



## **The Regional Municipality of Durham**

### **Finance & Administration Committee Agenda**

Council Chambers  
Regional Headquarters Building  
605 Rossland Road East, Whitby

**Tuesday, October 8, 2019**

**9:30 AM**

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**1. Declarations of Interest**

**2. Adoption of Minutes**

- A) Finance & Administration Committee meeting  
–[September 10, 2019](#)

Pages 4 - 11

**3. Statutory Public Meetings**

There are no statutory public meetings

**4. Delegations**

There are no delegations

**5. Presentations**

- 5.1 Nancy Taylor, Commissioner of Finance re: Report #2019-F-33: Long-term Financial Planning Framework for the Region of Durham [Item 7.2 A)]
- 5.2 Nancy Taylor, Commissioner of Finance and Nicole Pincombe, Director of Business Planning, Budgets and Risk Management re: Report #2019-F-38: Multi-Year Economic and Financial Forecast, 2020 Regional Business Plans and Property Tax Budget Guideline and Timetable [Item 7.2 F)]

**6. Administration**

- 6.1 Correspondence

6.2 Reports

There are no Administration Reports to consider

7. Finance

7.1 Correspondence

- A) [Correspondence from Parks and Recreation Ontario re: Information about the Impact of Bill 108 on municipal parks and recreation](#) 12 - 13

**Pulled from August 23, 2019 Council Information Package by Councillor Joe Neal**

Recommendation: Receive for information

- B) [Information Report #2019-INFO-64: The Consolidated Budget Status Report to June 30, 2019 and Full Year Forecast](#) 14 - 22

**Pulled from September 6, 2019 Council Information Package by Councillor Joe Neal**

Recommendation: Receive for information

7.2 Reports

- A) Long-term Financial Planning Framework for the Region of Durham ([2019-F-33](#)) 23 - 60

- B) Durham Region Community Investment Grant Policy ([2019-F-34](#)) 61 - 74

- C) Request for Deferral of Regional Development Charges for the Regional Council approved Regional Revitalization Project regarding the Development of Vacant Lands located at 80 Bond Street East in the City of Oshawa ([2019-F-35](#)) 75 - 78

- D) The Issuance of Debentures on Behalf of the City of Pickering, the Town of Ajax, and the Township of Uxbridge ([2019-F-36](#)) 79 - 82

- E) Update on DRT Kids Ride Free Incentive Pilot Program ([2019-F-37](#)) 83 - 92

- F) 2020 Regional Business Plans and Property Tax Supported Budget Guideline ([2019-F-38](#)) 93 - 114

- G) Water Billing System Go Live Update ([2019-F-39](#)) Under Separate Cover

**8. Advisory Committee Resolutions**

There are no advisory committee resolutions to be considered

**9. Confidential Matters**

There are no confidential matters to be considered

**10. Other Business**

**11. Date of Next Meeting**

Tuesday, November 12, 2019 at 9:30 AM

**12. Adjournment**

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**The Regional Municipality of Durham**

**MINUTES**

**FINANCE & ADMINISTRATION COMMITTEE**

**Tuesday, September 10, 2019**

A regular meeting of the Finance & Administration Committee was held on Tuesday, September 10, 2019 in the Council Chambers, Regional Headquarters Building, 605 Rossland Road East, Whitby, Ontario at 9:30 AM

Present: Councillor Foster, Chair  
Councillor Collier, Vice-Chair  
Councillor Ashe  
Councillor Drew  
Councillor Leahy  
Councillor Mulcahy  
Regional Chair Henry

Also

Present: Councillor Wotten

Absent: Councillor Nicholson

Staff

Present: E. Baxter-Trahair, Chief Administrative Officer, attended the meeting at 9:32 AM  
D. Beaton, Commissioner of Corporate Services  
J. Hunt, Director, Legal Services, Corporate Services – Legal  
R. Inacio, Systems Support Specialist, Corporate Services - IT  
T. Lavery, Manager, Corporate Communications  
N. Taylor, Commissioner of Finance  
R. Walton, Director of Legislative Services/Clerk  
L. Fleury, Legislative Officer, Corporate Services – Legislative Services

**1. Declarations of Interest**

There were no declarations of interest.

**2. Adoption of Minutes**

Moved by Councillor Leahy, Seconded by Councillor Drew,  
(110) That the minutes of the regular Finance & Administration Committee meeting held on Tuesday, June 11, 2019, be adopted.

CARRIED

**3. Statutory Public Meetings**

There were no statutory public meetings.

**4. Delegations**

**4.1 Greg Milosh, Oshawa resident, re: planning and deliberations pertaining to the Region's 2020 Financial Budget**

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Greg Milosh appeared before the Committee with respect to the planning and deliberations pertaining to the Region's 2020 Financial Budget. Mr. Milosh advised that his delegation may take longer than five minutes.

Moved by Councillor Mulcahy, Seconded by Councillor Ashe,  
(111) That Mr. Milosh be granted a one-time two minute extension to his delegation.

CARRIED

G. Milosh stated that he wanted to discuss the possibility of using funds from one of the reserves to mitigate, or entirely forego, a property tax increase.

G. Milosh presented a table of Region of Durham Tax Data from 2000 to 2018 including the General Levy Stabilization (GLS) reserve fund, total annual property taxes, and investment portfolio.

G. Milosh stated that he needs additional information in order to understand why the money is not being used to greater extent for property tax relief, and asked Finance staff to clarify the following questions:

- What is the exact intended use of the GLS reserve?
- What is the history of its use?
- What is its intended future use?
- What is its source(s) of funding?

- What is the exact intended use of the funds in the investment portfolio?
- Can any of the funds in the investment portfolio be used for tax relief?

G. Milosh suggested that in preparation of the 2020 budget, he wants the Region to look at the GLS reserve and investment portfolio and ensure that both are being managed and used appropriately. G. Milosh added that failing a satisfactory explanation of the Region's property tax relief strategy, he will be bringing the matter to the attention of all Durham residents, via the media, to receive additional public input.

N. Taylor and E. Baxter-Trahair provided details with respect to the Region's investment portfolio, the Long-Term Financing Strategy, changes to how reserve funds will be used in the upcoming budget process, and the review of surplus funds that is currently underway. A suggestion was made that perhaps the GLS should be renamed to clarify its use.

## **5. Presentations**

There were no presentations.

## **6. Administration**

### **6.1 Correspondence**

There were no communications to consider.

### **6.2 Reports**

#### **A) Standardization to Microsoft Product Platform Suite for the period 2019-2024 (inclusive) (2019-A-26)**

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Report #2019-A-26 from D. Beaton, Commissioner of Corporate Services, was received. D. Beaton responded to questions with respect to the overall annual cost for the Microsoft suite. He noted that Section 4.4 of the Report should say \$1.8 million, not \$3.0 million.

Moved by Councillor Leahy, Seconded by Councillor Collier,  
(112) That we recommend to Council:

- A) That the Microsoft 365 platform be recognized as the standard business productivity solution for the Regional Municipality of Durham, for a 5-year term, until October 2024;
- B) That the Regional Municipality of Durham standardize on business productivity tools, as purchased through the Microsoft Enterprise Licensing

Agreement from Microsoft Canada Inc., for a 5-year term, until October 2024;

- C) That Microsoft Unified Support Services be the standard approach for the acquisition of training, development and problem resolution for the Microsoft platform, for a 5-year term, until October 2024;
- D) That the negotiation of all related agreements with Microsoft Canada Inc., including the Enterprise Licensing Agreement and Unified Support Services, and any changes to these agreements including the annual true-up process and subscription model changes be authorized. These are funded through operational budgets and total \$1,800,000 per year; and
- E) That the Commissioner of Finance be authorized to sign agreements in a form satisfactory to the Director of Legal Services.

CARRIED

B) Municipal Lobbyist Registry and Gift Registry (2019-A-27)

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Report #2019-A-27 from D. Beaton, Commissioner of Corporate Services, was received. Discussion ensued regarding the lack of support for a lobbyist registry in the Region, and the differences between the area municipalities as it pertains to gift registries.

Moved by Councillor Leahy, Seconded by Councillor Ashe,  
(113) That we recommend to Council:

That Report #2019-A-27 of the Commissioner of Corporate Services be received for information.

CARRIED

C) Regional Headquarters Lower Level Boardroom (LL-C) Audio/Video Equipment Water Damage Repair Complete (2019-A-29)

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Report #2019-A-29 from D. Beaton, Commissioner of Corporate Services, was received.

Moved by Councillor Collier, Seconded by Councillor Leahy,  
(114) That we recommend to Council:

That Report #2019-A-29 of the Commissioner of Corporate Services be received for information.

CARRIED

D) Durham York Energy Centre – Approval of the Negotiated Resolution Between Covanta Durham York Renewable Energy Limited Partnership (“Covanta”) and the Owners for the 2017 Reconciliation (2019-A-30)

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Report #2019-A-30 from D. Beaton, Commissioner of Corporate Services, was received.

Moved by Councillor Leahy, Seconded by Councillor Drew,  
(115) That we recommend to Council:

- A) That the proposed resolution provided for in the confidential memorandum from the Director of Legal Services, Attachment #1 to Report 2019-A-30 of the Commissioner of Corporate Services, dated September 10, 2019, be approved by Regional Council;
- B) That Regional staff be directed to execute such documents and carry out such tasks as may be required to implement the terms of the resolution; and
- C) That should Council approval of Recommendations A) to B) of Report #2019-A-30 not be received, that staff be authorized to utilise the dispute resolution provisions of the Project Agreement, including binding Arbitration.

CARRIED

## **7. Finance**

### **7.1 Correspondence**

#### **A) Information Report #2019-INFO-43: 2018 Annual Investment Report**

Discussion ensued with respect to the Region's investment policy and potential investment options including the prudent investor regime, trading within municipalities and diversification of the Region's portfolio.

Further discussion ensued with respect to investing in the servicing of employment lands, and the current commitments in the Rate Stabilization reserve fund.

Moved by Councillor Drew, Seconded by Councillor Leahy,  
(116) That Report #2019-INFO-43 of the Commissioner of Finance be received for information.

CARRIED

### **7.2 Reports**

#### **A) Cancellation of Uncollectible General Accounts Receivable (2019-F-30)**

Report #2019-F-30 from N. Taylor, Commissioner of Finance, was received. N. Taylor responded to questions with respect to what mechanisms are used to collect debt and if 'bad' debt is ever sold-off.



Moved by Councillor Leahy, Seconded by Councillor Mulcahy,  
(117) That the cancellation of the following uncollectible accounts under \$10,000 be approved:

- i) Thirty-one Child Care receivable accounts totalling \$30,571.08;
- ii) Seventy-one general receivable accounts totalling \$54,355.19; and

That we recommend to Council:

That one uncollectible account in the amount of \$25,852.75 be approved for write-off.

CARRIED

B) Joint and Several Liability Reform (2019-F-31)

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Report #2019-F-31 from N. Taylor, Commissioner of Finance, was received.

Moved by Councillor Leahy, Seconded by Councillor Ashe,  
(118) That we recommend to Council:

- A) That Report #2019-F-31 of the Commissioner of Finance be received and forwarded with consultation information to the Attorney General offices as the Region of Durham's submission to the Government of Ontario's consultation process to seek joint and several liability reform in Ontario; and
- B) That a copy of Report #2019-F-31 be forwarded to AMO, all local Durham MPP's and all local municipalities.

CARRIED

C) Request for Deferral of Development Charges for Proposed Industrial Facility in Clarington (2019-F-32)

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Report #2019-F-32 from N. Taylor, Commissioner of Finance, was received. Discussion ensued regarding the importance of promoting economic development activities, including agri-tourism; and the impact of Bill 108.

Questions were raised with respect to when the development charges would be paid for this project; and whether there were any concerns about deferring the development charges based on the by-law, or the setting of a precedent.

Moved by Councillor Collier, Seconded by Councillor Leahy,  
(119) That we recommend to Council:

- A) That the request from Cannapiece Group Inc. to defer the payment of development charges on the proposed industrial facility in Clarington be approved on such terms as are set out generally in the following recommendations:

- i) That the Region enter into an agreement with Cannapiece Group Inc. for the deferral of development charges for the proposed construction on an industrial facility at 580 Lake Road in Bowmanville at the rate in effect at time of payment;
  - ii) That the agreement would contain such terms and conditions as are necessary to reasonably assure the Region of full payment of development charges; and
- B) That the Commissioner of Finance be authorized to negotiate and execute the necessary agreements in a form approved by Corporate Services – Legal Services.

CARRIED

## **8. Advisory Committee Resolutions**

There were no advisory committee resolutions to be considered.

## **9. Confidential Matters**

### **9.1 Reports**

- A) Confidential Report of the Commissioner of Corporate Services – Litigation or Potential Litigation, including matters before administrative tribunals, affecting the Regional Corporation, with respect to an Update on Ongoing Litigation Matters Against the Region (2019-A-28)
- 

Confidential Report #2019-A-28 from D. Beaton, Commissioner of Corporate Services, was received.

Moved by Councillor Drew, Seconded by Councillor Leahy,  
(120) That we recommend to Council:

That Confidential Report #2019-A-28 of the Commissioner of Corporate Services be received for information.

CARRIED

## **10. Other Business**

### **10.1 Durham Agricultural Advisory Committee (DAAC) Farm Tour**

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Regional Chair Henry reminded the Committee members of the DAAC farm tour being held at Willowtree Farm on Thursday, September 12<sup>th</sup> and encouraged members to attend.

**11. Date of Next Meeting**

The next regularly scheduled Finance & Administration Committee meeting will be held on Tuesday, October 8, 2019 at 9:30 AM in Council Chambers, Regional Headquarters Building, 605 Rossland Road East, Whitby.

**12. Adjournment**

Moved by Councillor Leahy, Seconded by Councillor Collier,  
(121) That the meeting be adjourned.

CARRIED

The meeting adjourned at 10:20 AM

Respectfully submitted,

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A. Foster, Chair

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L. Fleury, Legislative Officer

**Afreen Raza**

**From:** Parks and Recreation Ontario <pro@prontario.org>  
**Sent:** August-15-19 3:14 PM  
**To:** info  
**Subject:** Assessing the Impact of Bill 108 on Municipal Parks and Recreation



**Important information about the Impact of Bill 108  
on municipal parks and recreation**

**To:** Head of Council  
**From:** Parks and Recreation Ontario

As you are aware, the Provincial Government, through the *More Homes, More Choice Act, 2019 (Bill 108)*, has introduced significant changes to how Ontario's municipalities will plan and fund parks and recreation facilities in their communities. On June 6, 2019, Bill 108, the *More Homes, More Choice Act*, received royal assent. The Province describes this legislation as a plan to increase the amount of housing in Ontario by boosting supply. After careful review, Parks and Recreation Ontario (PRO), through consultation with its membership and key stakeholders, determined this Act could have a significant negative impact on how municipalities deliver parks and recreation facilities in their communities.

From our consultation, we have developed four key recommendations that we will be submitting to the Province as they review and prepare for implementation of the Act. These are:

1. The community benefits approach must meet the funding needs of all municipalities today and into the future;
2. Develop a Community Benefits Charge (CBC) cap and formula that is responsive to community-specific and growth-related needs;
3. Provide clarity on transition for in-progress planning applications; and
4. Ensure sufficient time and capacity for municipalities to transition to new CBC authority.

The issues and recommendations are described in further detail in our [submission](#).

We are sharing recommendations with you as a resource to consider in your discussions with the Provincial Government, your local council, staff and key stakeholders. We are also aware that many of you may be meeting with provincial representatives at the upcoming annual AMO Conference and wanted to ensure that this information was available for these potential meetings. We ask that you please share this information with staff who may be preparing submissions on behalf of your municipality.

We appreciate your attention to this matter and your support to advance PRO's mission to provide every person equitable access to vibrant communities, sustainable environments, and personal health.

## **About PRO**

PRO is a provincial association that works to advance the health, social and environmental benefits of quality recreation. We represent over 6,500 members in municipalities across the province. Our members provide vital services and facilities to more than 85% of Ontarians. In all of PRO's submissions, we use evidence-based practices, resources and collaborative partnerships to ensure sound recommendations that reflect the unique voices of the variety of municipalities across Ontario.

[prontario.org](http://prontario.org) | [pro@prontario.org](mailto:pro@prontario.org)

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## The Regional Municipality of Durham Information Report

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From: Commissioner of Finance  
Report: [#2019-INFO-64](#)  
Date: September 6, 2019

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**Subject:**

The Consolidated Budget Status Report to June 30, 2019 and Full Year Forecast

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**Recommendation:**

Receive for information

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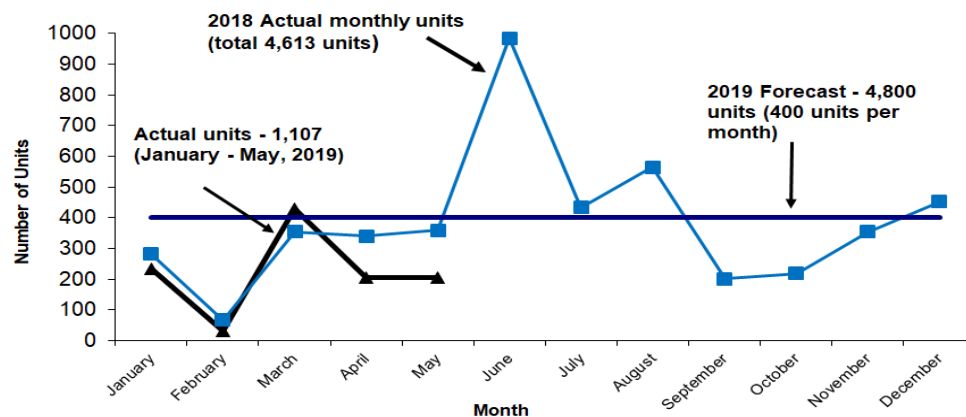
**Report:**

**1. Purpose**

- 1.1 The following summary on the status of the 2019 Consolidated Budget and Full Year Forecast for the General Tax, Durham Region Transit (DRT), Water Supply, and Sanitary Sewer Operations is based upon information supplied by the Regional Departments, a review of the financial statements to June 30, 2019, and preliminary information forecast to the end of the year.

**2. Development Charge Receipts Status**

As shown in the following graph, the residential development charge receipts for 2019 (for January to May) total 1,107 units, which equates to 23 per cent of the total 2019 forecast of 4,800 units. The low level of receipts so far presents a significant risk for financing of future years' capital program. Staff will continue to monitor the status of receipts against the 2019 forecast of 4,800 units.

**Actual and Forecasted Development Charge Receipts (2019)**

### 3. Budget Status Summary - General Tax Operations

- 3.1 A deficit position is forecast for the General Tax Operations for 2019, as indicated in the following table.

#### Surplus/(Deficit)

\$

#### **General Tax Operations**

##### Social Services Department:

Long-Term Care & Services for Seniors	(625,000)
Family Services	150,000
Income and Employment Support	(450,000)
Emergency Management and Program Support	(300,000)
Housing Services	<u>100,000</u>

Total Social Services Department (1,125,000)

##### Health Department:

Public Health Programs	1,700,000
Region of Durham Paramedic Services	<u>(100,000)</u>

Total Health Department 1,600,000

##### Works Department:

General Tax Operations	(1,500,000)
Solid Waste Management	<u>910,000</u>

Total Works Department (590,000)

Planning and Economic Development Department 600,000

Corporate Services 200,000

Finance Department	750,000
Durham Region Transit	(250,000)
Provincial Download	(1,400,000)
Other Initiatives	<u>(150,000)</u>
<b>Overall Property Tax Deficit</b>	<b><u>(1,125,000)</u></b>

#### 4. General Tax Operations

##### 4.1 Social Services Department

- The Long-Term Care and Services for Seniors Division advises that as of the end of June overall revenue and expenditures are in a deficit position of approximately \$625,000. Factors contributing to this position are:
  - The Province has changed its methodology for the calculation of per diem subsidies. Instead of calculating various per diem amounts, the Province will issue a global adjustment amount and will not adjust the existing per diem rates for envelopes of expenditures. The global adjustment amount for 2019 results in an unfavourable revenue variance of \$235,000. However, preferred accommodation revenue for the homes is expected to exceed budget by approximately \$145,000, reducing the revenue shortfall to \$90,000.
  - Three of the four Homes have experienced increased staffing costs totaling \$1,050,000, specifically for temporary staff and overtime to ensure requirements for resident care and strict service levels are maintained when full time staff are absent due to staff vacancies, training, illness or injury. The callout situations pertaining to illness and injury continue to be trending higher than anticipated for 2019.
  - Due to higher than expected rebates and efforts to manage usage, utility costs are expected to be lower than budget, resulting in a surplus position of approximately \$375,000 across all four homes.
  - Various expenses are trending lower than budget due to efforts to create efficiencies, resulting in favourable variances of approximately \$200,000. These areas include cleaning and laundry, building and equipment maintenance, and communication costs.
  - A deficit of \$60,000 is anticipated pertaining to the Adult Day Program, due primarily to client fees being lower than anticipated and higher than expected costs related to staff injuries.
  - The Long-Term Care and Services for Seniors Division continues to review all discretionary expenditures, as well as prioritization of capital expenditures, to mitigate the anticipated deficit position as much as possible without impacting client service.



- The Family Services Division reports that due to the continuing timing gap in filling staff vacancies in the Core Community Services program, savings of approximately \$150,000 are anticipated for the year.
- In the Income and Employment Support Division, a net deficit of approximately \$450,000 is currently being projected for the year.
  - The client benefits of the Ontario Works (OW) Discretionary Benefits program is expected to exceed the cap on the maximum cost shareable expenditure amount. Discretionary benefits that exceed the total cap are not eligible for subsidy and are Regional costs. Based on the expenditures to date and recent caseload trends, a deficit of approximately \$650,000 in the discretionary program is currently projected for the year. Caseloads and costs will continue to be monitored closely over the remainder of the year.
  - While client-related expenditures in the OW Employment Support accounts continue to trend well above budget, personnel savings in the administration section of the program and minor positive variances in non-staffing related categories are expected to partially offset this over expenditure, with an expected net deficit of \$700,000 forecast for the year.
  - The Province's 2019 subsidy Planning Allocation for Durham's administration of the OW program has been recently received and will result in additional funding of \$900,000 for the program.
- The operations of the Emergency Management and Program Support Services sections are expected to be in a deficit position of approximately \$300,000 at year end. This is due mainly to the use of two additional staff in Program Support Services to provide policy advisory resources in support of the Department's Strategic Partnerships and Initiatives and Innovation and Research endeavours for the Region.
- The Children's Services Division is reporting an overall break-even position for the year. The Provincial funding changes announced on April 18th that were due to be effective April 1, 2019 have been deferred until 2020, so will have no impact on fiscal year 2019. However, in anticipation of the reduced subsidies available in 2020, the Department will be looking at where cost reductions may be required later in the year. This is not expected to have any material impact on the Regional costs of the programs for 2019.
- The Housing Services Division reports that expenditures continue to track slightly below budgeted expectations due to the time gap in filling staff vacancies. Expenditures on the Consolidated Homelessness Prevention Initiative are currently proceeding as planned; however, it is anticipated that reductions in allocations to external service partners may be required later in the year to offset the Region's reduced annual allocation because of the Province's 2019 budget. Overall, a surplus of \$100,000 is projected for the year.

- Overall, a deficit of approximately \$1,125,000 is projected for the Social Services Department for the year.

#### 4.2 Health Department

- The Health Department is reporting a projected surplus of approximately \$1,700,000, primarily due to savings resulting from staff leaves and the time lag associated with hiring of replacement staff. Confirmation of funding from the Ministry of Health is expected to be in line with the submission, given the retraction of the funding changes previously announced.
- The Region of Durham Paramedic Services division (RDPS) is projecting a provincial funding short fall of approximately \$400,000 for 2019. The division is also projecting that discretionary cost savings of approximately \$300,000 can be achieved. Overall, a deficit position of \$100,000 is forecast for RDPS at this time.

#### 4.3 Works Department

- A deficit position of \$1,500,000 is forecast for the Roads and General Operations programs.
- The Works Department has indicated that expenditures in the winter maintenance program is likely to exceed budget in the range of \$1 - \$2 million. This is largely driven by a harsher than usual winter season in the early part of this year leading to a significantly higher than anticipated usage of salt and brine. While the final status of the winter maintenance budget will be dependent upon storm events in the latter part of the year, a deficit of \$1,500,000 is forecast for this reporting period.
- In the Solid Waste Management Operations, expenditures are trending to budgeted levels as of the end of June. However, program funding is expected to exceed budget due to the following factors.
  - The Resource Productivity and Recovery Authority (RPRA) has indicated that their funding for 2019 blue box operations will increase by approximately \$160,000.
  - Although it is difficult to predict if the current prices will be maintained, to date the market prices for OCC and PETE are above what was budgeted for 2019. As a result, a surplus from these blue box revenues of approximately \$750,000 is being forecast at this time.
  - Overall, a surplus position of \$910,000 is forecast for Solid Waste Management Operations for the year.

#### 4.4 Planning and Economic Development Department

- The Planning division has realized savings of \$300,000 from vacancies to the end of June. It is anticipated that program and administrative savings being

realized in non-personnel related areas of the Planning division will be offset by a shortfall in program revenues, which are currently trending below budget.

- The Economic Development and Tourism division has realized staff savings from vacancies of \$200,000 to June 30, 2019. In addition, one-time program savings of approximately \$100,000 are anticipated for the year.
- At this time a surplus of approximately \$600,000 is projected for the Planning and Economic Development Department.

#### 4.5 Corporate Services Department

- Currently, program spending in the Corporate Services Department, Information Technology division, continues to track at or near budgeted expectations, and thus a break-even position at year end is currently anticipated.
- The Human Resources division reports while there are minor variances in their accounts, they are also anticipating an overall break-even position for 2019.
- Legislative Services reports there will be savings of approximately \$200,000 due to the time required to fill vacant positions in the Privacy Office.
- Based on a review of financial results to the end of June, Provincial Offences Administration has savings of about \$300,000. The surplus comes from savings in Administration due to reduced adjudication charges from the Ministry of the Attorney General. However, at the end of June fine revenue is trending below budget. Consequently, a break-even position is forecast at this time for Provincial Offences Administration, as well as for the balance of the Legal Services section.
- Overall, a surplus of \$200,000 is projected for the Corporate Services Department.

#### 4.6 Finance Department

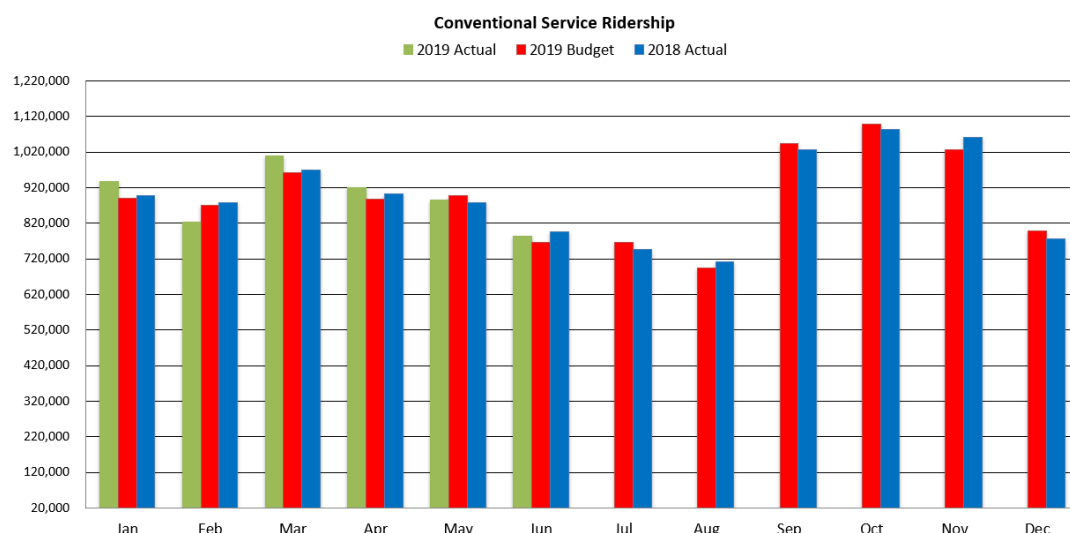
- The Finance Department is projecting a surplus of approximately \$750,000 for the year primarily attributable to staff turnover and the time required to fill vacant positions, but partially offset by the higher usage of agency personnel and overtime to continue service delivery.

#### 4.7 Police Services Board

- As of June 30, 2019, the Police Service is forecasting year end results to be close to budgeted levels. For the six months ending June 30<sup>th</sup>, net spending of \$95.25 million represents about 46 per cent of the annual operating budget of \$206.61 million. Savings from salary expenses due to position vacancies are expected to be offset by higher legal and consulting services, as well as the effects of reduced provincial funding.

#### 4.8 Durham Region Transit

- As of June 30, it is projected that Durham Region Transit will experience an operating deficit of approximately \$250,000 for 2019. However, there are certain financial risks being monitored that will not be known until later in the year.
- Ridership statistics available to the end of June indicate that overall conventional ridership is approximately 1.6 per cent, or around 84,000 riders, higher than the budgeted ridership expectations, and approximately 1 per cent higher than the same period in 2018. The graph below depicts total conventional ridership by month compared to budgeted and prior year.



- Statistics available to June indicate that specialized services ridership is down approximately 2.6 per cent when compared to the 2019 budget and is about 2.2 per cent lower than prior year levels.
- A \$80,000 deficit for fare revenue is anticipated in 2019. Cash fare revenue is expected to be in a \$200,000 deficit position as cash paying ridership is approximately 11 per cent lower than budget to June. Paper pass and ticket sales revenue are trending approximately \$70,000 higher than budgeted expectations. PRESTO revenue is trending to a \$150,000 deficit, while U-Pass revenue for the Winter term is approximately \$200,000 greater than budgeted levels due to higher than expected enrolment levels.
- In the Operations program, route maintenance services, including snow and ice removal to keep bus stops and shelters safe for DRT passengers, is expected to be in a deficit position of about \$100,000.
- The Maintenance program is expected to be in a deficit position of \$20,000. Fuel prices are lower than budgeted expectations through 2019 so far, resulting in a \$200,000 surplus position. The average price per litre paid this year is approximately \$0.97, which is eleven cents lower than the budgeted price of

\$1.08. The fuel surplus is partially offset by an increase in bus repairs expense, which is tracking approximately \$220,000 greater than the approved budget.

- The Specialized Services program is expected to be in a \$50,000 deficit position in 2019 when compared to the approved budget mainly due to taxi service trending higher than budget at this time.

#### 4.9 Provincial Download Programs

- Payments to external social housing providers, a portion of the Provincial Download budget, are presently tracking approximately \$1,100,000 under budget due to lower than anticipated Rent Geared to Income subsidies, benchmarked operating costs, and property taxes.
- However, the Durham Regional Local Housing Corporation (DRLHC), the Region's own housing provider, is projecting approximately \$2,500,000 overages for the year, primarily from the costs of winter grounds maintenance and building maintenance and repair. These year to date operating costs are trending higher than budget and are close to the prior year actuals, which also resulted in a deficit.
- Overall, it is anticipated that the surplus in payments to external social housing providers and projected deficit in the DRLHC budget will result in a \$1,400,000 deficit position in the Provincial Download Program for 2019.

#### 4.10 Other Initiatives

- The following initiative has been approved in 2019 subsequent to the budget approval and will require funding from property tax sources:

Development of a Transit Oriented Development Evaluations for the GO East Extension	\$150,000
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### 5. Water Supply and Sanitary Sewer Operations

#### 5.1 Water Supply System

- The Works Department reports that while there are budget variances within various program expenditures and revenues to this date in the year, there are overall savings, primarily related to personnel expenditures in the Engineering and Staff Support and Facilities Management programs, that are expected to result in a surplus by year end. At this point, a surplus of \$1,500,000 is projected for the Water Supply operations.
- To the end of June, water supply user revenues are tracking above budget and a surplus of approximately \$1,000,000 is projected at this time.
- Emergency work being undertaken to construct a new municipal well in the community of Sunderland, in the Township of Brock, requires funding in the

amount of \$2.1 million. The cost of this unplanned work will reduce the surplus position of the water supply operation.

- Overall, a surplus position of \$400,000 in the water supply system is anticipated at this time.

## 5.2 Sanitary Sewer System

- The Works Department projects that the current operational expenditures of the Sanitary Sewer System are anticipated to produce a surplus position of approximately \$1,100,000 by year end, largely as a result of continued improvements in energy efficiency measures in plant operations, as well as savings in personnel expenditures in Engineering and Staff Support.
- Similar to water supply, sewer user revenues are tracking above budget and a surplus of approximately \$2,100,000 is projected at this time.
- Additional consulting services are required related to the construction of the Port Darlington Water Pollution Control Plant Phase 2 expansion, and in providing assistance in evaluation of claims submitted by the contractor. The additional funding required is estimated to be in excess of \$500,000.
- Overall a net surplus position of approximately \$2,700,000 is anticipated for the sanitary sewer system operations.

## 6. Summary

- 6.1 Based on the available information to the end of June, a deficit position is forecast for the General Tax Operations. The Water Supply System and the Sanitary Sewer Operations are forecasting surplus positions for the year.
- 6.2 Regional staff will continue to monitor costs and provide budget status updates in the coming months.

Respectfully submitted,

Original Signed by Nancy Taylor

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Nancy Taylor, BBA, CPA, CA  
Commissioner of Finance



# The Regional Municipality of Durham Report

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To: Finance and Administration Committee  
From: Commissioner of Finance  
Report: [#2019-F-33](#)  
Date: October 8, 2019

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**Subject:**

Long-term Financial Planning Framework for the Region of Durham

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**Recommendation:**

That the Finance and Administration Committee recommends to Regional Council:

- A) That the long-term financial planning framework in Appendix #1 including vision statement be endorsed;
- B) That the following new reserve funds be established in the amounts shown below and for the purposes outlined in Attachment #1 with future use of reserve funds based on Regional Council approval generally through the annual budget process:
  - i) Economic Development (\$3.8 million);
  - ii) Innovation and Modernization Initiatives (\$5.0 million);
  - iii) Servicing of Employment Lands and Key Locations- Water, Sewer, and General Tax (\$19.4 million);
  - iv) Vision Zero Initiatives (\$5.0 million); and
  - v) Climate Mitigation and Environment (\$5.0 million).
- C) That the following existing Reserve Funds be topped up as follows and for the purposes outlined in Attachment #1:
  - i) Regional Revitalization Reserve Fund (\$5.0 million);
  - ii) Durham Region Forest (\$1.0 million); and
  - iii) Regional Roads Reserve (\$0.4 million).
- D) That the following repeal of reserve funds and transfers be approved to finance the \$44.6 million required to create and top-up the reserve funds:
  - i) Transfer \$30.0 million from the General Levy Stabilization Reserve Funds;
  - ii) Repeal the following reserve funds:

- a. Regional share of non-residential development for water and sewer (\$8.9 million)
    - b. Foreign exchange reserve fund (\$4.8 million)
    - c. Industrial Land Reserve Fund (\$0.5 million)
    - d. Highway #2 Reserve Fund (\$0.4 million)
    - e. Police Capital Reserve Fund (\$0.0 million)
  - E) That the remaining funds in the General Levy Stabilization Reserve Fund (\$204.7 million) be utilized to created two new funds as follows:
    - i) Operating Impact Stabilization Fund (\$50.0 million); and
    - ii) Capital Impact Stabilization Fund (\$154.7 million).
  - F) That the Employee Benefits Reserve usage be extended to fund the post year end payment for 50% of the unused incidental sick hours for employees and employee groups covered by the Short Term Income Protection Program; and
  - G) The Regional Solicitor be authorized to prepare the necessary by-laws to establish the recommended new reserve funds and repeal the recommended deletion of reserve funds.
- 

## Report:

### 1. Executive Summary

#### Long Term Financial Planning Framework:

- 1.1 The following long-term financial planning framework (detailed in Appendix #1) is recommended with the following key elements:
  - a. An updated financial planning framework to guide planning and Regional Council decision-making based on best practice principles, policies and processes with the goal of ensuring adequate long-term financial flexibility with the ability to adapt to changing Regional priorities and requirements;
  - b. Key financial principles, policies and practises that demonstrate a commitment to long-term financial sustainability, flexibility and affordability guided by the following vision statement:
 

*Regional Council's strategic service delivery and infrastructure priorities are proactively addressed, with a commitment to financial sustainability, flexibility and affordability;*
  - c. Enhanced consultation processes with internal stakeholders with a focus on options to increase efficiencies, innovation and ensure the long-term financial health of the organization; and,
  - d. A streamlined reserve and reserve funds strategy to modernize existing funds to reflect current and known future requirements, including multi-year capital and operational plans and related service and technology needs, asset and financial strategies, contingency and liability coverage, and property tax and user rate stabilization.



## Durham Region Financial Plan and Framework:

### Recommended Vision

Regional Council's strategic service delivery and infrastructure priorities are proactively addressed, with a commitment to financial sustainability, flexibility and affordability.

### Financial Planning Principles

Sustainability

Flexibility

Affordability

### Long-term Financial Goals / Objectives

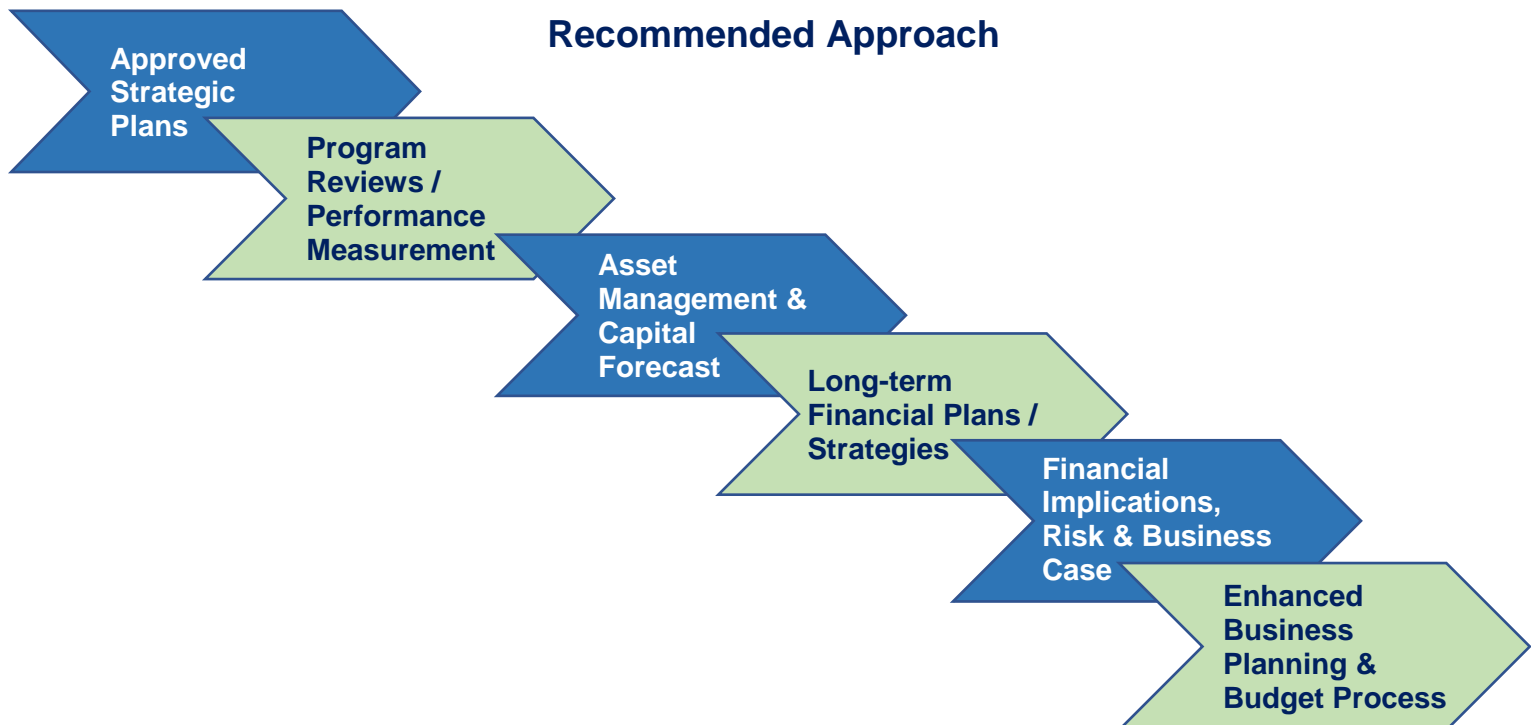
Maintain & Enhance  
Service Levels &  
Infrastructure

Accommodate  
Growth

Fund Strategic  
Investments &  
Priorities

Stable Taxes &  
User Rates

### Recommended Approach



## **2. Purpose**

- 2.1 This report provides an updated Durham Region long-term financial plan and framework which:
- a. Ensures transparency and accountability;
  - b. Is consistent with prevailing best practice and new regulatory requirements (e.g. Ontario Regulation 588/17 “Asset Management Planning for Municipal Infrastructure” and Schedule 3 (2019) Development Charge Act, 1997 Amendments);
  - c. Considers current long-term fiscal, social and economic challenges, uncertainties and opportunities (e.g. the servicing of employment lands, senior government transit investments, asset management and community needs);
  - d. Supports the principle of long-term sustainability by maintaining financial forecasting, consideration of multi-year financial implications, risk assessments and a business case approach to large scale capital projects and major program changes;
  - e. Provides financial tools and policy supports to safeguard long-term financial capacity, stability and flexibility to accommodate Council’s strategic priorities (e.g. technological improvements, customer service modernization, process innovations and efficiencies);
  - f. Provides context and support to business planning and budget decisions, with a focus on balancing expenditure and revenue requirements with longer-term property tax and user rate payer affordability and stability considerations;
  - g. Provides assurance to external stakeholders (e.g. bond raters, investors and the public) that the Region is well managed and a desirable place to invest; and
  - h. Ensures capabilities to seize new opportunities as well as address future challenges, including: provincial fiscal restraint; changes to the provincial funding structures and legislation; and, demand for servicing to support diversity, urbanization and employment; and poverty reduction.

## **3. Background**

- 3.1 Based on Regional Council approval of Report #2019-F-6 in February 2019, this report represents a detailed review of the Region’s approach to long-term financial planning process with a view to updating and streamlining the framework and associated financing strategies, policies and reserve funds, while ensuring long-term efficiency, effectiveness and sustainability. The review emphasized Durham specific issues such as:
- a. Increased focus on service plans;
  - b. Climate change mitigation strategies and implications for infrastructure resiliency/adaptive capacity and future service delivery requirements and costs;

- c. Balancing investment in growth-related infrastructure with asset management renewal/replacement needs;
- d. Public demand for new technology and innovation and Regional motivation to modernize service delivery and enhance efficiencies, effectiveness and customer service;
- e. The priority of accelerating the servicing of employment lands to attract new jobs to Durham Region;
- f. Significant senior-level infrastructure programs that increasingly require matching or proportionate municipal funding contributions (e.g. the Investing in Canada Infrastructure Program); and,

#### **4. Recommended Financial Plan Vision Statement**

- 4.1 The following recommended long-term financial plan vision statement incorporates core financial planning principles:

*Regional Council's strategic service delivery and infrastructure priorities are proactively addressed, with a commitment to financial sustainability, flexibility and affordability.*

#### **5. Financial Planning Principles and Approach**

- 5.1 The updated long-term financial planning framework provides a comprehensive and integrated approach, including financial policies and tools to support efforts and ensure increased collaboration and a coordinated, concerted focus on the new priorities of Regional Council. The approach recognizes the reality of financial and resource limitations and is based on the principles of financial sustainability, flexibility and affordability.
- 5.2 The recommended financial planning framework approach includes:
- a. Guidance provided through strategic community and corporate planning;
  - b. Annual program reviews and performance measurement to ensure continuous improvements, efficiencies and effectiveness;
  - c. An enhanced annual business planning and budget cycle to improve opportunities for communication, collaboration and transparency; and ensure alignment of resources with the Region's strategic priorities.
  - d. Sound asset management and capital planning to ensure infrastructure is sustained;
  - e. Long-term financial planning and financial strategies to ensure financial and infrastructure sustainability; and,
  - f. An evidence-based business case approach for capital evaluations and major programs changes, and assessment of risk to ensure understanding of long-term financial implications to support Council decision-making.
- 5.3 The Framework and Strategy is provided in Appendix #1 and will be made available on the Region of Durham website and used as a communication tool on the Region's Fiscal Health.

## **6. Reserves and Reserve Funds: Tools for Financial Sustainability, Flexibility and Fiscal Responsibility**

- 6.1 Consistent with Regional direction (Report #2019-F-1), Appendix #2 provides information on the Region's existing Reserves and Reserve Funds, including an explanation of each fund's purpose, regulatory/legal requirements, commitments, uncommitted balance, and comments pertaining to the required usage for future needs. Attachment #1 includes proposed new reserve funds, recommended repeal of reserve funds, changes to recommended usage, renaming of reserve funds, and recommendations for transfers. As a next step, target levels will be developed and/or additional proposed utilization.
- 6.2 Maintenance of relevant and adequate reserves and reserve funds provides the Region with financial flexibility to:
- a. Manage the impacts from growth requirements;
  - b. Address known future liabilities;
  - c. Provide for contingency funds to address unknown risk events and uncertainties creating fiscal imbalances;
  - d. Retain working capital for major multi-year projects; and,
  - e. Provide a funding source for known major capital requirements and mitigate the Region's long-term debt profile (to ensure a predictable and manageable level of debt and debt service costs) through up-front capital financing a portion of major capital costs as well as one-time issues of regional importance.

Over approximately 15 years, the Region has utilized reserves and reserve funds to finance approximately \$600 million of capital projects in property tax and user rate funded programs, avoiding approximately \$367 million of debt interest costs.

## **7. Financial Policies**

- 7.1 According to the Government Finance Officers Association (GFOA) "Financial Policies" publication, the implementation of formal financial policies supports a long-term approach to financial management and:
- a. Institutionalizes good financial management practices, promoting stability and continuity (preventing the need to re-invent responses to recurring issues);
  - b. Crystalizes strategic intent for financial management creating a shared understanding of how to manage resources to create the best value to the community;
  - c. Defines boundaries for delegated powers and staff actions;
  - d. Supports bond ratings and contributes to lower costs of borrowing;
  - e. Promotes strategic thinking through a long-term perspective;
  - f. Provides an important mitigation tool for risks to long-term financial condition; and,
  - g. Complies with established best public management practices.

- 7.2 Appendix #1, page 9 provides a summary of the Region's key financial by-laws and policies which support financial sustainability, flexibility and affordability. Many of these policies are currently under review and the next phase of work will be to recommend policy updates to the Finance and Administration Committee and Regional Council. They will be phased in the following prioritization: Purchasing By-law, Budget Management Policy, Development Charges Background Study (to respond to Bill 108), Investment Policy and Debt Management Policy with other updates as needed.

## **8. Long-term Fiscal Health Update: Economic and Financial Performance Metrics**

- 8.1 Appendix #1, Page 10 includes a one-page Financial Health Performance Measurement Scorecard template - proposed to be presented for information on an annual basis to Finance and Administration Committee and Regional Council. This summary will use key indicators or performance metrics so that Regional Councillors can regularly monitor and understand variables impacting the Region's economic and fiscal health. The measures will be further developed as a next step.

## **9. Conclusions**

- 9.1 The proposed long-term financial planning framework, including a new vision, core financial principles, approach, policies and performance measures for fiscal health will support the efficient and cost-effective delivery of programs and services, address service demands and support growth.
- 9.2 Next steps include the modernization of the business planning and budget process and updates to key financial policies as noted, as well as, the further development of performance metrics for the framework and development of target ranges for applicable reserve funds.

## **10. Attachments / Appendices**

Attachment #1: Recommended Repeal and Establishment of New Reserve Funds and Transfer of Funds

Appendix #1: Long Term Financial Planning Framework

Appendix #2: Reserve and Reserve Fund Analysis

Respectfully submitted,

Original Signed By

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Nancy Taylor, BBA, CPA, CA  
Commissioner of Finance

Recommended for Presentation to Committee

Original Signed By

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Elaine C. Baxter-Trahair  
Chief Administrative Officer

<b>New Reserve Funds</b>	<b>Capital or Operating</b>	<b>Purpose</b>	<b>Uncommitted Balance as of June 30, 2019</b>	<b>Recommendations</b>
Economic Development Reserve Fund - NEW	Operating	To support economic development strategic activities including strategies to bring available serviced land to active market	-	Transfer \$3.8 million from the Foreign Exchange Reserve Fund and incorporate annual replenishment through a contribution of 10% of net annual supplementary taxation revenue. Funds to be accessed through budget approval or direct Council authorization.
Innovation and Modernization Initiatives Reserve Fund - NEW	Operating and Capital	To support modernization of legacy processes and systems across departments	-	Transfer \$5.0 million from General Levy Stabilization Reserve Fund as SEED money. Annual replenishment through transfer of 2.5% of the prior year annual operating surplus.
Servicing of Employment Lands and Key Locations Reserve Fund(s) – NEW - one General Tax, one Water and one Sewer	Capital	To support projects identified through the servicing of employment lands project of 2019 and future updates	-	Transfer \$19.4 million as follows: <ul style="list-style-type: none"> <li>• \$8.9 million from the Region Share of Non-Residential Development - Water and Sewer Reserve Fund (50% to Water and 50% to Sewer;</li> <li>• \$0.5 million from the Industrial Land Reserve Fund (to General Tax); and</li> <li>• \$10.0 million from the General Levy Stabilization Reserve Fund (to General Tax).</li> </ul> Ongoing support will be determined through future year's budget as successful initiatives trigger growth related revenues.
Vision Zero Reserve Fund - NEW	Capital	To support projects to meet Regional Council Vision Zero targets	-	Transfer \$5.0 million from the General Levy Stabilization Reserve Fund. Ongoing support to be determined through annual business planning and budget process.
Climate Change Mitigation and Environmental Initiatives Reserve Fund - NEW	Capital	To support initiatives to enhance the Region's response to climate change and environment concerns	-	Transfer \$5.0 million from the General Levy Stabilization Reserve Fund. Ongoing support to be determined through annual business planning and budget process based on priorities highlighted in annual Climate Change Report or future equivalent.

Existing Reserve Funds	Capital or Operating	Purpose	Uncommitted Balance as of June 30, 2019	Recommendations
General Levy Stabilization Reserve Fund	Capital and Operating	To stabilize general property tax rate increases as a risk mitigation tool for budget shortfalls and to upfront finance large scale projects or phase-in significant operating program impacts	\$234.7 million	<p>Recommend transfers to the following new reserve funds:</p> <ol style="list-style-type: none"> <li>1. Innovation and Modernization Initiatives - \$5.0 million</li> <li>2. Servicing of Employment Lands and Key Locations - \$10.0 million</li> <li>3. Vision Zero Initiatives - \$5.0 million</li> <li>4. Climate Mitigation and Environment- \$5.0 million</li> </ol> <p>Recommend transfer of \$5.0 million to top up the existing Regional Revitalization Program Reserve Fund</p> <p>Recommend that this fund be repealed and the balance of this reserve fund net of transfers above (i.e. \$204.7 million) be divided into two new separate Reserve Funds as follows:</p> <ul style="list-style-type: none"> <li>• Operating Impact Stabilization Fund (\$50.0 million) to stabilize general property tax rate increases as a risk mitigation tool for budget shortfalls and be replenished with 47.5% of any annual operating surplus; and</li> <li>• Capital Impact Stabilization fund (\$154.7 million) to upfront finance large scale projects as identified in Appendix #3. It would be replenished from annual property tax surplus from closing of general tax supported capital projects and 50% of any annual operating surplus.</li> </ul>



<b>Existing Reserve Funds</b>	<b>Capital or Operating</b>	<b>Purpose</b>	<b>Uncommitted Balance as of June 30, 2019</b>	<b>Recommendations</b>
Region share of Non-residential Development – Water and Sewer	Capital	Fund Regional share of water supply and sanitary sewerage capital projects to service non-residential development	\$8.9 million	Two reserve funds to be repealed with all funds transferred to the Servicing of Employment Lands and Key Locations Reserve Fund
Foreign Exchange	Operating	Funds to mitigate future exchange fluctuations	\$4.8 million	Reserve fund to be repealed. Transfer \$3.8 million to the Economic Development Reserve Fund and \$1 million to the Regional Forest Reserve Fund
Industrial Land	Capital	Contribute to the cost of developing industrial lands	\$0.5 million	Reserve Fund to be repealed with all funds transferred to the Servicing of Employment Lands and Key Locations Reserve Fund
Highway #2	Capital and Operating	Provide funding for capital and maintenance purposes related to sections on Highway #2 assumed by the Region	\$0.4 million	Reserve Fund to be repealed with all funds transferred to the Regional Roads Reserve to provide funding for future BRT costs
Regional Revitalization Reserve Fund	Operating	Targeted regional funding for the Region's Revitalization Program in conjunction with lower tier municipalities within Community Improvement Plans	\$9.5 million	Top up with \$5.0 million transfer from the former General Levy Stabilization Reserve Fund to acknowledge projected increased usage due to significant priority around redevelopment.
Durham Region Forest		Funding to assist in the management of the Regional Forest	\$0.1 million	Top up with \$1.0 million from Foreign Exchange Reserve Fund due to projected depletion of this fund. Supports climate change mitigation efforts.
Police Capital Reserve Fund	Capital	For future Police capital costs	-	Recommend fund be repealed as funds were depleted during 2019 budget process. Police requirements addressed through other financing mechanisms.

<b>Existing Reserves</b>	<b>Capital or Operating</b>	<b>Purpose</b>	<b>Uncommitted Balance as of June 30, 2019</b>	<b>Comments and / or Recommendations</b>
Employee Benefits	Operating	To fund employment related contract commitments with respect to current extended health benefits	\$21.2 million	Recommend additional usage to fund the post year end payment for 50% of the unused incidental sick hours for the employees and employee groups covered by the Short Term Income Protection Program
Regional Roads Reserve	Capital	To provide sustainable property tax funding for the property tax portion of growth-related projects	\$46.2 million	Top up with \$0.4 million from the Highway #2 Reserve Fund to support future BRT costs.

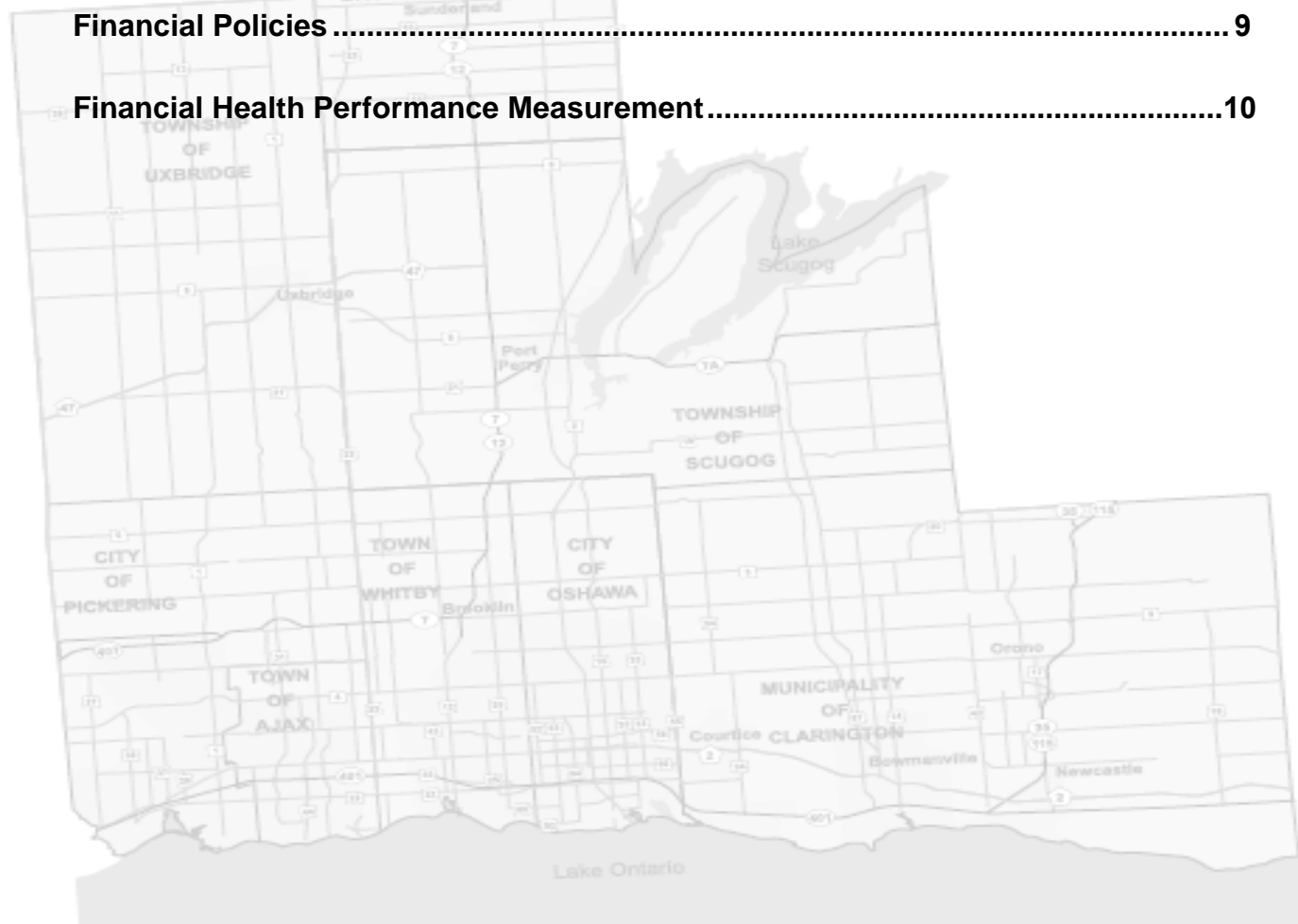
# Long-Term Financial Planning Framework



**Region of Durham Finance Department**  
**October 2019**

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# Message from the Commissioner of Finance



From public transit, to childcare, to clean drinking water, the Region of Durham provides a number of essential services that our community members rely on every day. We pride ourselves on meeting the needs of taxpayers and delivering these services through leadership, innovation and co-operation. The Region of Durham is one of the fastest growing communities in the Greater Toronto Area, and as our community continues to grow, our service delivery needs grow with it.

The goal of our long-term financial plan is to ensure financial sustainability, flexibility, and affordability for our residents as we meet the service demands of our growing and diverse community. The plan provides a framework for balancing the current financing needs of our daily operations, with an eye towards the long-term financial health of the organization. The plan uses a combination of industry best practices to ensure long-term financial risks are identified early, and any long-term debt remains manageable and affordable.

The Region of Durham has always had a commitment to strong financial management. Our Triple A credit rating is a testament to our sound financial planning, policies, and strategies. Our long-term financial plan ensures our continued support for transparency, accountability, and equity in all financial decision making. This plan is meant as a roadmap for continuing our strong financial management now, and in the future.



Nancy Taylor, BBA, CPA, CA  
Commissioner of Finance



# Background

Durham Region is part of the Greater Toronto Area and is a fast-growing community. Durham's population is forecast to continue to grow to 1.2 million residents by 2041. The diversification of Durham's economy has been accelerated by the presence of a relatively young, educated and skilled labour force, advanced utilities, and extensive and integrated infrastructure. The Region supports the continued growth of 12,600 businesses that provide over 200,000 jobs in the Region.

Durham has long standing financial policies and principles and follows best practices, which have been recognized for long-term financial sustainability and a triple A credit rating.

Looking ahead, pressure to increase service levels for residents and businesses will continue as the Region grows. This supports an increased emphasis on service plans. There will also continue to be the need to invest in infrastructure and fund new emerging strategic priorities. It is also anticipated Durham will be facing a number of emerging challenges.

## Durham specific opportunities and challenges include:

-  Balancing investment in growth-related infrastructure with asset management needs;
-  Increasing service levels (with emphasis on service plans) to accommodate growth;
-  An expanding and increasingly diverse population with changing service needs;
-  New technology and innovation to modernize services, achieve efficiencies and enhance client experience;
-  Accelerate the pre-servicing of employment lands to attract new jobs to Durham;
-  Climate change mitigation and adaptation strategies for assets and service delivery;
-  Limited tools to raise or diversify revenues, taxpayer fatigue and affordability; and
-  Implications from senior government and international economics, policies and grants

The opportunities and challenges highlight the importance of the Region's long-term financial planning framework to support and advise business plans and budgets, five-year operational and 10-year capital forecasts.

# Vision and Outcomes

Durham's updated long-term Financial Planning Framework provides an integrated and co-ordinated focus on funding Regional Council's new priorities, accommodating growth, and investing in infrastructure and service levels, with stable taxes and user rates.

## Vision

Regional Council's strategic service delivery and infrastructure priorities are proactively addressed, with a commitment to financial sustainability, flexibility and affordability.

## Outcomes

- ❖ Ensures transparency and accountability;
- ❖ Consistent with best practice and regulatory requirements;
- ❖ Considers fiscal and economic challenges, uncertainties and opportunities;
- ❖ Supports sustainability by maintaining financial forecasting, risk assessments and business case approach;
- ❖ Provides financial tools and policies to safeguard long-term financial capacity, stability and flexibility to accommodate Council's strategic priorities;
- ❖ Supports business planning and budget decisions, by balancing expenditure and revenue needs with longer-term property tax and user rate payer affordability and stability;
- ❖ Provides assurance to external stakeholders (e.g. bond raters, investors and the public) that the Region is well managed; and
- ❖ Ensures ability to seize new opportunities as well as address future challenges.

# Guiding Core Financial Planning

Durham's long-term Financial Planning Framework is based on the following three core principles, and recognizes the reality of limited financial resources:

## Long-Term Financial Planning Principles

### Financial Flexibility

Addressing and adapting to changes (both in the internal and external environment), uncertainties and liabilities while avoiding an over-reliance on debt and other potentially negative impacts to multi-generational taxpayer and user rate affordability.

### Financial Sustainability

Ensuring the continued ability to fund Regional Council approved programs, priorities, service levels and infrastructure needs over the long term.

### Financial Affordability

Meeting the needs of a growing, diverse and evolving population and business community without undue burden on residential and non-residential property taxpayers and user rate payers.



# Long-Term Financial Planning Framework

Durham's long-term financial planning framework provides a corporate based integrated and co-ordinated approach, guided by the vision, objectives and the three core financial principles.

## Durham Region Financial Plan and Framework:

### Recommended Vision

Regional Council's strategic service delivery and infrastructure priorities are proactively addressed, with a commitment to financial sustainability, flexibility and affordability.

### Financial Planning Principles

Sustainability

Flexibility

Affordability

### Long-term Financial Goals / Objectives

Maintain & Enhance  
Service Levels &  
Infrastructure

Accommodate  
Growth

Fund Strategic  
Investments &  
Priorities

Stable Taxes &  
User Rates

### Recommended Approach

Approved  
Strategic  
Plans

Program  
Reviews /  
Performance  
Measurement

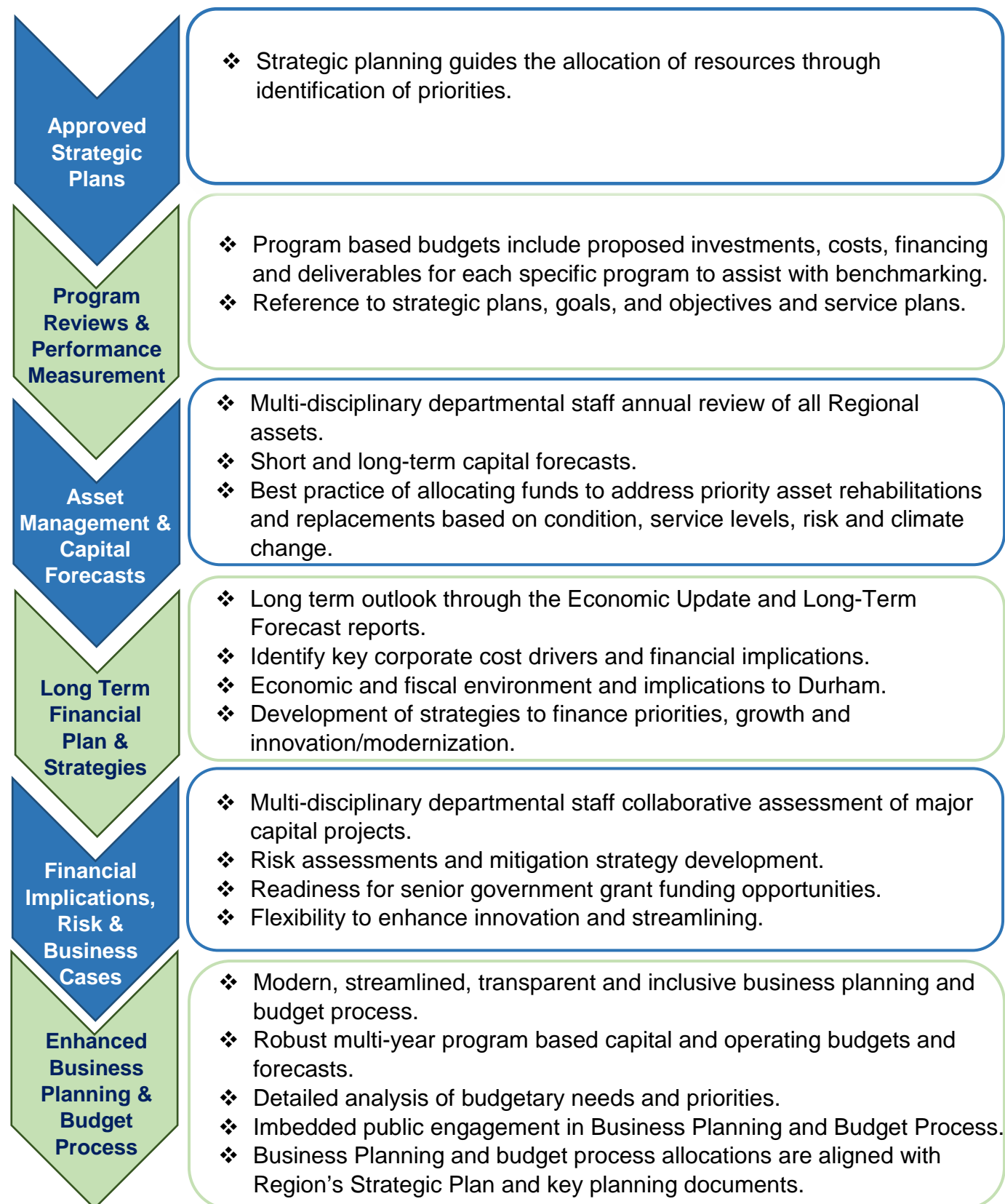
Asset  
Management &  
Capital  
Forecast

Long-term  
Financial Plans /  
Strategies

Financial  
Implications,  
Risk & Business  
Case

Enhanced  
Business  
Planning &  
Budget Process

# Long-Term Financial Planning Process






## Supporting Financial Policies and Reserve/Reserve Funds

The Region has many well-established supporting financial policies and by-laws that:

- ❖ Institutionalizes good financial management practices, promoting stability and continuity;
- ❖ Crystalizes strategic intent for financial management creating a shared understanding of how to manage resources to create the best value to the community;
- ❖ Defines boundaries for delegated powers and staff actions;
- ❖ Supports bond ratings and contributes to lower costs of borrowing;
- ❖ Promotes strategic thinking through a long-term perspective;
- ❖ Provides an important mitigation tool for risks to long-term financial condition; and,
- ❖ Complies with established best public management practices.

Supporting Financial Policy/By-law/Best Practice	Purpose
<b>Development Charge Background Study/By law &amp; Growth Pays for Growth</b>	Used to partially fund the net cost of growth-related capital from development.
<b>Debt Management</b>	Issuance of debentures for major capital projects.
<b>Pay As You Go Financing</b>	Use of accumulated funds for capital when feasible and appropriate, supplemented with debt if necessary.
<b>Grants Policy</b>	Provides parameters of Regional grant funding and governs the Regions grant funding authority.
<b>Budget Management Policy</b>	Accountability framework by establishing authority and reporting requirements for spending decisions.
<b>Purchasing By-Law</b>	Governs the acquisition of goods and services.
<b>Investment Policy</b>	Governs the Region's investment of funds.
<b>Full Cost Recovery User Rates (Water &amp; Sewer)</b>	Water and Sewer funded from user rates (no property tax) on a full cost recovery basis.
<b>Tangible Capital Assets Policy</b>	Defines capital assets and capitalization.
<b>Corporate Strategic Asset Management Policy</b>	Guides the Region's asset management process and informs business plans and budgets of capital repair, rehabilitation and replacement needs.
<b>Reserve and Reserve Funds</b>	Maintenance of adequate levels provides financial flexibility. Used for expenditures as appropriate where beneficial and feasible to do so. Recommended creation of five new reserve funds.

# Financial Health Performance Measurement Scorecard

Sustainability	Performance	Trend
Capital Reserves as a % Of 10 Year Capital Budget		
Average Corporate Asset Condition Rating		
Annual Assessment Growth		
Debt Servicing as a % of Annual Property Tax Revenues		

Flexibility	Performance	Trend
Net Debt to Net Revenue Ratio		
Cash and Investments as a % of Debt Target		
Annual % Debt Repayment Target		
Credit Rating (and Relative to Peers)		

Affordability	Performance	Trend
Property Tax Increase Relative to Inflation Factors		
User Rate Increase Relative to Inflation Factors		
External Funding as % of Revenues		
% of Non-Residential Property Tax Revenue (to Share of Total Property Tax Revenue)		

**Reserve and Reserve Fund Analysis:**

- 1.1 The Region has established a number of reserves and reserve funds with related policies to meet future financial commitments. The Reserves and Reserve Funds provide the Region with the financial flexibility to address planned and unplanned expenditures (operating and capital), mitigate significant increases in user rates and property taxes through one time investments, and minimize debenture financing requirements.
- 1.2 Maintaining adequate reserves is part of the Region's long-term financial planning strategy and complements the Region's pay-as-you-go financing philosophy. The practice is recognized as sound business practice by the financial community including the bond raters.
- 1.3 The following tables provide a list of the reserve and reserve funds and their purpose within the following three broad categories:
  - a. **Obligatory Reserve Funds (Development Charges and Gas Tax Revenue)** – reserve funds that are required by legislation or agreement to be segregated from the Region's general revenues for a specific purpose. These funds are required to be classified in the financial statements as Deferred Revenue;
  - b. **Discretionary Reserve Funds** – reserve funds created at the discretion of Council where revenues are earmarked to finance future expenditures for purposes designated by Council; and
  - c. **Reserves** – an allocation of accumulated net revenues that makes no reference to a specific asset and does not require the physical segregation of money. They are established primarily for the purpose of providing working funds.
- 1.4 **Reserves and Reserve Funds Policy** – Debt issuance is balanced by Regional maintenance of adequate reserves and reserve funds. Recognizing their strategic importance, Regional funds provide for: contingency; property tax and user rate stabilization; the funding of long-term liabilities; working capital; support for growth infrastructure requirements (e.g. development charge revenues); and, the prudent up-front financing of major forecast capital expenditures.

Per Council direction (report 2019-F-6), the Commissioner of Finance and Treasurer and Financial Management Team, in conjunction with the Chief Administrative Officer undertook a 2019 review of each Reserve and Reserve Fund to confirm purpose and needs, including the following inquiries:

- a. Does the purpose for each fund still exist? If not, can individual funds be re-purposed to known critical Regional needs, Council priorities or other established reserve and/or reserve funds in known shortfall positions?
- b. Can inter-fund transfers across remaining funds address funds' excesses and shortfalls to better balance the totality of funds which continue to have a current or future purpose?

1.5 Goals in the assessment included ensuring accountability and transparency in the determination of a prudent and consistent set of policies and controls for each fund with the purpose of:

- Avoiding the undue depletion of any reserve or reserve fund beyond prudent levels;
- Avoiding excess accumulation of monies in funds over time;
- Ensuring financial strategies, including reserve and reserve fund financing, can be directly tied to regulatory requirements (e.g. development charges, asset management regulations and/or senior government grant, subsidy or gas tax funding requirements etc); approved asset management (life-cycle) plans; approved financial management policies and controls, other Council directives and/or financial best practices (e.g. the Government Finance Officers Association of North America or GFOA); and
- Formalizing financial policies where required, through Regional Council review and approval.

Annual long-term financial planning and strategy reviews occur in conjunction with annual asset management plan and business planning and budget processes recognizing that current-year decisions have multi-year or multi-generational implications.

### A. Obligatory Reserve Funds (Development Charges and Gas Tax Funding)

- i. Development Charges - Growth related capital works can be funded through the imposition of development charges on new development as permitted under the Development Charges Act (DCA) legislation. A development charge by-law must be passed by Regional Council in order to collect this revenue from new development, in accordance with DCA.

The following provides a summary of the Region's current development charge reserve funds:

DC Reserve Funds	Uncommitted Balance as of June 30, 2019	Capital or Operating	Purpose	Annual Contribution / Collection	By-law # / Policies <sup>(1)</sup>	Comments
Water Supply Residential and Non-residential DCs	\$114.5 million	Capital	To provide funding for future growth - related capital projects needed to support residential and non-residential development	Collection of development charges is based on the type and number of new residential units and square footage for non-residential development	No. 28-2018	As required by legislation, funds must be used for their specific purpose – growth related capital projects identified in the DC Background Study. Funds allocated to specific projects identified in annual budgets
Sewer Residential and Non-residential DCs	\$48.9 million	Capital			No. 28-2018	
Roads Residential and Non-residential DCs	\$32.3 million	Capital			No. 28-2018	
Transit Residential and Non-residential DCs	\$14.3 million	Capital			No. 81-2017	
Other - Police, Paramedic, Health & Social Services, Social Housing, Long Term Care, Go Transit and Studies	\$7.5 million	Capital	To provide funding for future growth - related capital projects needed to support residential development only	Collection of residential DCs only - based on the type and number of new residential units	No. 28-2018 and No. 86-2001	
<b>Total</b>	<b>\$217.5 million</b>					

**Note:** 1. Development Charge financing for the current year's capital program is based on the prior year's development charge reserve fund balance to ensure the Region only spends what is available, not speculating on what may be collected.

- ii. Provincial and Federal Gas Tax- The following two reserve funds relate to the funding received from the Provincial and Federal Gas Tax and restrictions are placed on the uses of these funds by the Federal and Provincial governments:

<b>Provincial and Federal Gas Tax Reserve Funds</b>	<b>Uncommitted Balance as of June 30, 2019</b>	<b>Capital or Operating</b>	<b>Purpose</b>	<b>Annual Estimated Contribution / Collection</b>	<b>By-law # / Policies</b>	<b>Comments</b>
Provincial Gas Tax	\$8.5 million	Capital and Operating	Provides sustainable funding to invest in public transit including capital and operating expenditures to promote increased ridership, replacement of vehicles and refurbishment costs. The Region has applied Provincial Gas Tax primarily to capital costs (i.e. mainly bus replacement program and Presto implementation) with occasional application to bus refurbishments	\$8.7 million	No. 05-2006, 16-2011 and 35-2006	Uncommitted balance will support the Investing in Canada Infrastructure Program (ICIP) – Region's share of capital projects under the ICIP (Durham share estimated at \$64 million)
Federal Gas Tax	-	Capital	Provides sustainable funding to invest in municipal infrastructure (renewal or enhancement) including solid waste, roads, bridges, transit and water and wastewater. Durham has applied this revenue source to solid waste management services (material recovery facility and energy from waste facility) and more recently to road rehabilitation	\$19.4 million plus 2019 one-time top up of \$19.4 million		Report under development with consultation from departments regarding usage of one-time top-up funds
<b>Total</b>	<b>\$8.5 million</b>					



**B. Discretionary Reserve Funds**

i. Rate Stabilization Reserve Funds- The Region has three separate rate stabilization reserve funds as follows:

<b>Rate Stabilization Reserve Funds</b>	<b>Uncommitted Balance as of June 30, 2019</b>	<b>Capital or Operating</b>	<b>Purpose</b>	<b>Annual Estimated Contribution / Collection</b>	<b>By-law # / Policies</b>	<b>Comments</b>
Water Supply Treatment Plant / Rate Stabilization Reserve Fund	\$96.1 million	Capital and Operating	To provide funding to stabilize water and sewer user rates by providing a contingency for unplanned circumstances (i.e. unplanned capital, revenue deficiencies etc) and potential cost share for future grant programs	- \$0.6 million budget contribution - annual budget surplus	No. 145-1990	Address user rate share (estimated at \$235 million) of major water and sewer capital projects including: 1. Whitby, Ajax and Bowmanville WSPs -\$75.0 million 2. Alternative WSP, Port Perry - \$10.0 million 3. Courtice Trunk Sanitary Sewer - \$16.0 million 4. Duffin Creek WPCP - nearly \$100 million (Durham Share) 5. Water / Sewer share of Depot Expansions - \$34.0 million Asset Management Needs: 6. Water - Assets considered in poor and very poor condition – \$324 million 7. Sanitary Sewer - Assets considered in poor and very poor condition - \$364 million
Sanitary Sewerage Treatment Plant / Rate Stabilization Reserve Fund	\$152.5 million	Capital and Operating	Provide contributions to the user rate share of major water and sanitary sewer capital projects (i.e. non-growth and non-residential DC shortfall) and asset management needs	- \$0.6 million budget contribution - annual budget surplus	No. 201-1990	

<b>Rate Stabilization Reserve Funds</b>	<b>Uncommitted Balance as of June 30, 2019</b>	<b>Capital or Operating</b>	<b>Purpose</b>	<b>- Annual Estimated Contribution / Collection</b>	<b>By-law # / Policies</b>	<b>Comments</b>
General Levy Stabilization Reserve Fund	\$234.7 million <sup>(1)</sup>	Capital and Operating	To provide funding to stabilize general property tax rates increases as a risk mitigation tool for budget shortfalls and potential cost share for future capital grant programs and to upfront finance large scale projects or phase-in significant operating program impacts	- budget contribution - annual budget surplus	No. 6-1996	Recommend \$30.0 million be transferred to establish four new reserve funds and top-up one existing reserve fund.  Remaining \$204.7 million to be divided into two reserve funds – Operating Impact Stabilization Reserve Fund (\$50 million) and Capital Impact Stabilization Reserve Fund (\$154.7 million)  10-year capital needs for large scale projects estimated at \$906 million (net of DC and other external funding) <ul style="list-style-type: none"> <li>• Police - \$179 million</li> <li>• Solid Waste - \$364 million</li> <li>• Transit - \$114 million</li> <li>• Paramedic - \$7.0 million</li> <li>• Health / Social Services - \$20.0 million</li> <li>• Depots - \$20 million</li> <li>• BRT - \$175 million</li> <li>• Headquarters - \$27 million</li> </ul>
<b>Total</b>	<b>\$483.3 M</b>					

Note:

1. The uncommitted balance in the June 30, 2019 Reserve Fund Statement provided an uncommitted balance of \$121.8 million as commitments were made against this reserve fund for major capital projects in the 10-year forecast. These projects have been added back to the uncommitted balance and revised potential commitments against this reserve fund are being provided.

- ii. Asset Management Reserve Funds- The Region has established three separate asset management reserve funds to address the priority capital needs related to water supply, sanitary sewerage and general purposes (i.e. Regional facilities excluding water and sanitary sewer services):

<b>Asset Management Reserve Funds</b>	<b>Uncommitted Balance as of June 30, 2019</b>	<b>Capital or Operating</b>	<b>Purpose</b>	<b>Annual Estimated Contribution / Collection</b>	<b>By-law # / Policies</b>	<b>Comments</b>
Water Asset Management Reserve Fund	\$12.2 million	Capital	For high priority capital initiatives related to repair, rehabilitation and replacement of existing water supply and sanitary sewer assets	\$5.2 million budget contribution	No. 13-2005	Needed to address future asset management needs: <ul style="list-style-type: none"> <li>• Water and sewer assets considered in poor and very poor condition (\$688 million)</li> <li>• Durham Region facilities considered in poor and very poor condition (\$155 million)</li> </ul>
Sewer Asset Management Reserve Fund	\$12.7 million	Capital		\$8.6 million budget contribution	No. 58-2005	
General Levy Asset Management Reserve Fund	\$23.0 million	Capital	For high priority capital initiatives related to repair, rehabilitation and replacement of existing assets (i.e. general purpose needs, such as facilities)	-	No. 84-2007	
<b>Total</b>	<b>\$47.9 million</b>					

- iii. Roads and Bridges Reserve Funds- The following provides a number of road related reserve funds to address the needs of the Regional road network:

<b>Roads and Bridges Reserve Funds</b>	<b>Uncommitted Balance as of June 30, 2019</b>	<b>Capital or Operating</b>	<b>Purpose</b>	<b>Annual Estimated Contribution / Collection</b>	<b>By-law # / Policies</b>	<b>Comments</b>
Roads Rehabilitation Reserve Fund	\$23.3 million	Capital	Provides sustainable funding to address the rehabilitation needs of the road network	\$26.1 million budget contribution	Report No. 2001-J-9	Funding needed to address future bridge and roads rehabilitation needs.
Bridge Rehabilitation Reserve Fund	\$9.2 million	Capital	Provides sustainable funding to address structures replacement and rehabilitation requirements	\$5.5 million budget contribution		Transportation assets considered in poor and very poor condition – exceeds \$900 million
Roads Property Acquisition	\$0.8 million	Land	For acquisition of property related to future road construction projects	-	No. 83-1980	
Highway #2	\$0.4 million	Capital and Operating	To provide funding for capital and maintenance purposes related to sections of Highway #2 assumed by Durham Region	-	No. 91-1995	Recommend fund be repealed and funds transferred to the Roads Reserve
<b>Total</b>	<b>\$33.7 million</b>					

iv. Region-share of Non-residential Development

<b>Region-share of Non-residential Development</b>	<b>Uncommitted Balance as of June 30, 2019</b>	<b>Capital or Operating</b>	<b>Purpose</b>	<b>Annual Contribution / Collection</b>	<b>By-law # / Policies</b>	<b>Comments</b>
Water Supply	\$3.9 million	Capital	Fund Regional share of capital costs of water supply and sanitary sewerage capital projects to service non-residential development	-	No. 181-1987	Recommend these two funds be repealed with funds transferred to the new Servicing of Employment lands and Key Locations Reserve Fund as the majority of those needs will relate to water and sewer non-residential requirements
Sanitary Sewer	\$5.0 million	Capital		-	No. 182-1987	
<b>Total</b>	<b>\$8.9 million</b>					

v. Other Capital Reserve Funds

<b>Capital Reserve Funds</b>	<b>Uncommitted Balance as of June 30, 2019</b>	<b>Capital or Operating</b>	<b>Purpose</b>	<b>Annual Estimated Contribution / Collection</b>	<b>By-law # / Policies</b>	<b>Comments</b>
Solid Waste Management	\$88.7 million	Capital and Operating	For future capital requirements such as Anaerobic Digestion. Fund annual deficits such as mitigating impact of significant decline in revenue from sale of recycling materials	- \$2.6 million budget contribution - annual budget surplus/deficit	No. 61-2000	Significant capital needs in the 10-year forecast: <ul style="list-style-type: none"> <li>• Potential EA for DYEC expansion (\$10.0 million)</li> <li>• Modifications to the waste management facilities - \$10.5 million</li> <li>• Share of new Seaton facility - \$3.5 million</li> <li>• AD facility - \$165 million</li> </ul>
Transit Capital	\$36.6 million	Capital	Funding for transit capital such as ICIP and BRT	- annual budget surplus/deficit	No. 2009-F-69	Investing in Canada Infrastructure Program (ICIP) – these funds are required to address the Region's share of capital projects under the ICIP (Durham share estimated at \$64 million)
Social Housing	\$28.8 million	Capital and Operating	For future expenditures related to DRLHC capital needs and social housing	- \$1.45 million budget contrib. - DRLHC budget surplus	No. 87-2001	23 locations with a replacement value of \$252 million. DRLHC generally in a deficit position
EMS	\$0.6 million	Capital	For future EMS capital costs	-	62-2000	Funding required for two new facilities - \$7.0 million
Police	-	Capital	For future Police capital costs	-	187-1997	Recommend fund be repealed. Police requirements addressed through other financing

<b>Capital Reserve Funds</b>	<b>Uncommitted Balance as of June 30, 2019</b>	<b>Capital or Operating</b>	<b>Purpose</b>	<b>Annual Estimated Contribution / Collection</b>	<b>By-law # / Policies</b>	<b>mechanisms</b> <b>Comments</b>
Seaton Capital	\$12.0 million	Capital	To provide funding for facilities required to support the Seaton community (e.g. police, transit, health and social services and depot)	Annual contribution based on increased property taxes received from Seaton properties	2014-J-19	Capital requirements for Seaton facilities (police, transit, paramedic, health and social services and depots) are in the 10-year capital forecast (estimated at \$87 million).
York Durham	\$2.7 million	Capital	For future capital costs related to the York Durham Sanitary Sewerage System in Pickering (shared infrastructure with York Region)	Budget contributions	No. 42-1989	
Regional Revitalization	\$9.5 million	Capital and Operating	Targeted regional funding for the Region's Revitalization Program in conjunction with lower tier municipalities within Community Improvement Plans	\$1.86 million Fund replenished from inc. property tax revenue received from increased assessment over five years from approved projects	2008-J-37	Recommend \$5.0 million top-up from General Levy Stabilization Reserve Fund to address anticipated increased usage related to redevelopment projects
<b>Total</b>	<b>\$178.9 million</b>					

vi. Other Discretionary Reserve Funds

<b>Discretionary Reserve Funds</b>	<b>Uncommitted Balance as of June 30, 2019</b>	<b>Capital or Operating</b>	<b>Purpose</b>	<b>Annual Estimated Contribution / Collection</b>	<b>By-law # / Policies</b>	<b>Comments</b>
Workers Compensation	\$24.8 million	Operating	Funds for use in financing excessive Workplace Safety Insurance claims	Annual budget contribution as a % of salary	No. 254-1988	
Insurance	\$64.9 million	Operating	Funds set aside for claims where the Region self-insures	Difference between actual annual premium and budget	No. 124-1986	
Land Conservation and Protection	-	Capital	Funds dedicated to Regional land purchase for land conservation and protection	Annual budget contribution	2004-F-86	
Durham Regional Forest	\$0.1 million	Operating/ Capital	Funding to assist in the management of the Regional Forest		97-W-68	Recommend to provide \$1.0 million top-up from Foreign Exchange Reserve Fund
Durham Regional Cancer Centre / Hospital	\$0.6 million	Capital/ Operating	Funding to support the community hospital capital programs as approved by Regional Council		No. 75-2002	Establish capital needs to support community investments in health care projects. Fund being renamed through Grant Policy Report
Oak Ridges Conservation Plan	-		Funds to assist in the financing of costs related to the Oak Ridges Moraine Conservation Act, 2001		2007-F-33	



Industrial Land	\$0.5 million	Capital	Funds to contribute to the cost of developing industrial lands		No. 183-1977	Recommend fund be repealed and funds transferred to the new Servicing of Employment Lands and Key Locations Reserve Fund
Foreign Exchange	\$4.8 million	Capital	Originally, funds to mitigate future exchange fluctuations related to debt issued in USD		No. 48-1980	Recommend fund be repealed and transfer \$3.8 million to the Economic Development Reserve Fund and \$1.0 million to the Regional Forest Reserve Fund
<b>Total</b>	<b>\$95.7 million</b>					

**C. Reserves**

<b>Reserves</b>	<b>Uncommitted Balance as of June 30, 2019</b>	<b>Capital or Operating</b>	<b>Purpose</b>	<b>Annual Estimated Contribution / Collection</b>	<b>By-law # / Policies</b>	<b>Comments</b>
Regional Roads	\$46.2 million	Capital	To provide sustainable property tax funding for the property tax portion of growth-related projects	\$12.6 million budget contribution	Report 98-F-68	Investing in Canada Infrastructure Program (ICIP) – a portion of these funds are required to address the Region's share of capital projects under the ICIP. Remaining funds needed to fund growth-related share of future road projects
Working capital	\$49.1 million	Capital	To reduce the need for temporary borrowing to finance normal day to day operations	Budget contribution		Ongoing construction cashflow requirements
Property Tax Appeals	\$30.3 million	Operating	To fund property tax appeal awards resulting from reassessment and appeals	Budget Contribution		
Equipment Replacement	\$10.4 million	Capital	To fund the replacement of major equipment and fleet	- Annual depreciation - Proceeds of equipment sales	No. 97-80	Funds required to address the replacement needs related to the Works Fleet vehicles – over 350 Works vehicles
Contingencies	\$0.4 million	Operating	To offset potential claims for water and sanitary sewer billing appeals		Report No. 76-141	

<b>Reserves</b>	<b>Uncommitted Balance as of June 30, 2019</b>	<b>Capital or Operating</b>	<b>Purpose</b>	<b>- Annual Estimated Contribution / Collection</b>	<b>By-law # / Policies</b>	<b>Comments</b>
Sick Leave	\$130.1 million	Operating	To fund employment related contract commitments with respect to sick leave and other post-employment benefits	<ul style="list-style-type: none"> <li>- Annual budget contribution</li> <li>- Savings on EI contributions</li> <li>- 0.5% of payroll costs</li> </ul>	No. 72-75	
Capital Project Commitments	\$240.8 million	Capital	To provide for costs of capital projects in the year budgeted but completed in future years		Report No. 76-141	10-year capital needs for large scale projects estimated at \$906 million (net of DC and other external funding) <ul style="list-style-type: none"> <li>• Police - \$179 million</li> <li>• Solid Waste - \$364 million</li> <li>• Transit - \$114 million</li> <li>• Paramedic - \$7.0 million</li> <li>• Health / Social Services - \$20.0 million</li> <li>• Depots - \$20 million</li> <li>• BRT - \$175 million</li> <li>• Headquarters - \$27 million</li> </ul>

<b>Reserves</b>	<b>Uncommitted Balance as of June 30, 2019</b>	<b>Capital or Operating</b>	<b>Purpose</b>	<b>Annual Estimated Contribution / Collection</b>	<b>By-law # / Policies</b>	<b>Comments</b>
Employee Benefits	\$21.2 million	Operating	To fund employment related contract commitments with respect to current extended health benefits	Budget Contributions	Report 04-A-67	Recommend additional usage to fund the post year end payment for 50% of the unused incidental sick hours for the employees and employee groups covered by the Short Term Income Protection Program
UOIT and Durham College	\$0.9 million	Operating	To fund contributions to post-secondary educational institutions		Reports 2004-F-45, 2008-F-76 & 2010-F-29	
<b>Total</b>	<b>\$529.4 million</b>					



# The Regional Municipality of Durham Report

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To: Finance and Administration Committee  
From: Commissioner of Finance  
Report: [#2019-F-34](#)  
Date: October 8, 2019

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**Subject:**

Durham Region Community Investment Grant Policy

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**Recommendation:**

That the Finance and Administration Committee recommend to Regional Council that the attached Durham Region Community Investment Grant Policy (Attachment #1) be approved, including the following key aspects:

- A) Community Investment Grants will be available for capital infrastructure investments in healthcare and post-secondary education institutions at the discretion of Regional Council and subject to approval during the annual Business Planning and Budget process;
- B) In addition, financial support will continue to be considered, on a case-by-case basis, for one-time special projects that are applicable or complimentary to Regional program areas (e.g. Economic Development, Innovation, Climate Change and Environment, Conservation Authorities, PARA/COMRA), support the strategic direction of the Region and provide a Region-wide benefit;
- C) All community investment requests must be submitted in writing to the Commissioner of Finance, and the business case will include the following components:

**Regional Community Investment Funding Business Case Components**

- Demonstrate alignment with Regional strategic priorities;
- Clearly defined desired project outcomes, including Region-wide benefits;
- Analysis of alternative options capable of generating desired outcomes;
- Sound technical, economic, financial, and cost-benefit assumptions;
- Detailed review of available financing and long-term financial implications;
- and,
- Assessment of potential risks;

- D) Institutions that receive funding approval will be required to enter into a funding agreement with the Region which will outline terms and conditions, including:
- Funds will be distributed upon completion of key project milestones;
  - The requirement for annual reports detailing project completion status and progression toward key milestones; and,
  - The form of recognition of the financial support from the Region of Durham;
- E) Regional investment grants to post-secondary education and healthcare institutions will also need to conform to the following funding formulas:

#### **Healthcare Institution Funding Formula**

- The need for Provincial project approval;
- The commitment of at least 70 per cent Provincial funding of total project costs at the time of request. This relates to all capital projects, excluding capital equipment;
- The proposed financing must include donations raised from the community;
- Region's contribution representing 25 per cent of the community component or a maximum of 7.5 per cent of the total project cost;
- Funds will only be provided for long-term capital assets; and
- Must provide proof of project benefits to residents of the entire Region.

#### **Post-Secondary Education Institution Funding Formula**

- The need for Provincial project approval;
  - The proposed financing must include donations raised from the community;
  - Region's contribution representing a maximum of 7.5 per cent of the total project cost;
  - Funds will only be provided for long-term capital assets; and
  - Must provide proof of project benefits to residents of the entire Region.; and,
- F) The Durham Region Cancer Centre/Hospital Reserve Fund be renamed the Durham Region Healthcare Institution Reserve Fund and the Regional Solicitor be instructed to undertake the necessary actions.

**Report:****1. Purpose****1.1** The purpose of this report is to:

- a. Respond to the questions raised during the February 12, 2019 Finance and Administration Committee meeting regarding the conditions to be met for the funding of healthcare and post-secondary institutions;
- b. Seek Regional Council approval for a Durham Region Community Investment Grant Policy which ensures transparency, accountability, and equity; and,
- c. Reaffirm that one-time special projects that are applicable to specific Regional program areas (e.g. Economic Development, Innovation, Climate Change and Environment, etc.) and align with Regional strategic priorities and service plans (e.g. Conservation Authorities, PARA/COMRA, etc.) will continue to be considered for financial support through the established Business Planning and Budget process.

**2. Background****2.1** The Region of Durham has a long standing No Grants Policy, which was established through the following Council resolution in 1977:

“THAT all organizations receiving or requesting grants from the Region in 1977 be informed that no grants will be available in 1978 and subsequent years, except statutory grants.”

**2.2** Since the initial passage of the resolution, several community agencies have approached the Region in search of grant funding. Although the No Grants Policy has largely been upheld, there have been cases where large ad-hoc funding requests for healthcare and post-secondary education institutions have been approved by Council, subject to specific requirements.**2.3** One-time special projects related to specific Regional program areas, such as Economic Development, PARA/COMRA, and Conservation Authorities, have also been funded through the Regional Business Planning and Budget process.**2.4** All financial contributions provided by Regional Council have supported large scale community projects, with Region-wide benefits, and have been aligned with Regional strategic priorities.**2.5** This report proposes the formation of the Community Investment Grant Policy and related process to ensure transparency and consistency in approach.

### **3. Current Funding Model for Healthcare Institutions**

- 3.1 In Durham Region, the Lakeridge Health Corporation receives 80 per cent of its operational funding from the Provincial Government, with the remaining 20 per cent coming from various other sources (hospital parking fees, donations, etc.).
- 3.2 Capital costs for healthcare institutions are treated differently than operational costs. Although some capital costs are completely funded by the province, such as eligible radiation equipment for regional cancer centres, most capital costs are subject to a provincial cost sharing policy.
- 3.3 The two main components of the provincial cost sharing policy are as follows:
  - The province will provide 90 per cent funding for eligible construction/capital costs; hospitals will be responsible for the remaining 10 per cent; and,
  - Hospitals are responsible for all other costs associated with new furnishings and equipment, as well as replacement of equipment.
- 3.4 Ineligible costs include costs associated with revenue generating activities (parking structures, gift shops, etc.), as well as retail research and associated costs (escalation, grossing factor, site development, etc).
- 3.5 The majority of unfunded capital costs are normally provided by the hospital charitable foundation and other various community donations.

### **4. Regional Grants to Healthcare Institutions**

- 4.1 The first healthcare funding request to receive Regional Council approval came on June 12, 2002. Representatives from the “Heroes of Hope” campaign requested \$7.5 million towards the new Regional Cancer Centre at the Lakeridge Health Oshawa facility, with a total project cost of \$94.6 million.
- 4.2 This funding request came after the Province of Ontario committed to providing 70% of the total project funding, leaving approximately \$30 million (30 per cent) to be raised by the community. A total of \$15 million had already been raised by the community, leaving another \$15 million still outstanding. Regional Council ultimately approved the request for \$7.5 million and agreed to distribute the funds over three years. This approval represented a funding contribution of 25 percent of the \$30 million community component, or roughly 7.5 per cent of total project costs.
- 4.3 The approval of funding for the Durham Cancer Centre effectively established a precedent for a set of guidelines or conditions upon which future requests for hospital funding would be considered. These general guidelines, which are still in place today, include:
  - a. The need for Provincial project approval;
  - b. The commitment of at least 70 per cent Provincial funding;
  - c. The necessity of financing including donations raised from the community;



- d. Region's contribution representing 25 per cent of the community component or 7.5 per cent of the total cost; and,
  - e. Proof of project benefits to residents of the entire Region.
- 4.4 In order to fund the Durham Cancer Centre request, Regional Council approved the transfer of \$7.5 million from an uncommitted balance of \$27.5 million in the General Levy Rate Stabilization Reserve Fund, to a Special Reserve set up for the Durham Cancer Centre, which could be paid out as required.
- 4.5 Since this initial funding commitment, Regional Council has approved funding to a number of healthcare institutions for various projects. Table 1 provides a list of all Council approved healthcare institution funding requests, along with the actual amount of funds paid out to date.

**Table 1: Funding Contributions to Healthcare Institutions**

Healthcare Institution	Approved Funding (\$)	Payments (\$)
Durham Cancer Centre	7,500,000	7,500,000
Rouge Valley - Ajax	3,500,000	3,500,000
Lakeridge Health - Port Perry	250,000	250,000
Lakeridge Health - Bowmanville	750,000	
Lakeridge Health - Oshawa	10,500,000	9,276,225
Rouge Valley Ajax/Pickering	1,500,000	1,500,000
Brock Community Health Centre	225,000	
Clarington Hospice	265,650	
Port Perry Hospice	350,000	
Whitby Hospice	569,250	
Special Contributions - Hospital Funding	<u>18,430,100</u>	
<b>Totals</b>	<b><u>43,840,000</u></b>	<b><u>22,026,225</u></b>

- 4.6 In order to address future funding requests, a "Special Contributions" line item for hospital funding has been included in the Regional Business Plans and Budgets since 2014. These contributions have represented approximately \$3.5 - \$4.5 million per year (or 0.4-0.6% of the annual levy).
- 4.7 In 2018, the funding amounts for the Brock Community Health Centre and the three hospice facilities (Clarington, Port Perry, Whitby) were drawn from the 2018 Special Contributions.
- 4.8 In 2019, funding commitments to Trent University Durham (\$474,000) and the Spark Centre (\$325,000) were included in the \$4.11 million 2019 Special Contributions for hospitals leaving a remaining balance in the Hospital Reserve Fund of approximately \$19.8 million.

## **5. Current Funding Model for Post-Secondary Education Institutions**

- 5.1 The two main sources of revenue for post-secondary education institutions are tuition fees and operating grants provided by the Province of Ontario.
- 5.2 In 2018, provincial government grants accounted for approximately 39 per cent of total revenue for Durham College, and approximately 34 per cent for Ontario Tech University (University of Ontario Institute of Technology). Tuition fees accounted for roughly 34 per cent of revenue for Durham College and 37 per cent for Ontario Tech. These two revenue sources accounted for 73 per cent of Durham College total revenue, and 71 per cent of Ontario Tech total revenue.
- 5.3 These two main funding sources are expected to experience challenges in the coming years. In terms of provincial grants, the 2019 Ontario Budget proposed to tie a significant portion of grant funds to institutional performance outcomes. Currently, 1.4 per cent of funding is linked to performance outcomes for universities, and 1.2 per cent is linked for colleges. The proposed changes will increase the performance outcome linkage to 60 per cent of funding. The criteria to evaluate post-secondary performance has not been released, so budgetary impacts are currently unknown.
- 5.4 The provincial budget also announced a 10 per cent across the board reduction in tuition fees for all post-secondary institutions in Ontario, along with a proposed decrease in post-secondary spending from \$12.1 billion to \$11.7 billion over four years.
- 5.5 As opposed to healthcare institutions, the provincial government does not have a specific cost share policy for post-secondary education infrastructure projects. Post-secondary education institutions must rely on donor support, government grant applications and other ad-hoc funding contributions.

## **6. Regional Grants to Post-Secondary Education Institutions**

- 6.1 Regional funding to post-secondary institutions began with the establishment of the Durham University Centre Reserve Fund, which was approved in the 1997 Regional Current and Capital Budgets. An annual allocation of \$350,000 was set aside between 1997 and 2001, generating a financial commitment of \$1.8 million. These funds were meant to help fund the expansion of Durham College to accommodate a future university.
- 6.2 In 2003, a \$10 million request for Regional funding to support capital expansion plans came from UOIT. This request came after the provincial government announced a \$60 million contribution towards initial start-up costs, and an \$8 million commitment from the City of Oshawa as part of its partnership agreement.
- 6.3 The \$10 million request was eventually approved by Council, with approximately \$3.84 million provided in the form of in-kind contributions and the remaining \$6.16 million provided as a financial contribution. The in-kind contributions consisted of water and sewer servicing infrastructure as well as Regional road works.

- 6.4 Additional Regional funding has been provided for capital infrastructure projects at Durham College and Trent University Durham. In 2010, Durham College received \$5 million towards the Whitby campus refurbishment and expansion project, while, in 2019, Trent University Durham received approval for \$1.42 million towards the Trent University Durham campus expansion. The total amount of grants approved for post- secondary education institutions are listed in Table 3.

**Table 3: Approved Grants to Post-Secondary Education Institutions**

Post-Secondary Institution	Contribution	Total Amount (\$)
Durham College	Financial	1,800,000
Ontario Tech University	Work-in-Kind	3,840,000
Ontario Tech University	Financial	6,160,000
Durham College	Financial	5,000,000
Trent University Durham	Financial	<u>1,420,000</u>
<b>Total</b>		<b><u>18,220,000</u></b>

## **7. Durham Region Community Investment Grant Policy – General Guidelines**

- 7.1 The Durham Region Community Investment Grant Policy is included as Attachment 1 to this report. The policy clarifies that the Region will continue to consider investment grant funding for capital infrastructure projects related to healthcare and post-secondary education institutions. It also clarifies that one-time special projects related or complimentary to Regional programs will continue to be supported, on a case-by-case basis, through the established Business Planning and Budget process.
- 7.2 The attached policy outlines a number of requirements that need to be met in order for post-secondary education institutions, healthcare institutions, and one-time special projects to receive funding. The following provides a summary of the requirements:
- Regional Community Investment Grants will be continued to be available for capital infrastructure investments.
  - The Region will continue to consider financial support, on a case-by-case basis, for one-time special projects, applicable to specific program areas (e.g. Economic Development, Innovation, Climate Change and Environment), as part of the established Business Planning and Budgets process. This support will also extend to complimentary services, such as those provided by Conservation Authorities and PARA/COMRA. These types of requests and their supporting business cases will be reviewed by the applicable Regional program area as they are uniquely positioned to ensure the project both corresponds to the Region's strategic mandate and compliments the Region's service and infrastructure programming. Program areas are also best

positioned to assess desired project outcomes, which will be a key measure of project success.

- c. All community investment requests must be submitted in writing to the Commissioner of Finance, with a business case. The business case evaluation will involve Finance Department and Legal Services expertise as appropriate and will include the following components:

**Regional Community Investment Funding Business Case Components**

- Demonstrate alignment with Regional strategic priorities;
  - Clearly defined desired project outcomes, including Region-wide benefits;
  - Analysis of alternative options capable of generating desired outcomes;
  - Sound technical, economic, financial, and cost-benefit assumptions;
  - Detailed review of available financing and long-term financial implications; and,
  - Assessment of potential risks.
- d. Investment grants to post-secondary education and healthcare institutions will also need to conform to the following funding formulas:

**Healthcare Institution Funding Formula**

- The need for Provincial project approval;
- The commitment of at least 70 per cent Provincial funding of total project costs at the time of request. This relates to all capital projects, excluding capital equipment;
- The proposed financing must include donations raised from the community;
- Region's contribution representing 25 per cent of the community component or a maximum of 7.5 per cent of the total project cost;
- Funds will only be provided for long-term capital assets;
- Must provide proof of project benefits to residents of the entire Region; and,
- Approval of funding subject to a Regional Community Investment Funding Business Case.

**Post-Secondary Education Institution Funding Formula**

- The need for Provincial project approval;
  - The proposed financing must include donations raised from the community;
  - Region's contribution representing a maximum of 7.5 per cent of the total project cost;
  - Funds will only be provided for long-term capital assets;
  - Must provide proof of project benefits to residents of the entire Region; and,
  - Approval of funding subject to a Regional Community Investment Funding Business Case.
- e. Organizations that receive funding approval will be required to enter into a funding agreement with the Region. The agreement will outline terms and conditions, including:

- Recognition of financial support from the Region of Durham;
  - Funds will be distributed upon completion of key project milestones; and
  - The requirement to submit annual reports detailing project completion status and progression toward key milestones.
- f. All funding requests will be granted at the discretion of Council and will be subject to approval during the annual Business Planning and Budget process

## **8. Durham Region Community Investment Grant Policy Funding Formula**

- 8.1 The attached policy outlines specific funding formulas for post-secondary education and healthcare institutions. The guidelines in the funding formulas must be met in order for an institution to be considered for Regional funding.
- 8.2 The funding formula for healthcare institutions builds on the existing formula by adding the additional guideline that a Regional contribution will only be provided for large, long-term capital assets (such as building construction and capital equipment).
- 8.3 As indicated in this report, the provincial government relies on communities to fund 10 per cent of eligible capital construction costs, and 100 per cent of capital equipment costs. The provincial government will not allow these projects to go to procurement without financial support from the community.
- 8.4 Currently, there is no funding formula for investments in post-secondary education institutions. The attached policy uses a modified version of the healthcare funding formula as a basis for post-secondary funding. The rationale being that the average Regional contribution, across all disbursements to date is approximately the 7.5 per cent of total project cost guideline included in the healthcare funding formula (Table 4).

**Table 4: Regional Post-Secondary Funding as a Percent of Total Project Costs**

Who	Project	Year	Total Project Cost (\$millions)	Total Regional Funding (\$millions)	Region Percent of Total
Durham College	Campus Expansion	1997	48.00	1.80	3.75%
Ontario Tech	Capital Expansions - In-Kind Services (Water/Sewer/roads)	2004	60.00	3.84	6.40%
Ontario Tech	Capital Expansions	2004	60.00	6.16	10.27%
Durham College	Capital Expansions	2010	36.00	5.00	13.89%
Trent University Durham	Expansion of Durham Campus	2019	35.60	1.42	3.99%
<b>Average</b>					<b><u>7.66%</u></b>

## 9. Summary

- 9.1 The current Regional Grants Policy was approved by Council in 1977. This report provides an updated policy document that clarifies Regional grants will be available for investments in healthcare and post-secondary institutions. The attached Durham Region Community Investment Grant Policy outlines the requirements that need to be met in order for these institutions to be eligible for funding.
- 9.2 The report also clarifies that one-time special projects, applicable or complimentary to specific program areas (e.g. Economic Development, Innovation, Climate Change and Environment, Conservation Authorities, PARA/COMRA, etc.), will continue to be supported, on a case-by-case basis, through the established Business Planning and Budgets process.

**10. Attachments**

Attachment #1: Durham Region Community Investment Grant Policy

Respectfully submitted,

Original Signed by Nancy Taylor

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Nancy Taylor, BBA, CPA, CA  
Commissioner of Finance

Recommended for Presentation to Committee

Original Signed by Elaine C. Baxter-Trahair

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Elaine C. Baxter-Trahair  
Chief Administrative Officer

## **Durham Region Community Investment Grant Policy**

### **1. Objective**

This policy will update the 1977 Regional Council No-Grants Policy. This policy will apply to capital infrastructure investments in local healthcare and post-secondary education institutions and will assist with community fundraising requirements.

Additionally, this policy clarifies that one-time special project requests brought forward by specific Regional program areas will continue to be supported, on a case-by-case basis, through the established Business Planning and Budget process.

### **2. Funding Request Process**

In order for a capital infrastructure project to be considered for funding, the organization must provide a written request to the Commissioner of Finance. The request must be submitted prior to September of the forthcoming year in order to be considered through the annual Business Planning and Budgets process.

The written request must confirm that the conditions of funding have been sufficiently met. The request must also provide a description of the capital project, a business case (as outlined below) and an estimated completion date.

All funding applications are subject to Council approval and the availability of funds. Although a request may meet all the necessary criteria in the funding formula, it does not guarantee a request will be granted.

### **3. Regional Community Investment Funding Business Case**

All requests for healthcare or post-secondary education capital infrastructure grants as well as all requests for one-time special project community investments, related or complimentary to Regional programs, will be evaluated by program area staff using a business case approach involving Finance Department and Legal Services expertise as appropriate. These projects will be considered on a case-by-case basis. Funding will be at the discretion of Regional Council and will be subject to the annual Business Planning and Budgets process.



The business case will include the following components:

### **Regional Community Investment Funding Business Case Components**

- Demonstrate alignment with Regional strategic priorities;
- Clearly defined desired project outcomes, including Region-wide benefits;
- Analysis of alternative options capable of generating desired outcomes;
- Sound technical, economic, financial, and cost-benefit assumptions;
- Detailed review of available financing and long-term financial implications; and,
- Assessment of potential risks.

## **4. Funding Agreement**

Upon Council approval of funding, the organization will be required to enter into a funding agreement with the Region. The funding agreement will outline the terms and conditions of payment, and will include the following information:

- Total amount of funding to be provided
- Milestones to be achieved
- Amount and timing of payment after milestone completion
- Details of annual project reporting
- Conditions under which payment will be withheld or cancelled
- Details on recognition of funding from the Region of Durham

Funding will be provided at the discretion of Regional Council and will be subject to the annual Business Planning and Budget Process.

Funds will be distributed to institutions based on the completion of project milestones. The milestones and payment arrangements will be agreed upon and included in the funding agreement.

Organizations that receive funding will be required to report back with project status updates. These reports will be completed annually with dates set out in the funding agreement. The report will provide an overview of the project to date, including progress towards key milestones and an update on project completion status.

All organizations receiving funding will be required to provide recognition of financial support from the Region of Durham. The details will be determined through the applicable funding agreement.

## **5. Funding Formula for Regional Community Investment Grants**

In addition to the above, all healthcare and post-secondary institutions will be required to conform to specific funding formulas.

## 5.1 Funding Formula for Healthcare Institutions

The following conditions must be met in order for healthcare institutions to receive capital project funding from the Region of Durham:

- The need for Provincial project approval;
- The commitment of at least 70 per cent Provincial funding of total project costs at the time of request. This relates to all capital projects, excluding capital equipment;
- The proposed financing must include donations raised from the community;
- Region's contribution representing 25 per cent of the community component or a maximum of 7.5 per cent of the total project cost;
- Funds will only be provided for long-term capital assets;
- Must provide proof of project benefits to residents of the entire Region; and,
- Approval of funding subject to a Regional Community Investment Funding Business Case.

The need for a provincial funding commitment stems from the provincial cost share policy. This condition is waived for capital equipment financing requests as the provincial government is not obligated to provide any funding assistance for these projects.

Funding will only be provided for new projects that have not reached completion. Funds will not be provided on a retroactive basis for completed projects.

## 5.2 Funding Formula for Post-Secondary Education Institutions

The following conditions must be met in order for post-secondary institutions to receive capital project funding from the Region of Durham:

- The need for Provincial project approval;
- The proposed financing must include donations raised from the community;
- Region's contribution representing a maximum of 7.5 percent of the total project cost;
- Funds will only be provided for long-term capital assets;
- Must provide proof of project benefits to residents of the entire Region; and,
- Approval of funding subject to a Regional Community Investment Funding Business Case.

There is no requirement for a minimum financial commitment from the provincial government for post-secondary institution project funding. The provincial government is not obligated to provide any funding for post-secondary infrastructure projects.

Funding will only be provided for new projects that have not reached completion. Funds will not be provided on a retroactive basis for completed projects.



# The Regional Municipality of Durham Report

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To: Finance and Administration Committee  
From: Commissioner of Finance  
Report: [#2019-F-35](#)  
Date: October 8, 2019

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## **Subject:**

Request for Deferral of Regional Development Charges for the Regional Council approved Regional Revitalization Project regarding the Development of Vacant Lands located at 80 Bond Street East in the City of Oshawa

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## **Recommendation:**

That the Finance and Administration Committee recommends to Regional Council:

- A) That the Regional Revitalization Agreement with the City of Oshawa be amended to allow for the deferral of Regional development charges from time of full building permit issuance to occupancy permit issuance (by floor) for the Council-approved Project of 80 Bond Street East in the City of Oshawa with the City of Oshawa to collect Regional Development Charges prior to issuance of occupancy permits;
  - B) That the Region enter into an agreement with Bond and Mary Development (Phase 2) Inc. (BMDI) for the deferral of Regional development charges normally due at time of full building permit issuance to occupancy permit issuance (by floor) for the Council-approved Revitalization Project of 80 Bond Street East in the City of Oshawa, with the agreement containing such terms and conditions as are necessary to reasonably assure the Region of full payment of applicable Regional development charges by time of occupancy permit issuance (by floor) for the proposed project; and
  - C) That the Commissioner of Finance be authorized to negotiate and execute the amending agreement with the City of Oshawa and a deferral agreement with BMDI in a form approved by Corporate Services – Legal Services.
- 

## **Report:**

### **1. Purpose**

- 1.1 The purpose of this report is to consider a request for deferral of Regional Development Charges for the Regional Council approved Project under the Regional

Revitalization Program regarding the Development of Vacant Lands located at 80 Bond Street East in the City of Oshawa.

## **2. Background**

- 2.1 On September 12, 2018, Regional Council approved Regional financial assistance in the amount of \$580,000 for the application submitted by the City of Oshawa, on behalf of Bond and Mary Development (Phase 2) Inc. (BMDI), requesting Regional financial assistance under the RRP (Report #2018-COW-172). The City of Oshawa supported a request by BMDI for financial incentives in the form of reduced property taxes over a period of 16 years estimated at \$3.4 million.
- 2.2 BMDI is developing an 18-storey high-rise purpose-built rental building (with condominium title), containing 370 residential apartment units and approximately 5,000 square feet of ground floor commercial uses at 80 Bond Street East in downtown Oshawa. The site occupies 0.98 acres of vacant land (formerly occupied by General Motors of Canada). The site was contaminated but was cleaned to the residential standard by the City of Oshawa for which a Record of Site Condition was obtained.
- 2.3 The proposed development is the second phase of the adjacent 100 Bond Street purpose-built rental mixed-use development (also undertaken by BMDI). Phase 1 of the development (100 Bond Street East) received Regional financial assistance in the amount of \$430,000 through the RRP (refer to Report #2015-J-10). The site is in the Downtown Oshawa Urban Growth Centre and is within proximity to the Tribute Communities Centre, the YMCA, the UOIT downtown campus and the Durham Consolidated Courthouse
- 2.4 According to BMDI's proposal, the total construction budget for Phase 2 of the project is approximately \$80 million.
- 2.5 Subsequent to Report #2018-COW-172, BMDI has encountered higher than anticipated costs to remediate the existing site, which has experienced a reoccurrence of contamination. The developer has requested deferral of Regional Development Charges for its project to stabilize its cash flow to deal with these extraordinary costs.

## **3. Financial Implications**

- 3.1 Pursuant to section 27 of the *Development Charges Act, 1997*, a municipality can enter into a deferral agreement for development charges:

27 (1) A municipality may enter into an agreement with a person who is required to pay a development charge providing for all or any part of a development charge to be paid before or after it would otherwise be payable.

27 (2) The total amount of a development charge payable under an agreement under this section is the amount of the development charge that would be determined under the by-law on the day specified in the agreement or, if no

such day is specified, at the earlier of,

- (a) the time the development charge or any part of it is payable under the agreement;
- (b) the time the development charge would have been payable in the absence of the agreement.

27(3) An agreement under this section may allow the municipality to charge interest, at a rate stipulated in the agreement, on that part of the development charge paid after it would otherwise be payable.

3.2 Further, pursuant to section 20(5) of the Regional Development Charges By-law #28-2018, Regional Council may enter into deferral agreements pursuant to *Development Charges Act, 1997*:

“ . . . Council may from time to time, and at any time, may enter into agreements in accordance with section 27 of the Act which provide for all or any part of a development charge to be paid before or after it would otherwise be payable.”

3.3 Section 20(6) of the Regional Development Charges By-law #28-2018 provides for development charge deferrals for housing services use (i.e. rental housing provided by Durham Region Local Housing Corporation or by a non-profit housing provider), at the discretion of the Commissioner of Finance, for up to eighteen months from the date of the first building permit issuance.

3.4 While this project does not qualify under “Housing Services” in section 20(6) of the By-law, it is clearly the intent of Bill 108 to provide deferrals for purpose-built rental housing. Bill 108, More Homes, More Choices Act, 2019 received Royal Assent on June 6, 2019 and includes amendments to the Development Charges Act, 1997. These amendments include deferring development charge payment for purpose built rental housing to occupancy with the payments to be made over five years. These changes are not yet in force and the timing of implementation is unknown.

3.5 This project also satisfies Goal 3: Greater Housing Choice - diversify housing options by type, size and tenure, under At Home in Durham, Durham Housing Plan 2014 – 2024.

3.6 BMDI has requested deferral of payment of Regional DCs from building permit issuance to occupancy permit issuance (by floor) for the mixed-use development at 80 Bond Street East. The implications of enacting this request include the estimated carrying costs of Regional DCs over an extended period until occupancy (by floor). In recognition of Regional Council’s support of this large-scale revitalization project to provide purpose-built rental housing in Downtown Oshawa, the deferral also recognizes the extraordinary costs to remediate the existing site and will assist the proposed project by stabilizing the proponent’s cash flow during the construction phase.

#### **4. Conclusion**

- 4.1 It is recommended that the Regional Revitalization Agreement with the City of Oshawa be amended to allow for the deferral of Regional development charges from time of full building permit issuance to occupancy permit issuance (by floor) for the Council-approved Project of 80 Bond Street East in the City of Oshawa with the City of Oshawa to collect Regional Development Charges prior to issuance of occupancy permits.
- 4.2 In addition, it is recommended that the Region enter into an agreement with Bond and Mary Development (Phase 2) Inc. (BMDI) for the deferral of Regional development charges normally due at time of full building permit issuance to occupancy permit issuance (by floor) for the Council-approved Revitalization Project of 80 Bond Street East in the City of Oshawa, with the agreement containing such terms and conditions as are necessary to reasonably assure the Region of full payment of applicable Regional development charges by time of occupancy permit issuance (by floor) for the proposed project.
- 4.3 Finally, it is recommended that the Commissioner of Finance be authorized to negotiate and execute the amending agreement with the City of Oshawa and a deferral agreement with BMDI in a form approved by Corporate Services – Legal Services.
- 4.4 This report has been prepared with assistance from the Corporate Services – Legal Services Division and the Works Department.

Respectfully submitted,

Original signed by Nancy Taylor

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Nancy Taylor, BBA, CPA, CA  
Commissioner of Finance

Recommended for Presentation to Committee

Original signed by Elaine C. Baxter-Trahair

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Elaine C. Baxter-Trahair  
Chief Administrative Officer



# The Regional Municipality of Durham Report

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To: Finance and Administration Committee  
 From: Commissioner of Finance  
 Report: #2019-F-36  
 Date: October 8, 2019

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## Subject:

The Issuance of Debentures on Behalf of the City of Pickering, the Town of Ajax, and the Township of Uxbridge

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## Recommendations:

The Finance and Administration Committee recommends to Regional Council:

- A) That the Commissioner of Finance be authorized to issue external debentures, in a total principal amount not to exceed \$17,291,000 on behalf of the City of Pickering, the Town of Ajax and the Township of Uxbridge over various terms, as set out below, with such terms not to exceed 20 years and at an average net yield not to exceed 5.00 per cent relating to the financing requirements as indicated below:

	<u>Amount</u> (Not to Exceed)	<u>Term</u> (Not to Exceed)
<b><u>City of Pickering</u></b>		
Supply and Delivery of Road Grader with Attachments	\$369,000	5 Years
Westney Road – Road Reconstruction	1,496,000	10 Years
Salem Road – Road Reconstruction	700,000	10 Years
Brock Ridge Community Park and S.M. Woodsmere Park – Baseball Diamond Improvement Project	919,000	10 Years
Centennial Park Baseball Diamond Reconstruction Project	357,000	10 Years
Pickering Recreation Complex Roof and Skylight Rehabilitation Project	<u>690,000</u>	20 Years
Sub Total – City of Pickering	<u>\$4,531,000</u>	
<b><u>Town of Ajax</u></b>		
New Audley Recreation Centre – Phase 2	<u>\$6,360,000</u>	15 Years
<b><u>Township of Uxbridge</u></b>		
Brock Street Culvert Replacement Project	\$4,000,000	10 Years
Brock Street Culvert Replacement Project	<u>2,400,000</u>	15 Years*
Sub Total – Township of Uxbridge	<u>\$6,400,000</u>	
<b>TOTAL EXTERNAL DEBENTURE REQUIREMENTS</b>	<b><u>\$17,291,000</u></b>	

\* 5 year debentures with an option to issue refinancing debentures on or before the maturity date over a further maximum term of 10 years, at the option of the Township of Uxbridge.

- B) That the Commissioner of Finance be authorized to amend the proposed terms and conditions of the external debenture issue as deemed necessary by the Fiscal Agents in order to successfully market the issue to prospective investors on the basis that the Region may purchase all or part of the debentures; and
- C) That the Region of Durham be authorized to issue the external debentures through CDS Clearing and Depository Services Inc.'s "Book Entry Only" system.

## Report:

### 1. Purpose

- 1.1 The purpose of this report is to seek authority to issue debentures on behalf of the City of Pickering, the Town of Ajax and the Township of Uxbridge.

### 2. Background

- 2.1 The recommendations to issue external debentures by the Region are brought forward at this time in response to requests for funding from the City of Pickering, the Town of Ajax and the Township of Uxbridge related to various capital works. To meet the financing needs of the area municipalities, it is anticipated that the Region will go to market with these debenture requests and issue the debenture in the fall of 2019.
- 2.2 Long-term municipal debenture yield rates remain relatively favourable compared to historical rates with the prospect of long-term interest rates increasing in the future.

### 3. Borrowing Requirements of the Lower-tier Municipalities

- 3.1 As outlined in the recommendations above, the collective principal borrowing requirements of the City of Pickering, the Town of Ajax and the Township of Uxbridge for the proposed external debenture issue is an amount not to exceed \$17,291,000.

#### 3.2 City of Pickering

The City of Pickering has requested that the Region issue external debentures on its behalf totaling \$4,531,000 with terms varying between 5 and 20 years. The details of the projects are as follows:

Capital Projects	Amount (Not to Exceed)	Term (Not to Exceed)
Supply and Delivery of Road Grader with Attachments	\$369,000	5 Years
Westney Road – Road Reconstruction	1,496,000	10 Years
Salem Road – Road Reconstruction	700,000	10 Years
Brock Ridge Community Park and S.M. Woodsmere Park – Baseball Diamond Improvement Project	919,000	10 Years
Centennial Park Baseball Diamond Reconstruction Project	357,000	10 Years
Pickering Recreation Complex Roof and Skylight Rehabilitation Project	690,000	20 Years
<b>Total</b>	<b><u>\$4,531,000</u></b>	



### 3.3 Town of Ajax

The Town of Ajax has requested that the Region issue external debentures on its behalf with a term of 15 years. The details of the project are as follows:

<b>Capital Projects</b>	<b>Amount (Not to Exceed)</b>	<b>Term (Not to Exceed)</b>
New Audley Recreation Centre – Phase 2	<u>\$6,360,000</u>	15 Years

### 3.4 Township of Uxbridge

The Township of Uxbridge has requested that the Region issue external debentures on its behalf totaling \$6,400,000. The details of the projects are as follows:

<b>Capital Projects</b>	<b>Amount (Not to Exceed)</b>	<b>Term (Not to Exceed)</b>
Brock Street Culvert Replacement Project	\$4,000,000	10 Years
Brock Street Culvert Replacement Project	<u>2,400,000</u>	15 Years*
<b>Total</b>	<b><u>\$6,400,000</u></b>	

\* 5 year debentures with an option to issue refinancing debentures on or before the maturity date over a further maximum term of 10 years, at the option of the Township of Uxbridge.

## 4. External Services Required

4.1 The following external services are essential to complete the proposed external debenture transaction:

4.2 Fiscal Agents:

- A) Over the past 30 years, CIBC World Markets Inc. and RBC Dominion Securities Inc. have acted as the Region's Fiscal Agents ("Fiscal Agents"). In this role, the Fiscal Agents have provided advice to Regional staff on an on-going basis and have successfully marketed the Region's debenture issues.
- B) Based on the Region's past practice of rotating the lead manager between the two agents, CIBC World Markets Inc. will act in this role for the external debenture issue.

4.3 Fiscal Solicitor:

- A) WeirFoulds LLP will provide legal advice for the debenture issue as the Fiscal Solicitor and will authenticate the debentures.
- B) WeirFoulds LLP has a sound reputation in providing fiscal solicitor services in respect of debentures issued by all of the GTA Regions.

#### 4.4 CDS Clearing and Depository Services Inc.:

- A) CDS Clearing and Depository Services Inc. (CDS) is owned by TMX Group Inc. and has processed previous external debenture issues for the Region through its "Book Entry Only" (BEO) system, providing electronic records for the debenture issues. This means physical definitive debenture certificates issued to debenture holders are not required to market the external issue.

### 5. Annual Repayment Limits

- 5.1 In accordance with Section 4 of the Ontario Regulation 403/02 (Debt and Financial Obligation Limits Regulation), the Regional Treasurer and the Fiscal Solicitor will ensure that the Long-Term Debt/Financial Obligation limits for the City of Pickering, the Town of Ajax and the Township of Uxbridge were calculated and were not exceeded by the approval of the capital works which are to be financed through the issuance of the proposed debentures. They will confirm that approval by the Local Planning Appeal Tribunal was not required for the financing of these projects through the Regional debenture issue(s) described in this report.

### 6. Conclusion

- 6.1 The recommendations contained in this report effectively authorize staff to proceed with the issuance of the external debentures to meet the financing requirements of the lower-tier municipalities referred to in this report.
- 6.2 Staff will seek the advice of the Fiscal Agents regarding the most opportune time to issue debentures and will advise Finance and Administration Committee and Regional Council of the final terms and conditions of the external debenture issue upon its sale in the Canadian debt capital markets.
- 6.3 The related by-laws for the proposed borrowings will be presented to Regional Council later in the fall of 2019.

Respectfully submitted,

Original Signed by Nancy Taylor

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Nancy Taylor, BBA, CPA, CA  
Commissioner of Finance

Recommended for Presentation to Committee

Original Signed by Elaine C. Baxter-Trahair

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Elaine C. Baxter-Trahair  
Chief Administrative Officer



# The Regional Municipality of Durham Report

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To: Finance and Administration Committee  
From: Commissioner of Finance  
Report: [#2019-F-37](#)  
Date: October 8, 2019

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**Subject:**

Update on DRT Kids Ride Free Incentive Pilot Program

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**Recommendation:**

That the Finance and Administration Committee recommends to Regional Council that:

- A) Approval be granted to extend Durham Region Transit's Kids Ride Free fare incentive pilot program for children 12 years of age and younger through the end of March 2020, with an estimated fare revenue impact of \$42,000;
  - B) The requirement for children riding free to be accompanied by a fare paying customer be removed, allowing all children 12 years of age and younger to ride transit free of charge effective January 1, 2020;
  - C) Child ticket and pass sales, PRESTO Child fares and the Ride-to-Read program be suspended for the duration of the Kids Ride Free fare incentive pilot program; and
  - D) Durham Region Transit report back through the 2020 budget process, in collaboration with the Finance Department, on Kids Ride Free uptake, including ridership and revenue impacts, and the potential for extending the pilot program to March 31, 2021.
- 

**Report:**

**1. Purpose**

- 1.1 This report provides an update on DRT's Kids Ride Free incentive pilot program providing free access for children 12 years of age and younger to transit in Durham when riding with a fare paying customer. The report provides an overview of initial

ridership and revenue impacts for May through August 2019 and recommends continuing the pilot program for the remainder of 2019 and 2020.

- 1.2 This report was presented to the Transit Executive Committee at its meeting on October 2, 2019.

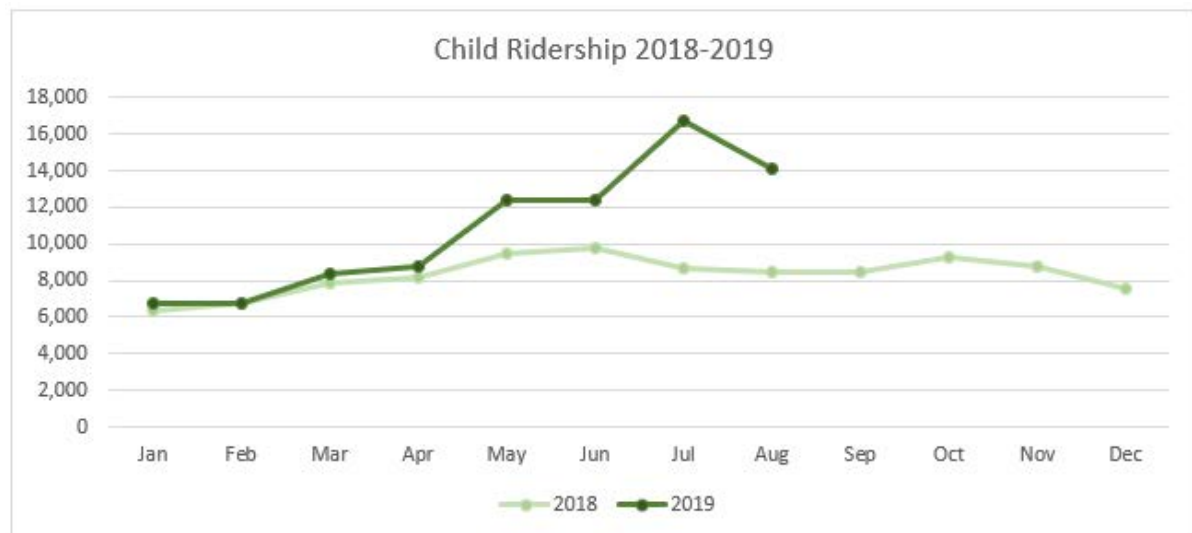
## **2. Background**

- 2.1 In adopting the resolution approving the 2019 Regional Business Plans and Budgets at its meeting on March 27, 2019, Regional Council authorized DRT to implement a pilot program effective May 1, 2019 in which children 12 years of age and younger ride free of charge on DRT when accompanied by a fare paying customer. DRT was further directed to report back on the impacts of the pilot program to the first Transit Executive Committee in Fall 2019.

## **3. Kids Ride Free Ridership**

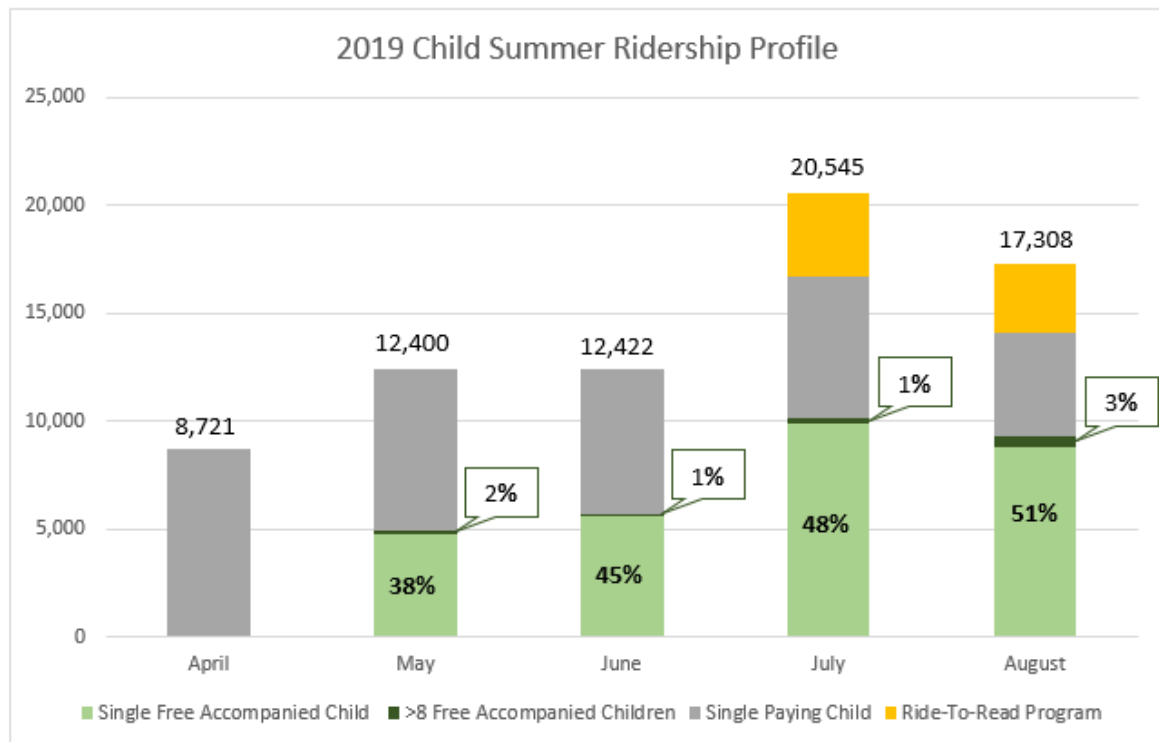
- 3.1 In advance of the May 1, 2019 implementation date for the pilot program DRT launched a robust marketing campaign to build awareness of the Kids Ride Free incentive pilot program throughout Durham. This included print, radio and television advertisements throughout the Region, in addition to social media and website content and digital marketing kits. Examples of DRT's promotional materials for Kids Ride Free are included in Attachment 1.
- 3.2 Beginning on May 1, 2019, children who are 12 years of age and younger could ride DRT for free with an accompanying fare-paying passenger aged 13 or older. This new incentive pilot program was well-received in the first four months with healthy month-over-month uptake. While initial results appear promising, the direct impacts of increased child ridership on other fare categories remains uncertain given the limited period of observation.
- 3.3 Overall child ridership increased compared to the previous year (see Chart 1). Between April and May child ridership increased by 3,679 riders, up 42 percent over the previous month. Child ridership remained stable in June before climbing another 35 percent to more than 16,000 riders in July, nearly double the child ridership for July 2018 (which had decreased 11 percent from June to July 2018). Child ridership experienced a decline from July to August this year, but overall child ridership for the summer was still notably higher than the same period last year.

Chart 1:



- 3.4 Child ridership increased 42 percent between April and May with children riding free accounting for approximately 40 percent of child customers (Chart 2). By July, children riding free represented almost half of the total child ridership this summer, growing further to 54 percent in August.
- 3.5 Of note, throughout all four months the percentage of fare paying child customers declined from 60 percent of total child ridership in May to 28 percent in August. This suggests that some customers were not yet aware of the Kids Ride Free pilot program when it started in May, but the number of single free child passengers increased month over month with the growing awareness of the program.
- 3.6 In the summer months a sizeable number of child customers continued to take advantage of the Ride-to-Read program which provided free travel on DRT for children from kindergarten to Grade 8 with a valid library card from partnering local libraries across Durham Region.
- 3.7 DRT also tracked the number of large child groups (i.e. eight or more accompanied by a single fare-paying passenger) who boarded during the four-month pilot period. Large groups comprised between 1 percent and 3 percent of total monthly child ridership.

Chart 2:



- 3.8 Looking at child ridership trends since 2015 (Table 1), there are notable jumps in summer child ridership this year, most significantly from April to May (42 percent) and June to July (35 percent). After peaking in July, child ridership decreased in August but remained notably higher than in 2018.

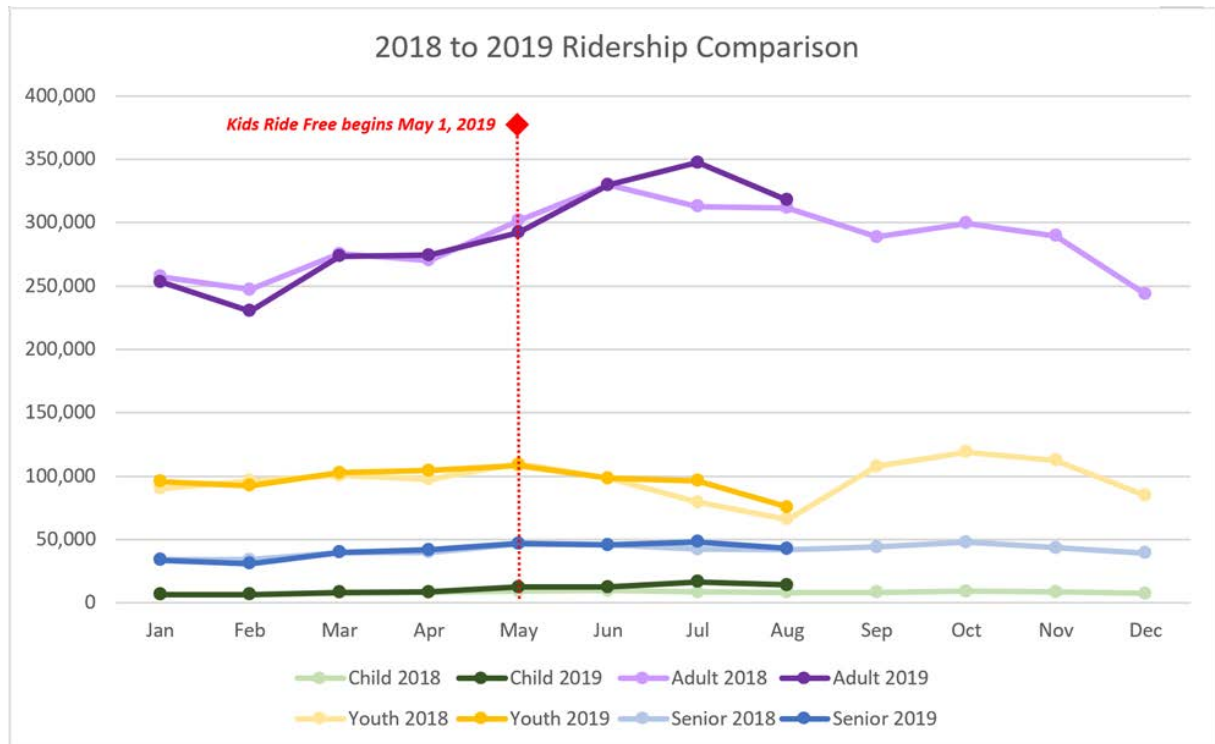
Table 1:

Period	Average Percent Change 2015-2018	2019 Percent Change
April to May	13	42
May to June	2	0
June to July	7	35
July to August	-7	-16

## Impact on Overall Ridership

Chart 3 provides an overview of overall ridership trends to date compared to the past year:

Chart 3:



- 3.9 Except for adult ridership, ridership for other segments saw modest increases in line with trend averages prior to May 2019 except for the month of February.
- 3.10 Adult ridership to date showed some variations to 2018 trends, with notable dips in February and May. However, starting in June, adult ridership numbers showed strong growth with ridership performance notably exceeding 2018 levels in July (up 11 percent from 2018) and August (up 2 percent from 2018). While these initial numbers are promising, given the limited period of observation, it cannot definitively be stated that adult ridership changes are directly linked to impacts from the Kids Ride Free incentive program introduced this year. It is also currently too early to assess the longer-term effects of the fare incentive's impact on other ridership segments with the data available to date.
- 3.11 Adult, Youth and Senior ridership increased from April to May at a rate higher than the average over the previous four years, whereas ridership changes from May to June were more aligned with the average (Table 2). Adult ridership experienced

notable increases over the summer, bucking expected seasonal reduction from June to July. Senior ridership saw higher than average increases from April to May and June to July. Youth ridership also experienced a healthy increase in July and August compared to 2018 and average trends (attributable in part to the Youth Summer 2-4-1 Pass promotion).

Table 2:

<b>Fare Type</b>	<b>Period</b>	<b>Average Percent Change 2015-2018</b>	<b>2019 Percent Change</b>
Adult	April to May	4	7
	May to June	12	13
	June to July	-5	5
	July to August	-1	-9
Youth	April to May	-3	4
	May to June	-9	-9
	June to July	-26	-22
	July to August	-17	5
Senior	April to May	3	11
	May to June	2	-2
	June to July	-2	6
	July to August	1	-11

## Conclusions

- 3.12 Year to date ridership data clearly shows that the Kids Ride Free incentive program has had a significant positive impact on child ridership since May, and particularly during the summer months. However, it remains inconclusive whether Kids Ride Free is having a similar effect on ridership in other fare categories.
- 3.13 On this basis, it is recommended that the Kids Ride Free pilot program be extended to allow sufficient time to assess the impact of the program on ridership more



broadly over the long term as awareness of the pilot continues to expand and travel patterns adapt.

- 3.14 Given the sizeable share of child passengers who continue to pay when boarding due to either lack of awareness or as a result of travelling without a fare paying customer, it is further recommended that the requirement for a child to travel with a fare paying customer be removed to allow all children to benefit from the program. This will also ensure policy consistency between DRT and connecting transit systems (i.e., GO Transit and the TTC).
- 3.15 With the extension of the Kids Ride Free pilot program DRT is also recommending that child ticket and pass sales and PRESTO child fares be suspended for the duration of the pilot to avoid unnecessary or mistaken expenditures for customers. DRT is also proposing to suspend the Ride-to-Read program for the summer of 2020 pending a decision on the continuation of the Kids Ride Free pilot program. The Ride-To-Read program currently provides free access to transit during July and August for children presenting a valid library card.
- 3.16 As is the case with all passengers, DRT operators are trained professionals responsible for the safety of everyone on board the vehicle. In recommending the above policy changes, it is noted that DRT operators will continue to respond as necessary in circumstances where there is a concern for the safety of any passenger. When unable to independently and safely use DRT services, a passenger is responsible to travel with a Support Person, attendant or companion who is able to ensure the person is safe when using public transit.

#### **4. Financial Implication**

- 4.1 As part of the approvals for the Durham Region Transit 2019 Business Plan and Budget, an estimated revenue impact of approximately \$130,000 from May 1, 2019 through the end of December 2019 was identified and directed to be absorbed within DRT's 2019 operating budget.
- 4.2 The estimated actual revenue impact from Kids Ride Free for May to August is \$21,000. Forecasting through the end of 2019, the revenue impact of Kids Ride Free is estimated to be \$41,000 based on ridership trends.
- 4.3 It is recommended that pre-budget approval be sought to extend the Kids Ride Free incentive pilot program through to March 2020. Extending the program and removing the requirement for a child to be accompanied by a fare paying customer effective January 1, 2020 is estimated to have a fare revenue impact of

approximately \$42,000 through March 31, 2020. Extending the Kids Ride Free incentive pilot program throughout all of 2020 will be considered through the 2020 Business Plans and Budgets process.

## **5. Next Steps**

- 5.1 Upon approval by Regional Council, DRT will implement a policy change to allow single child riders to ride transit free without a fare paying companion effective January 1, 2020.
- 5.2 DRT will report back through the 2020 budget process, in collaboration with the Finance Department, on Kids Ride Free uptake, including ridership and revenue impacts, and the potential for extending the pilot program to March 31, 2021.
- 5.3 This report was presented to the Transit Executive Committee at its meeting on October 2, 2019.

## **6. Attachments**

Attachment #1: Kids Ride Free Promotional Products

Respectfully submitted,

Original Signed by Nancy Taylor

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Nancy Taylor, BBA, CPA, CA  
Commissioner of Finance

Recommended for Presentation to Committee

Original Signed by Elaine C. Baxter-Trahair

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Elaine C. Baxter-Trahair  
Chief Administrative Officer

## Attachment #1: Kids Ride Free Promotional Products

Poster (aligned with summer 2-for-1 Youth pass):



The poster features the Durham Region Transit logo at the top left. The main headline reads "Durham Region Transit wants you to do more, drive less!" in a mix of black and green fonts. Below the text is an illustration of a city skyline with various buildings and a bus. In the foreground, silhouettes of a family (a parent and two children) are walking towards the bus. The bottom half of the poster has a green background with white text. It states that starting May 1, 2019, kids ages 12 and under can ride DRT for free with a fare-paying passenger. It also promotes the "summer 2-for-1 Youth pass" for \$93.50, which covers unlimited travel on DRT for July and August. The poster directs visitors to [durhamregiontransit.com](http://durhamregiontransit.com) for trip planning and includes icons for information, bus, speech, and location at the bottom right.

**Durham Region Transit**

**Durham Region Transit**  
**wants you to**  
**do more,**  
**drive less!**

Starting May 1, 2019, all kids ages 12 and under ride DRT for FREE with a fare paying passenger. No special passes or tickets are required.

**Our summer 2-for-1 Youth pass is back!**

\$93.50 is all it costs for unlimited travel on DRT for July and August. Purchase your monthly PRESTO Youth pass for July and August is on us!

Visit **[durhamregiontransit.com](http://durhamregiontransit.com)** to plan your trip and get where you want to be easily and safely.

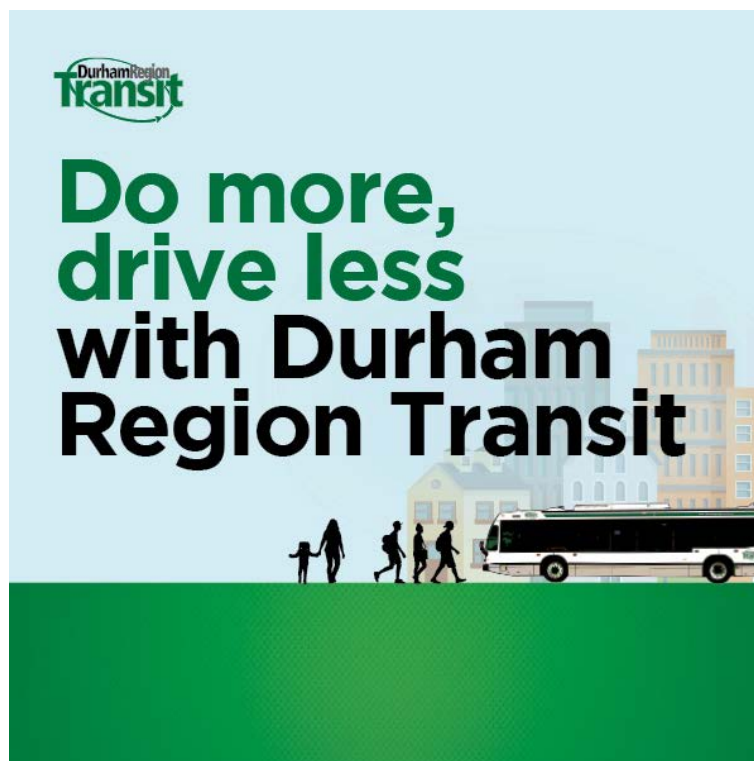
Do more, drive less, with DRT!

Postcard:



Web button linking to details on Kids Ride Free:





## The Regional Municipality of Durham Report

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To: Finance and Administration Committee  
From: Commissioner of Finance  
Report: #2019-F-38  
Date: October 8, 2019

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### **Subject:**

2020 Regional Business Plans and Property Tax Supported Budget Guideline

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### **Recommendations:**

That the Finance and Administration Committee recommends to Regional Council that:

- A) The following detailed direction and guidelines for the 2020 Business Plans and Budgets for the Durham Regional Police Services Board, Conservation Authorities, Regional Operations and other Outside Agencies be approved:
- i. The 2020 Property Tax Guideline not exceed an overall tax impact of 2.0 per cent compared to the 2019 approved budget with an additional 0.50 per cent to 0.75 per cent over the 2019 approved budget to maintain current service levels in response to provincial funding reductions, changes in provincial funding formulas and potential provincial downloading;
  - ii. The 2020 Business Plans and Budget for the Durham Regional Police Services Board not exceed \$213.225 million, an increase of approximately 3.2 per cent compared to the 2019 approved budget; and
  - iii. The 2020 Operating Budget for each Conservation Authority not exceed an increase of 2.5 per cent, plus or minus any current value assessment adjustments, and the 2020 Special Benefitting Programs Budget for each Conservation Authority not exceed an increase of 1.5 per cent, plus or minus any current value assessment adjustments, compared to the 2019 approved budget;
- B) The preliminary timetable for the 2020 Regional Business Plans and Budgets be approved, as outlined in Attachment #2 to this report, which includes the following key dates:
- i. December 18, 2019 – final Regional Council approval of the 2020 Water Supply and Sanitary Sewerage Business Plans and Budgets;
  - ii. February 26, 2020 – final Regional Council approval of all 2020 Property Tax Supported Business Plans and Budgets; and

- C) Copies of this report be forwarded to the Durham Regional Police Services Board, Durham Region Transit Commission, Conservation Authorities, Durham Regional Local Housing Corporation and other Outside Agencies to guide the development of detailed 2020 Business Plans and Budgets.
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## **Report:**

### **1. Overview**

- 1.1 In 2019, Regional staff initiated a multi-year review of the Region's business planning and budget process to ensure:
- A streamlined, efficient, consistent, transparent and modernized business planning and budget process that meets the needs of the Region's various stakeholders including the public, businesses, investors, and credit rating agencies and that advances the long-term financial strength of the Region;
  - Accurate, timely information is available for sound evidence-based decision making;
  - Transparent and user focused business planning and budget documents;
  - Increased public engagement in the business planning and budget process;
  - Concurrent approval of user rate and property tax supported budgets in December; and
  - The Region of Durham is an industry leader in business plans and budgets.
- 1.2 Building upon the initial success of the 2019 budget public engagement initiatives, the Region will be hosting two budget open houses, one in the south and one in the north, in November. These open houses will provide an opportunity for residents to participate in person or on-line. In addition, the Region will provide an opportunity for residents to submit questions and comments on the 2020 budget on-line as well as through more traditional channels.
- 1.3 This report provides an overview of the current and forecasted economic climate and regional priorities and initiatives over the forecast period. It identifies pressures and risks facing the Region including changes in provincial funding and cost sharing methodologies impacting the 2020 budget that must be considered in establishing the 2020 Regional Business Plans and Budget guidelines.

## **2. 2020 Regional Business Plans and Budgets Timetable**

- 2.1 The Region's business planning and budget process includes strategic planning, risk assessment, economic and financial forecasting, property tax guidelines, strategic issues and financial forecast reports, detailed business plans and budgets, and performance measurement. Fiscal accountability is strengthened by the multi-year planning of expenditures, financing and risk mitigation that are imbedded in the Region's Business Planning and Budget process and highlighted each year by the Region's bond raters.
- 2.2 The key dates of the preliminary 2020 Regional Business Plans and Budgets timetable are outlined below and are detailed in Attachment #2:
- Strategic Issues and Financial Forecast Reports (simplified and streamlined from prior years):
    - Transportation
      - Committee of the Whole – November 13, 2019
      - Regional Council – November 27, 2019
    - Social Housing
      - Committee of the Whole – November 13, 2019
      - Regional Council – November 27, 2019
    - Water and Sanitary Sewer
      - Committee of the Whole – December 11, 2019
      - Regional Council – December 18, 2019
    - Solid Waste Management
      - Committee of the Whole – January 15, 2020
      - Regional Council – January 29, 2020
    - Durham Region Transit (DRT)
      - Transit Executive Committee – January 8, 2020
      - Finance and Administration Committee – January 14, 2020
      - Regional Council – January 29, 2020
  - Water and Sanitary Sewer User Rates
    - Committee of the Whole – December 11, 2019
    - Regional Council – December 18, 2019
  - Water Supply and Sanitary Sewerage Business Plans and Budgets
    - Works Committee – December 4, 2019
    - Finance and Administration Committee – December 10, 2019
    - Regional Council – December 18, 2019

- Property Tax Supported Business Plans and Budgets
    - Standing Committees – week of February 3, 2020
    - Finance and Administration Committee – February 11 and 12, 2020
    - Regional Council – February 26, 2020
  - Property Tax Strategy
    - Finance and Administration Committee – February 11 and 12, 2020
    - Regional Council – February 26, 2020
- 2.3 The 2020 proposed timetable establishes December 18, 2019 as the target date for Regional Council approval of the 2020 Water Supply and Sanitary Sewerage Business Plans and Budgets and February 26, 2020 as the target date for Regional Council approval of all 2020 Property Tax Supported Business Plans and Budgets.
- 3. 2020 Property Tax Guideline Overview**
- 3.1 The purpose of this report is to seek Regional Council approval for an overall property tax guideline not to exceed a tax impact of 2.0 per cent (after net weighted assessment growth estimated at between 1.00 per cent and 1.25 per cent) with an additional 0.50 per cent to 0.75 per cent over the 2019 approved budget to maintain current service levels in response to provincial funding reductions, changes in provincial funding formulas and potential provincial downloading. The following specific guidelines for the Durham Regional Police Services Board and Conservation Authorities are also recommended:
- The 2020 Business Plans and Budget for Durham Regional Police Services Board not exceed \$213.225 million, an increase of approximately 3.2 per cent compared to the 2019 approved budget; and
  - The 2020 Operating Budget for each Conservation Authority not exceed an increase of 2.5 per cent, plus or minus any current value assessment adjustments, and the 2020 Special Benefiting Programs Budget for each Conservation Authority not exceed an increase of 1.5 per cent, plus or minus any current value assessment adjustments, compared to the 2019 approved budget.
- 3.2 Through discussions with the Municipal Property Assessment Corporation (MPAC), net weighted assessment growth is estimated at between 1.00 per cent and 1.25 per cent (excluding net assessment growth in Seaton). This is significantly lower than the net weighted assessment growth of 1.71 per cent (excluding net assessment growth in Seaton) realized for the 2019 Budget.
- 3.3 The overall property tax guideline of between 2.5 per cent and 2.75 per cent will result in a budgetary increase between \$68 and \$75 for an average residential property owner in Durham Region with a current estimated 2020 current value assessment of \$485,000.



- 3.4 The establishment of specific property tax guidelines at this time will provide direction and assist staff with finalizing the 2020 budget submissions for presentation to Regional Council in February 2020.
- 3.5 The setting of the recommended guidelines were achieved in consultation with the CAO, Regional departments, Durham Regional Police Service and DRT and through detailed review of their 2020 to 2024 operating pressures and 2020 to 2029 capital priorities. In addition, changes in the local and broader economic, political and social environments (Attachment #1) were considered along with the risks and uncertainties facing the Region in the delivery of its programs and services.
- 3.6 The preliminary 2020 budget analysis indicates a number of base pressures and non-discretionary items that are required to continue to deliver the Region's existing programs and services including:
- The annualization of 2019 budget decisions and adjustments for one-time items included in the 2019 budget;
  - Contractual and inflationary increases; and
  - Economic increases (salary/benefit contracts).
- 3.7 Together these base pressures result in a net property tax increase of approximately 1.9 per cent. Staff continue to review these base submissions to look for efficiencies and savings to mitigate these impacts.
- 3.8 In addition to addressing the non-discretionary pressures, the guideline provides for limited strategic investments to support key priorities while balancing the need for taxpayer affordability and competitive property taxes.
- 3.9 The potential 2020 strategic investments can be grouped under the following four key priority areas, namely:
- Respond to growth and affordability pressures and support the vulnerable sector;
  - Innovate and modernize operations and administration;
  - Accommodate ongoing legislative and regulatory changes; and
  - Invest in infrastructure renewal.
- 3.10 The following four sections highlight the potential 2020 initiatives under each of these key priority areas. Many of these initiatives are multi-year initiatives and will have impacts on the 2020 budget and beyond. Further prioritization and refinement of these initiatives will be required to achieve the overall property tax guideline recommended in this report.

#### **4. Respond to Growth and Affordability Pressures and Support the Vulnerable Sector**

4.1 Growth across the Region puts significant pressure on Regional services and infrastructure. Expanding programs, staff resources, and capital infrastructure has to be balanced with the impacts of this growth on taxpayer affordability. Aligned with this is the need to support the growing vulnerable sector. Given prevailing economic risks and uncertainties which will impact taxpayer affordability, including high household debt load and the impact of shocks in the local labour market, there is a need to balance growth in programs and services with the financial impact on all Regional tax payers.

4.2 The following are the potential 2020 initiatives supporting growth and the vulnerable sector:

- Undertake a Comprehensive Master Housing Strategy which will include a review of surplus public lands and the potential social benefits that these properties can provide as well as include the results from the portfolio review of the Durham Region Local Housing Corporation (DRLHC) properties. The provision of affordable, supportive and transitional housing, emergency shelters and other Regional housing programs will form part of this comprehensive strategy. The Master Housing Strategy will operationalize the ongoing work contained in At Home in Durham, the Durham Region Housing Plan 2014 – 2024.
- Initiate a DRLHC Portfolio Review which will provide input into the Comprehensive Master Housing Strategy and will develop an evidence-based strategy for managing the DRLHC portfolio that addresses maintenance, revitalization, redevelopment and disposal.
- Continue to implement the federal government's Reaching Home Program.
- Implement the provincial Low-Income Seniors Dental Care Program.
- Pilot and/or implement discounted transit fare incentives (e.g. Transit Assistance Program, Y10 youth loyalty pass and Kids Ride Free).
- Optimize DRT services to serve new growth areas, improve the high frequency network and existing connections and continue to expand service in North Durham.
- Leverage Investing in Canada Infrastructure Program (ICIP) funding opportunities for eligible projects including bus rapid transit expansion projects on Highway 2 and Simcoe Street. Regional financing is required for the Region's share of eligible costs as well as ineligible costs (e.g. land).
- Ensure resources are available to manage and administer large special infrastructure projects and grant programs including the ICIP.
- Increase police resources, including front line constables and investigative staff, to respond to more complex calls.
- Increase paramedic resources in response to increasing response times resulting from increasing call volumes and offload delay challenges.

- Increase front-line resources at Long Term Care Homes to respond to increasing complexity of care.
- Continue implementation of the Region's Diversity and Inclusion Strategy.
- Increase support for Victim Services Durham Region.
- Continue to work on the Comprehensive Review of the Durham Region Official Plan.
- Invest in new equipment and facilities to respond to growth pressures across all Regional program areas.

## **5. Innovate and Modernize Operations and Administration**

5.1 Durham Region must continue to adopt new ways of doing things to ensure that the Region delivers the services that citizens expect in an efficient manner while remaining responsive to changing community needs. The following are examples of identified potential 2020 priorities for innovating and modernizing the Region's operations and administration:

- Implement Vision Zero improvements, including automated speed enforcement, red light cameras, new pavement marking initiatives and protected left turn only phases at selected traffic signal locations.
- Continue to roll-out the blue box replacement and litter control program.
- Invest in Solid Waste Management promotional and education efforts to enhance program participation and foster a culture to embrace the principles of reduce, reuse, recycle and resource recovery.
- Develop and implement a new transit service model pilot in North Durham based on outcomes of the Market Research Study.
- Implement a transit data analytics system including the harmonization of data collection, processing, and storage in an integrated, user-friendly platform to inform and enable continuous improvement across DRT through performance efficiencies, better predictive modelling and evidence-informed service planning.
- Initiate strategic planning process for DRT to ensure it is well positioned to respond to customer expectations, community service needs and industry advancement.
- Advance transit oriented development opportunities on key transit corridors, including the GO East extension along the CP alignment (Option One).
- Update the Region's Economic Development Strategy and Action Plan.
- Establish an Economic Development Fund to support a variety of initiatives and opportunities to grow and strengthen the Region's business community.
- Enhance economic development marketing and strategic partnerships to attract residents, visitors and businesses to Durham Region.

- Develop a Regional Community Improvement Plan (CIP) which will enable the Region to offer development incentives for targeted initiatives related to affordable housing, transit-oriented development and servicing.
- Continue to invest in broadband initiatives and implement the Region's Broadband Strategy.
- Implement the recommendations of the audit and accountability review to modernize, streamline and enhance the delivery of services to the clients dealing with the Region of Durham.
- Identify and implement Smart Cities solutions to address economic, social and environmental challenges.
- Continue to invest in the implementation of the Region's climate change adaptation and mitigation plans, including the Durham Community Climate Adaptation Plan and the Durham Community Energy Plan.
- Develop a government relations framework to facilitate enhanced partnerships and relationship management.
- Support the adoption of innovation tools and techniques to realize efficiencies.
- Modernize reporting on the outcomes identified in the Durham Region Strategic Plan.
- Continue to implement the Region's Digital Durham Strategy.
- Continue to implement point of care electronic documentation in Long Term Care Homes to improve accuracy and timeliness and improve communication amongst the care team.
- Advance various Regional reviews and improvement initiatives including the Job Evaluation Management System review, the Business Planning and Budget process review, implementation of the Getting Ahead Program, continue to implement Workforce Scheduling, Enterprise Maintenance Management and Development Tracking Systems, and advance digitization of human resource records.

## **6. Accommodate Ongoing Legislative and Regulatory Changes**

6.1 Provincial and Federal legislative, policy and regulatory changes can often impact the programs and services provided by the Region. The following are potential investments identified for 2020 that are being contemplated in response to legislative, policy and regulatory changes:

- Implement a construction contract administration solution in response to changing provincial regulations.
- Respond to Bill 108 and changes to the *Development Charge Act*.
- Replace existing PRESTO devices with new devices that provide more reliable and up-to-date technology for DRT PRESTO riders, as required by Metrolinx.
- Continue with the specialized transit service eligibility review.

- Implement the new cannabis legislation and the new smoke and vaping by-law.
- Respond to changes in the Housing Services Act and the implications on the Regional funded Rent Geared to Income (RGI) subsidy.
- Manage the increased workload for Region prosecutors resulting from the anticipated transfer of responsibility for the prosecution of Part III offences from the province to the Region.
- Develop a corporate Privacy and Access Office and implement the Information Management Strategy.
- Develop a Community Safety and Well-Being Plan as mandated by the Police Services Act.

## **7. Invest in Infrastructure Renewal**

7.1 As identified in the Region's 2019 Asset Management Plan, the Region's property tax supported infrastructure assets have a December 31, 2018 replacement value of approximately \$5.14 billion, \$14.54 billion including water supply and sanitary sewerage infrastructure assets. Ongoing investment is required to maintain existing infrastructure and capital assets. The Region's asset management planning process places identified infrastructure investment needs into the annual and long term business planning and budget process for consideration, prioritization and subsequent approval. The following are examples of infrastructure renewal priorities that are being reviewed as part of the 2020 Business Planning and Budget process:

- Optimize and modernize Regional Headquarters to defer building expansion.
- Optimize 101 Consumers Drive.
- Increase investment in road and structure rehabilitation and Automated Traffic Management System (ATMS) upgrades.
- Replace the Clarington Paramedic Response Station.
- Plan for the implementation of findings from the Depot Rationalization study as part of the development of an overall Facility Master Accommodation Plan.
- Replace aging equipment at the Region's Material Recovery Facility.
- Landfill mining to rehabilitate closed Regional landfill sites.
- Replace recording equipment for the 9-1-1 telephone system and NextGen radios.
- Major engine repairs on DRT buses.
- Ensure ongoing facility maintenance and the replacement of vehicles, IT infrastructure and equipment across the organization in alignment with prudent asset management practices.

- Invest in a number of climate change initiatives that will strengthen the resiliency of Regional infrastructure and improve the environment including energy efficiency upgrades to various regional facilities, exploring opportunities to decrease the carbon footprint of the waste management's integrated system and ongoing installation of uninterruptible power source (UPS) for traffic signals and generators at Regional facilities.

## **8. Provincial Funding and Provincial Legislation Impacts**

- 8.1 The Region currently receives approximately 25.4 per cent of its annual revenues through provincial subsidies and grants and with the recent provincial changes and fiscal challenges the Region faces increased risk of reduced provincial funding.
- 8.2 In April of this year, the 2019 Ontario Budget introduced several funding and program changes for municipalities, impacting the service areas of public health, paramedic services, various social services, and Conservation Authorities. There have also been additional announcements since the 2019 Ontario Budget including additional funding reductions, changes to provincial funding formulas and potential downloading of provincial services to the Region.
- 8.3 While the Province has provided 2019 funding letters for the majority of the Regional program areas that are funded by the Province, there is still great uncertainty and risk on provincial funding for 2020. The following is a summary of the estimated impacts to the 2020 budget with reductions in provincial funding and changes in the provincial funding formulas:
- Paramedic Services – In August 2019, the provincial government confirmed the Region's 2019 funding. While there was some growth in provincial funding for 2019, the provincial funding did not increase to the amount budgeted for 2019 based on the Region's inflationary pressures and service enhancements. There is an approximate shortfall of \$0.4 million in the 2020 budget compared to the 2019 budget. While the 2020 funding has not yet been confirmed it is anticipated to be in-line with the final 2019 provincial funding.
  - Public Health – In April 2019, the Province announced changes to the cost-sharing arrangement with municipalities for public health programs and services beginning in 2019 - 2020. The cost sharing formula for mandatory programs will change from 75 per cent provincial and 25 per cent municipal to 70 per cent provincial and 30 per cent municipal and the cost sharing formula for 100 per cent provincial funding public health programs will shift to 70 per cent provincial and 30 per cent municipal in 2019 - 2020. Further changes to the funding formula for 2021 and beyond are being contemplated by the Province. The 2020 budget impact of these changes to the provincial funding formulas is estimated at under a \$0.1 million increase as long as the Region's base funding level does not decrease.

- Childcare – On January 1, 2020 municipalities will have to cost-share Expansion Plan operating funding at a rate of 80 per cent provincial and 20 per cent municipal (previously 100 per cent provincial funding). The estimated 2020 budget impact of this change in funding formula is a \$2.01 million increase. Further changes in the funding formulas for administration costs will be implemented on January 1, 2021 and January 1, 2022 which will have further impacts on the Region's 2021 and 2022 budgets.
- Long Term Care – The final 2019 provincial funding for the Region's Long Term Care Homes was approximately \$0.2 million lower than the 2019 budgeted funding. While the 2020 funding has not yet been confirmed, it is anticipated to be in-line with the final 2019 provincial funding.
- Social Assistance – In 2019 the Province mandated the Region achieve targeted performance outcomes in income and employment supports at a substantially higher rate than what has been required historically. The Region must achieve outcomes of three per cent above the actuals achieved in 2018 or a potential claw-back of up to 15 per cent of the provincial funding. This could result in a potential impact of \$1.0 million to the Region. In addition, the 2019 - 2020 Ontario Works provincial funding was \$0.6 million less than what was planned for in the 2019 budget. While the 2020 funding has not yet been confirmed it is anticipated to be in-line with the final 2019 provincial funding.
- Social Housing – In April 2019, the Province announced that the Region will be receiving a 2019 - 2020 allocation of \$8.0 million under the Community Homelessness Prevention Initiative (CHPI). This is consistent with the 2018 - 2019 funding level but reflects a decrease of \$1.06 million from the amount committed to by the previous provincial government. The Province has not yet confirmed the 2020 - 2021 funding under this program.
- Police – On April 18, 2019, the Province announced that five provincial police grants will be replaced with the Community Safety and Policing (CSP) grant. The CSP grant is an application, outcomes-based grant with the funding decision on the provincial priorities portion of the CSP pending. In addition, the current agreement with the Province for funding under the Court Security and Prisoner Transportation program expires on December 31, 2019 and the Province has not confirmed funding for 2020 and beyond. DRPS has indicated that the 2020 budget impact of these changes in provincial funding is estimated at \$0.2 million.
- Smart Commute Program – In 2019, the Province announced that Metrolinx was terminating the service delivery agreement for the Smart Commute Program. The estimated 2020 budget impact is a \$0.1 million increase to maintain current service levels in the absence of the provincial funding.

- Transit – Under the previous provincial government’s plan, provincial gas tax was to increase from 2 cents per litre to 4 cents per litre by 2021 to 2022. These increases were proposed to support DRT service improvements and other priorities. The Province has indicated that they will not be moving forward with the previous government’s proposed increase to the municipal share of provincial gas tax funding. The Province continues its review of the current program and there remains significant uncertainty about potential changes that may reduce the funding the Region receives through the Provincial Gas Tax Program. DRT is also closely monitoring GO bus service adjustments for impacts on transit service levels in Durham.

8.4 Together these known and anticipated provincial funding reductions, changes in provincial funding formulas and potential provincial downloading result in a net property tax increase of between 0.50 per cent and 0.75 per cent for the 2020 Business Plans and Budgets should Council wish to maintain service levels. It is recommended that the 2020 Regional Business Plans and Budget guideline include an additional 0.50 per cent to 0.75 per cent tax increase as a result of these provincial changes.

8.5 Regional staff will continue to advocate for sustained provincial funding and will work with the Province to understand further financial impacts on the 2020 Business Plans and Budgets and beyond.

## **9. Next Steps**

- 9.1 In the next phase of the business planning and budget process, all program areas will review their operating and capital plans to achieve the recommended property tax guideline including:
- Completing the line-by-line review where, under the guidance of the CAO and Commissioner of Finance, all Regional Departments review three years of historical actuals to identify 2020 base budget reductions that would not impact service levels;
  - Refining budget estimates and priorities;
  - Exploring alternative funding strategies including the sustainable use of reserve and reserve funds, development charges and provincial and federal gas tax;
  - Working with the Province to understand 2020 funding impacts;
  - Ongoing monitoring of the Region’s weighted net assessment growth; and
  - Carefully reviewing and prioritizing 2020 staffing requests, budget pressures and priorities and looking for efficiencies and opportunities to minimize the 2020 budget impact.



- 9.2 Under Bill 108, More Homes, More Choices Act, 2019 the provincial government permits Conservation Authorities to provide municipal programs and services on behalf of a municipality located within its jurisdiction. The Act requires the Conservation Authorities and municipalities to agree on the programs and services offered by the Conservation Authority outside of the Act and the apportioned amount of the capital and operating costs of these programs and services. The Conservation Authorities are required to sign a memorandum of understanding with municipal governments for the services that are provided by Conservation Authorities on behalf of municipalities (i.e. non-core services). This is intended to increase transparency, accountability and avoid duplication, especially where planning and development are concerned.
- 9.3 The Region is waiting for the provincial regulations for additional information on core and non core services, transitioning and timing. Regional Staff will work with Conservation Authority staff to negotiate the memorandum of understanding with each Conservation Authority, including agreeing on any non-core programs and services and associated costs, that will be offered by the Conservation Authority within Durham Region. This report reflects a 2020 status quo budget for Conservation Authorities. This will be revisited upon the Province providing the regulations and the Region and Conservation Authorities negotiating the required memorandum of understanding.

## **10. Conclusion**

- 10.1 In conclusion, the recommended overall 2020 property tax guideline for Regional Departments, the Durham Regional Police Services Board, Durham Region Transit Commission, Durham Regional Local Housing Corporation and funded Outside Agencies will result in:
- A Region-wide property tax rate impact of 2.0 per cent plus an additional 0.50 per cent to 0.75 per cent to maintain current service levels in response to provincial funding reductions, changes in provincial funding formulas and potential provincial downloading, after an estimated 1.00 per cent to 1.25 per cent net weighted assessment growth; and
  - Between a \$68 and \$75 budgetary increase for an average residential home in Durham Region with an estimated 2020 current value assessment of \$485,000.
- 10.2 Regional departments, boards, commissions and outside agencies will continue to review their operating and capital business plans and budgets looking for efficiencies, prioritizing and making the necessary adjustments to balance competing priorities, capital requirements, and operating pressures to achieve Regional Council's approved property tax guideline. It is important to note that not all requests throughout the organization will be achieved within this guideline and some will need to be considered in future budget years.

- 10.3 The detailed 2020 Property Tax Supported Business Plans and Budgets are scheduled to be presented to the appropriate Standing Committee or Transit Executive Committee during the week of February 3, 2020, Finance and Administration Committee on February 11 and 12, 2020 and Regional Council on February 26, 2020.

## **11. Attachments**

- 11.1 Attachment #1: Current Economic Analysis
- 11.2 Attachment #2: Preliminary Timetable for the 2020 Regional Business Plans and Budgets

Respectfully submitted,

Original Signed By

Nancy Taylor, BBA, CPA, CA  
Commissioner of Finance

Recommended for Presentation to Committee

Original Signed By

Elaine C. Baxter-Trahair  
Chief Administrative Officer

## **Current Economic Analysis**

The Region's Finance Department continuously monitors national, provincial and global economic activity for implications to the local economy. Changes in economic conditions can potentially impact Regional service delivery, as well as Regional expenditures and revenues. Although the Canadian economy is expanding, uncertainty about the future remains - both locally, including the transition away from vehicle assembly and toward autonomous vehicle testing at the Oshawa General Motors plant, and globally, including trade tensions and protectionist sentiment.

### **The Canadian Economy**

The strength of the economy is measured by the Gross Domestic Product (GDP). Over the past year, Canadian GDP has been growing at a higher rate than expected. Recently released GDP numbers suggest the Canadian economy grew by 0.9 per cent over the second quarter of 2019. This is the strongest quarterly growth rate since 2017 and equates to an annualized growth rate of 3.7 per cent. If this trend continues for the remainder of the year, economic output will surpass the Bank of Canada 2019 forecast growth rate of 1.3 per cent.

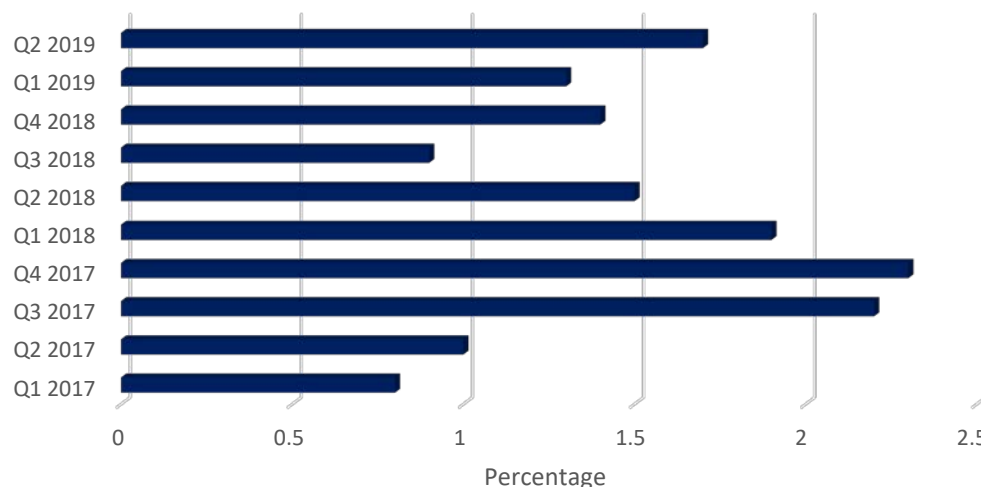
According to the Bank of Canada, the Canadian economy is expected to experience moderate growth in the short-term, with GDP growth forecasted at two per cent for both 2020 and 2021.

Canadian GDP, or economic output, is a product of many components, including: 1) household consumption; 2) business investment; and 3) net exports (exports minus imports). Each of these components are influenced by several factors.

#### **1. Household Consumption**

During the first half of 2019 household consumption (or consumer spending) increased by a modest 0.85 per cent. Household disposable income increased 2.1 per cent over the same period. A portion of the increased income is directed towards household savings and, in the second quarter of 2019, the household savings rate increased from 1.3 per cent to 1.7 per cent as demonstrated in the following chart.

### Quarterly Household Savings Rate



Source: Statistics Canada, Current and Capital Accounts - Households

A major influence on consumer spending and disposable income is the strength of the labour market. Canada's unemployment rate has stayed relatively unchanged throughout 2019 and is currently 5.7 per cent. The overall labour force has increased by 1.7 per cent in 2019, with the percentage of the total working age population participating in the labour force holding steady at 65.8 per cent. Wages and salaries have also seen an increase of 3.1 per cent in 2019.

Despite the increase in wages and disposal income, Canadian households are still holding large amounts of debt. The debt to disposable income ratio is currently 177.6, meaning for every dollar of disposable income, Canadians hold \$1.78 in debt. The largest component of household debt is the mortgage. After five straight quarters of decline, nationwide housing investment grew by 1.4 per cent in the second quarter of 2019.

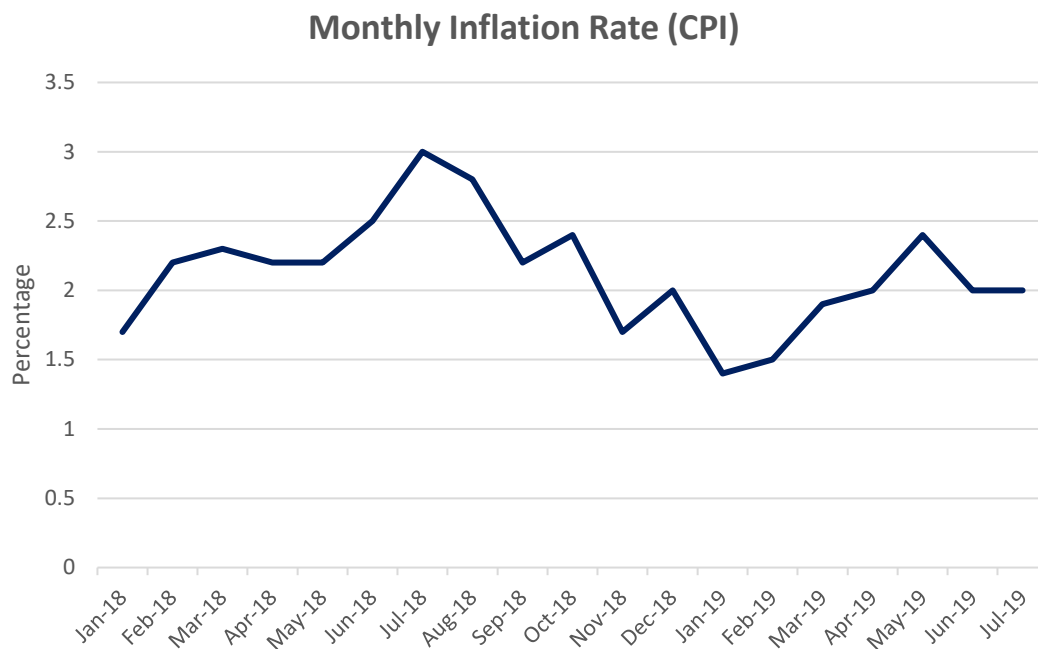
## 2. Business Investments

Business investments include large capital infrastructure and research and development. Business investments are an indicator for expansion to accommodate greater output and increased demand. Business investment in machinery and equipment is down roughly 0.9 per cent in 2019 across Canada. However, nationwide business investment in buildings (non-residential) has seen moderate increases in 2019, with a slight 1.1 per cent increase in the second quarter.

Business investment is usually driven by demand; however, as most business investments include long term capital, interest rates are also a factor. The Bank of Canada sets a target for the Policy Interest Rate (or Overnight Rate), which is the rate that sets the basis for all other interest rates in the economy (mortgages, loans, etc.). The Bank of Canada on September 14, 2019 announced that it would hold the Policy Interest Rate target steady at 1.75 per cent, where it has been since October 2018. The

Bank of Canada has stated the main reasons for holding the key Policy Interest Rate steady are the slow pace of business investment and the contraction in world trade.

Interest rates can also impact the prices that businesses (and consumers) pay for goods and services. When interest rates are low, businesses tend to increase investment in order to take advantage of low borrowing costs. When businesses buy up more goods, it drives up prices and increases inflation. The Bank of Canada sets an inflation target of one to three per cent, while aiming for the two per cent midpoint. Monthly inflation in 2019 has ranged from a high of 2.5 per cent to a low of 1.5 per cent. Inflation (as measured by the Consumer Price Index) currently sits at two per cent. If inflation begins to venture outside the one to three per cent target, the Bank of Canada may increase or decrease the Policy Interest Rate as a means for adjusting inflation. The fact that inflation remains at the two per cent target is perhaps greater justification for the market's anticipation that the Bank of Canada will hold its Policy Interest Rate steady.



Source: Bank of Canada

### 3. Net Exports

Canada's net exports are the value of its total exports, minus the value of its total imports. During the second quarter of 2019, Canada experienced a major increase in exports of 13.4 per cent, combined with a four per cent decline in imports. The trade surplus was able to offset the slowdown in household consumption and business investment and was the main contributor to the 3.7 per cent annualized GDP growth rate.

One of the contributing factors to Canada's export growth is the weak Canadian dollar. The Canadian dollar is currently trading at \$0.76 USD and, has been largely unchanged over the past year. This low rate makes Canadian exports more attractive to international buyers.

Although Canadian exports are trending higher, there are a significant amount of international risks that can affect trade levels in the future.

### Economic Risks

The biggest risks to global economic growth are escalating trade conflicts and geopolitical tensions. The trade conflict between China and the United States has significantly weakened global business investment, with the Bank of Canada expecting global GDP growth to decline to 3.0 per cent in 2019, from 3.7 per cent in 2018. The year over year percentage change in global trade has declined to roughly 0.5 per cent in 2019, down from a high of over five per cent in 2017. In China, the trade conflict has caused import growth to turn negative. In the United States, economic growth has slowed to a projected 1.75 per cent in 2019 and the Federal Reserve has indicated a willingness to proceed with economic stimulus if needed.

Recent drone attacks on oil production facilities in Saudi Arabia exposed potential risks to the international oil market. Although Saudi Arabia's oil production is expected to quickly resume to full capacity, further disruptions to supply could cause significant fluctuations in short-term price levels.

Economic growth in Europe is expected to dampen given the uncertainty surrounding Great Britain's impending exit from the European Union. The price of the British Pound is experiencing above normal volatility and European growth is expected to remain relatively low at 1.25 per cent for 2019.

Geopolitical tensions between China and Canada are also beginning to weigh on the Canadian economy. A large contributor to the business investment contraction is the uncertainty surrounding Canada-China relations. Another trade risk is the pending Canada-United States-Mexico Free Trade Agreement (CUSMA). The agreement has yet to be ratified by Canada and the United States.

Another major risk to the Canadian economy is the high level of household debt. Housing activity is beginning to regain strength, and with a combination of low interest rates, mortgage debt can be expected to rise.

### **The Provincial Economy**

The health of the provincial economy can have major implications on the health of our local economy. The Ontario economy appeared to be growing modestly during the first part of 2019. According to the Ontario Government Economic Accounts, economic growth increased by 0.1 per cent in the first quarter. This includes an increase of 0.3 per cent in service sector output and a decline of 0.4 per cent in goods-producing sector output.

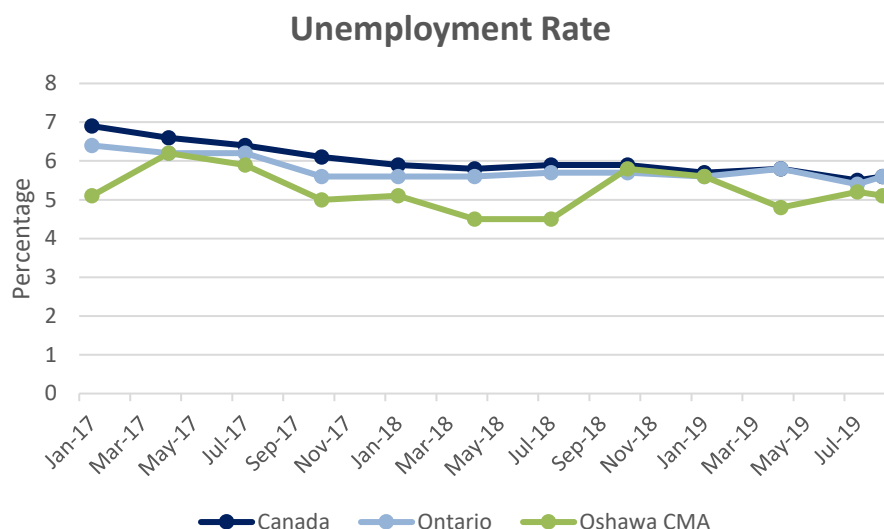
Household spending rose modestly during the first quarter of 2019, increasing by 0.4 per cent. This can be partially attributed to a 0.5 per cent increase in disposal income. In terms of employment, the unemployment rate in Ontario of 5.6 per cent is slightly below the national average of 5.7 per cent. In August 2019, Ontario had the largest

employment gains of any other province. Ontario increased employment by 58,000, however the increase was related to growth in part-time employment.

Ontario saw an increase of 1.1 per cent in business investment during the first quarter of 2019. This includes a 1.1 per cent increase in machinery and equipment and 0.7 per cent in non-residential construction. Ontario also experienced a trade deficit in early 2019, with exports increasing by only 0.4 per cent and imports increasing by 1.2 per cent.

## The Local Economy

Local economic growth is expected to continue throughout 2019, with a forecasted 1.8 per cent annual GDP growth rate for the Oshawa Census Metropolitan Area (CMA). The unemployment rate for the Oshawa CMA is currently 5.1 per cent, which is below the national (5.7 per cent) and provincial (5.6 per cent) averages. The labour force participation rate of 66.9 per cent is also outpacing the national average of 65.8 per cent, while total employment is expected to increase by 1.0 per cent by the end of 2019.

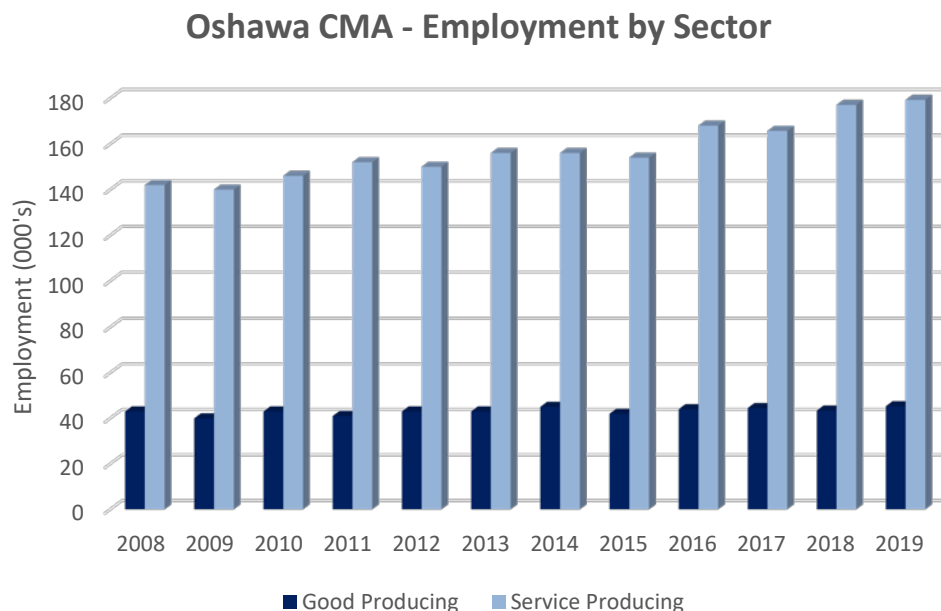


Source: Statistics Canada Labour Force Survey – August 2019

The housing market in Durham Region is showing signs of growth in 2019. Total home sales have increased by 24 per cent from August 2018 to August 2019. The average resale price also increased by four per cent over the same time period, from \$590,706 to \$614,362. The Durham Region housing market is outpacing the average for the Greater Toronto Area (GTA), which saw a 12.8 per cent increase in sales and a 3.6 per cent increase in resale price over the past year.

Although the local economy is expected to maintain growth throughout 2019, there are significant risks that could impact the economy in 2020. According to the Conference Board of Canada, the impending end of vehicle production at the Oshawa General Motors plant could result in a 0.6 per cent decline in Oshawa CMA GDP growth for 2020, in addition to impacts to employment.

Negative economic impacts are expected to be short lived as the local economy continues to shift from a goods-producing economy to a service-producing economy. Manufacturing output has dropped from 18.4 per cent of GDP in 2005, to 9.5 per cent in 2018. During this same time period, the service sector share of GDP has increased from 63.7 per cent to 72.6 per cent. More specifically, the finance, insurance, and real estate industry accounts for roughly 22 per cent of local GDP, while education and healthcare account for roughly 17 per cent. Since the Oshawa CMA has been able to diversify its economy away from manufacturing, the Conference Board of Canada expects economic growth to resume, with a forecasted growth rate of 2.2 per cent in 2021.



Source: Conference Board of Canada, Summer 2019 Metropolitan Outlook



## PRELIMINARY TIMETABLE FOR THE 2020 REGIONAL BUSINESS PLANS AND BUDGETS

## A) 2020 PROPERTY TAX GUIDELINE

Item	Description	Standing Committee	Regional Council
1.	Review and Approval of the: <ul style="list-style-type: none"> <li>2020 Regional Business Plans and Property Tax Supported Budget Guideline</li> </ul>	Finance and Administration Committee – October 8, 2019	October 23, 2019

## B) STRATEGIC ISSUES AND FINANCIAL FORECAST REPORTS, AND SUPPORTING BUSINESS PLANNING REPORTS

Item	Description	Standing Committee(s)	Regional Council
1.	Review and Approval of the: <ul style="list-style-type: none"> <li>Asset Management Plan</li> </ul>	Committee of the Whole – June 12, 2019	June 26, 2019
2.	Review and Approval of the: <ul style="list-style-type: none"> <li>2020 Transportation Strategic Issues and Financial Forecast Report</li> <li>2020 Social Housing Strategic Issues and Financial Forecast Report</li> </ul>	Committee of the Whole – November 13, 2019	November 27, 2019
3.	Review and Approval of the: <ul style="list-style-type: none"> <li>2020 Water and Sanitary Sewer Strategic Issues and Financial Forecast Report</li> <li>2020 Water and Sanitary Sewer User Rates</li> </ul>	Committee of the Whole – December 11, 2019	December 18, 2019
4.	Review and Approval of the: <ul style="list-style-type: none"> <li>2020 Solid Waste Management Strategic Issues and Financial Forecast Report</li> </ul>	Committee of the Whole – January 15, 2020	January 29, 2020
5.	Review and Approval of the: <ul style="list-style-type: none"> <li>2020 Durham Region Transit Strategic Issues and Financial Forecast Report</li> </ul>	Transit Executive Committee – January 8, 2020 Finance and Administration Committee – January 14, 2020	January 29, 2020

**PRELIMINARY TIMETABLE FOR THE 2020 REGIONAL BUSINESS PLANS AND BUDGETS**

**C) 2020 DETAILED BUSINESS PLANS AND BUDGETS, STRATEGIC PROPERTY TAX STUDY AND PROPERTY TAX RATES**

<b>Item</b>	<b>Description</b>	<b>Standing Committee(s)</b>	<b>Regional Council</b>
1.	Review and Approval of the: • 2020 Detailed Water and Sanitary Sewer Business Plans and Budgets	Works Committee – December 4, 2019 Finance and Administration Committee – December 10, 2019	December 18, 2019
2.	Review and Approval of the: • 2020 Durham Regional Local Housing Corporation (DRLHC) Business Plans and Budget	DRLHC Board – January 29, 2020	
3.	Review and Approval of the: • 2020 Planning and Economic Development Business Plans and Budgets	Planning and Economic Development Committee – February 4, 2020	
4.	Review and Approval of the: • 2020 Works General Tax and Solid Waste Management Business Plans and Budgets	Works Committee – February 5, 2020	
5.	Review and Approval of the: • 2020 Durham Region Transit Business Plans and Budget	Transit Executive Committee – February 5, 2020	
6.	Review and Approval of the: • 2020 Health and Social Services Business Plans and Budgets	Health and Social Services Committee – February 6, 2020	
7.	Review and approval of the: • 2020 Departmental Business Plans and Budgets • 2020 Durham Region Transit Business Plans and Budget • 2020 Durham Regional Police Service Business Plans and Budget • 2020 Conservation Authorities Business Plans and Budgets	Finance and Administration Committee – February 11 and 12, 2020	February 26, 2020
8.	Review and Approval of the: • 2020 Strategic Property Tax Study	Finance and Administration Committee – February 11 and 12, 2020	February 26, 2020
9.	Review and Approval of the: • 2020 Property Tax Rates		February 26, 2020