 local municipal connections that will enable enhanced services at a reduced cost.

7. Conclusion

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

Dino Basso

Commissioner of Corporate Services and Vice President of YorkNet

Approved for Submission:

Bruce Macgregor

Chief Administrative Officer

November 26, 2019

Attachments (2)

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