

Clause 7 in Report No. 18 of Committee of the Whole was adopted, without amendment, by the Council of The Regional Municipality of York at its meeting held on December 15, 2016.

7

2017-2018 Budget – Environmental Services

1. Receipt of the presentation by Erin Mahoney, Commissioner, Environmental Services.
2. Adoption of the following recommendations contained in the report dated November 16, 2016 from the Commissioner of Finance recommending that:
 1. The Committee of the Whole recommends the budget as submitted for Environmental Services as follows:
 - a) The 2017 operating budget and the outlook for 2018, as summarized in Attachment 1
 - b) The 2017 capital expenditures and the 2017 Capital Spending Authority, as summarized in Attachment 2.
 2. The recommended budget be consolidated by the Treasurer for consideration by Council on December 15, 2016.

Report dated November 16, 2016 from the Commissioner of Finance now follows:

1. Recommendations

It is recommended that:

1. The Committee of the Whole recommends the budget as submitted for Environmental Services as follows:
 - a) The 2017 operating budget and the outlook for 2018, as summarized in Attachment 1
 - b) The 2017 capital expenditures and the 2017 Capital Spending Authority, as summarized in Attachment 2.
2. The recommended budget be consolidated by the Treasurer for consideration by Council on December 15, 2016.

2. Purpose

This report provides a summary of the 2017-2018 Operating and Capital Budget for Environmental Services for consideration by Committee.

3. Background and Previous Council Direction

On December 17, 2015 Council approved an operating outlook for 2017 and 2018

As part of the 2016-2018 Budget, Council approved an outlook for the operating budget for 2017 and 2018. This approved outlook formed the starting point for this year's budget. Evolving circumstances and emerging pressures are a natural part of a multi-year budget process. Absent of extraordinary pressures, departments were expected to stay within their outlook. The 2017-2018 operating budget reflects any revisions that have been made to the previously approved outlook.

The 2017 Budget was tabled on November 17, 2016

The consolidated 2017-2018 Operating and Capital Budget was tabled with Council on November 17, 2016. It was received and referred to the December meetings of Committee of the Whole for consideration and recommendation.

The 2017 Budget Direction report, approved by Council on May 19, 2016, outlined the proposed timelines and indicated that the 2017-2018 budget would

be approved in December 2016, as long as Council is satisfied with it through the review process.

A two-year operating budget was tabled for Council's consideration

The operating budget presented is a two-year budget that spans the remaining years of Council's term. Council is asked to approve the budget for 2017 and the outlook for 2018. The approved outlook will then form the basis for the budget process next year. Council has the authority to change the budget each year in response to changing circumstances and new information.

Multi-year commitments for capital projects are proposed as part of the budget process

Many complex capital projects span several years of planning, design and construction, requiring multi-year spending authority.

Capital Spending Authority is requested for projects with contractual and other clear or certain multi-year commitments. As in previous years, Council is asked to approve multi-year Capital Spending Authority for capital projects.

4. Analysis and Implications

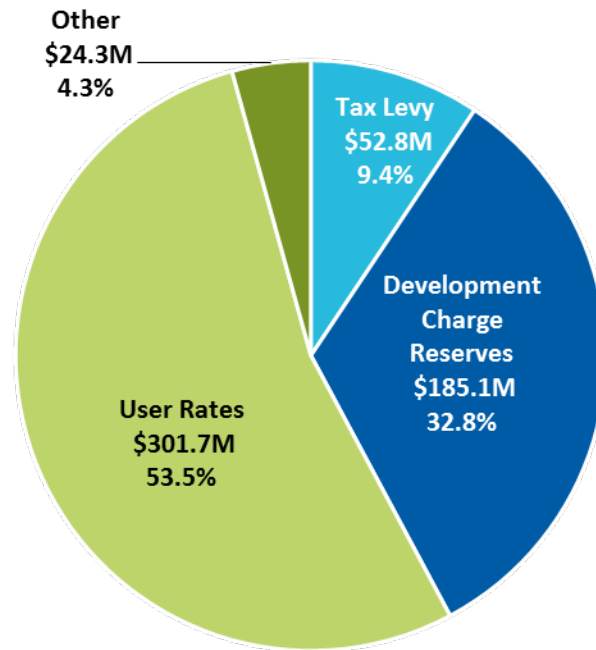
Operating Budget (page 107)

Environmental Services is largely funded through water and wastewater user rates

The budget shows both the gross operating expenditures (total budget) and the net tax levy (the portion of the budget paid for by the tax levy).

Environmental Services' total gross budget for 2017 is \$563.9 million. As shown in Graph 1 below, tax levy pays for 9.4% of the cost of services provided by the department. The rest of the funding comes from water and wastewater user rates and draws from the development charge reserve.

Graph 1
Gross expenditures of \$563.9 million are primarily funded by user rates



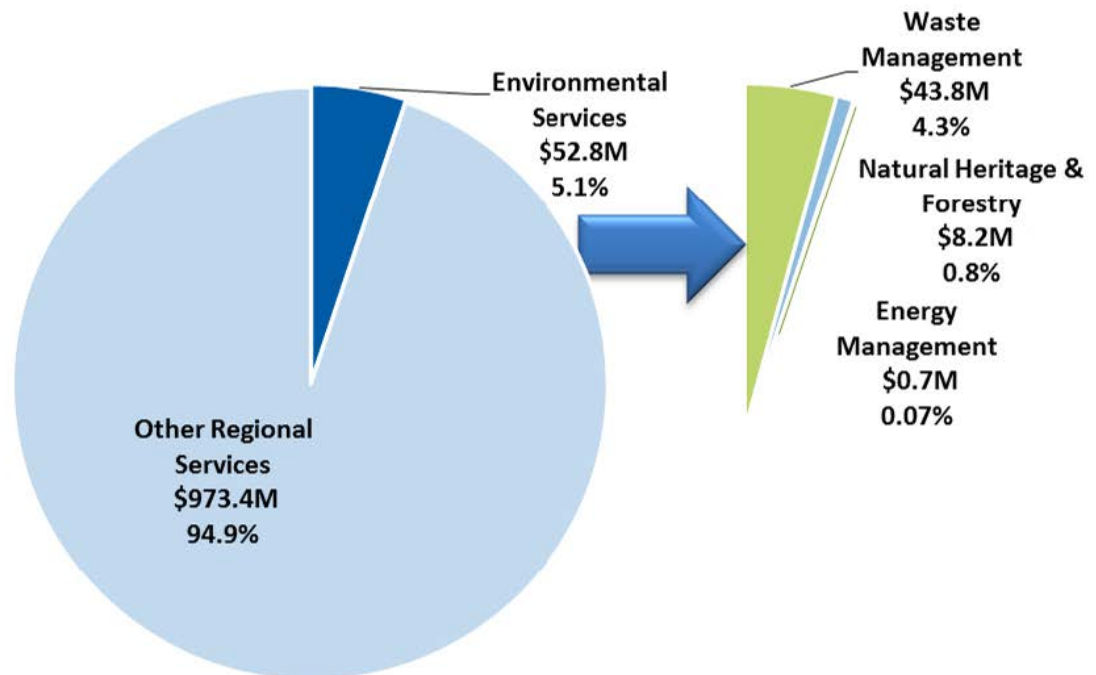
The proposed budget for Environmental Services reflects net operating expenditures of \$52.8 million in 2017

The 2017-2018 Operating Budget includes the cost of providing:

- Base services
- Legislated and contractual requirements
- Impact of capital
- Growth
- Service enhancements.

The proposed net budget for Environmental Services is \$52.8 million, or 5.1% of the total 2017 proposed Regional net operating budget, as shown in Graph 2 below.

Graph 2
Environmental Services accounts for 5.1% of the tax dollar



The proposed budget also includes an outlook for 2018.

Table 1 in Attachment 1 summarizes the proposed gross and net operating budgets for 2017 and the outlook for 2018.

Water and wastewater user rate approved to achieve full cost recovery in 2021

In October 2015, Council approved multi-year user rates that are expected to achieve full cost recovery in 2021. The new user rates provide funds for increased asset replacement and rehabilitation expenditures, and eliminate the need to issue rate-supported debt in the future. The capital budget includes approximately \$1 billion in spending on asset replacement and rehabilitation over the next ten years. The new rate structure also fairly distributes capital replacement costs over time, through equal per capita contributions once full cost recovery is achieved in 2021.

Environmental Services is within the approved outlook for all years

Environmental Services' proposed 2017 budget and outlook for 2018 is within the outlook approved as part of the 2016 to 2018 Budget.

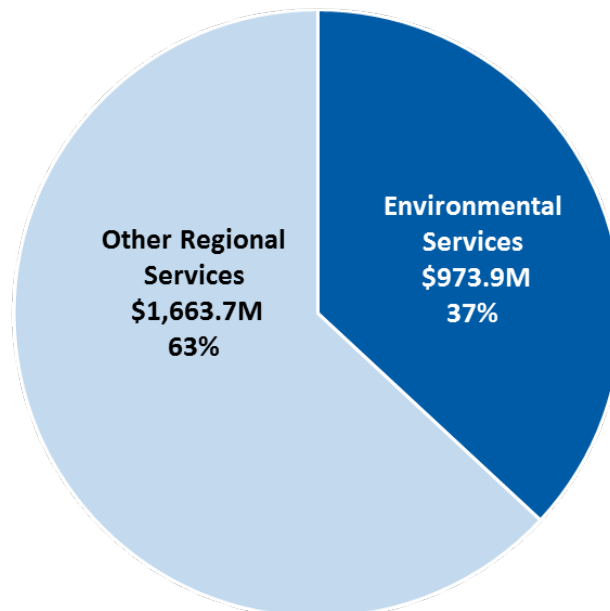
Capital Budget (page 113)

Approval of 2017 Capital Expenditures of \$198.8 million and Capital Spending Authority of \$973.9 million is requested for Environmental Services

The capital budget includes new infrastructure projects in support of growth, rehabilitation and replacement of existing infrastructure and service enhancement.

The proposed Capital Spending Authority for Environmental Services is \$973.9 million, or 37% of the total 2017 Capital Spending Authority, as shown below in Graph 3.

Graph 3
Environmental Services accounts for 37% of 2017 Capital Spending Authority for the Region



In recent years, major capital investments have focused on securing long-term water supply from the City of Toronto and the Region of Peel and removing major wastewater system conveyance and treatment constraints by building the new

Southeast Collector and expanding the Duffin Creek Plant. The \$2.4B Ten-Year Capital Plan and requested CSA focuses on providing additional capacity and rehabilitating and replacing aging infrastructure.

The proposed Capital Plan reflects the need to continue to make investments, balanced with the Region's overall financial capacity. It includes growth projects timed to meet fiscal strategy requirements, as well as additional rehabilitation and replacement enabled by the new water and wastewater rates.

Attachment 2 summarizes the 2017 Capital Spending Authority by program and shows the associated financing sources for Environmental Services. Details on the individual projects included in the program groups are available in the 2017-2018 Budget book.

The budget is informed by Council-approved strategies and plans

The 2017-2018 budget for Environmental Services reflects the directions and strategies set out in Vision 2051, the York Region Official Plan, the SM4RT Living Plan, Waste Management Plan, the Greening Strategy, VivaNext plantings and the Forest Management Plan. The budget is also supportive of the objectives outlined in the 2015 to 2019 Strategic Plan. The recently approved Water and Wastewater Master Plan will provide input into the upcoming 2017 development charge bylaw update and more fully inform the 2018 capital budget.

5. Financial Considerations

The net operating budget for Environmental Services totals \$52.8 million in 2017 and includes an outlook for 2018, as summarized in Attachment 1. Council will have an opportunity to make adjustments to the outlook next year if required.

The proposed 2017 Capital Spending Authority reflects a multi-year commitment of \$973.9 million, as summarized in Attachment 2. Expenditures not identified as part of Capital Spending Authority but contained within the Ten-Year Capital Plan are provided for planning purposes and will be brought forward for formal approval in subsequent budget years.

6. Local Municipal Impact

The Region provides essential services to the residents and businesses in York Region. Environmental Services works in partnership with each local municipality to ensure water, wastewater, waste management and forestry services are delivered seamlessly to residents and businesses.

7. Conclusion

This report sets out the proposed 2017-2018 budget for Environmental Services. To facilitate the completion of the budget process, it is recommended that the Committee's recommendations be forwarded to Council for consideration on December 15, 2016.

For more information on this report, please contact Kelly Strueby, Director, Office of the Budget, at ext. 71611.

The Senior Management Group has reviewed this report.

November 16, 2016

Attachments (2)

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Accessible formats or communication supports are available upon request.

2017 to 2018 Budget Summary for Environmental Services

Proposed Operating Budget Expenditures

(in \$000s)

Department	Page No.	2017 Outlook		2018 Outlook	
		Gross	Net	Gross	Net
Waste Management ¹	110	64,674	43,813	67,566	45,413
Water & Wastewater Services ¹	109	488,965	-	509,311	-
Natural Heritage and Forestry ¹	111	9,318	8,238	9,194	8,114
Energy Management	112	895	740	963	755
Total²	108	563,851	52,791	587,034	54,282

¹ Includes Contributions to Capital

² Numbers may not add due to rounding

Note: Net operating expenditures= tax levy

**2017 Capital Expenditures and Capital Spending Authority (CSA)
Environmental Services**

Water	Page No.	2017 \$000s	2017 CSA \$000s
Program Expenditures:			
Rehabilitation & Replacement	113/275	36,321	102,646
Growth	113/274	41,481	134,285
Total¹		77,801	236,931
Financing Sources:			
Reserves	275	39,568	107,893
Debenture – Development Charges	276	31,370	31,370
Development Charge – Reserve Draws	275	2,944	93,749
Other Recoveries	276	3,920	3,920
Total Financing Sources¹		77,801	236,931

Wastewater	Page No.	2017 \$000s	2017 CSA \$000s
Program Expenditures:			
Rehabilitation & Replacement	113/290	40,696	422,759
Growth	113/289	65,436	289,397
Total		106,132	712,156
Financing Sources:			
Reserves	291	47,511	389,794
Debenture – Development Charges	291	52,264	52,265
Development Charge – Reserve Draws	291	509	217,296
Other Recoveries	291	5,848	52,801
Total Financing Sources		106,132	712,156

¹ Numbers may not add due to rounding

Waste Management	Page No.	2017 \$000s	2017 CSA \$000s
Program Expenditures:			
Rehabilitation & Replacement	113/298	3,354	4,069
Growth	113/298	8,746	14,428
Total		12,100	18,497
Financing Sources:			
Reserves	299	12,100	18,497
Total Financing Sources		12,100	18,497

Natural Heritage & Forestry	Page No.	2017 \$000s	2017 CSA \$000s
Program Expenditures:			
Natural Heritage & Forestry	113/303	2,022	2,072
Financing Sources:			
Current Tax Levy – Reserves	303	1,297	1,347
Development Charge Reserve Draws	303	725	725
Total Financing Sources		2,022	2,072

Energy Management	Page No.	2017 \$000s	2017 CSA \$000s
Program Expenditures:			
Energy Management	113/307	770	4,260
Financing Sources:			
Reserves	307	770	4,260
Total Financing Sources		770	4,260

Environmental Services 2017 Business Plan and Budget

Presentation to Committee of the Whole

Erin Mahoney

December 1, 2016



Our Services Touch 100% of Our Residents



Town of
East Gwillimbury



GEORGINA

KING

MARKHAM



Richmond Hill



W TOWN OF
WHITCHURCH-STOUFFVILLE

The logo for York Region, featuring a stylized white bird or wing shape above the text "York Region" in white italicized serif font.

York Region

Environmental Services Department



This team delivers water, wastewater, waste, forestry and corporate energy services

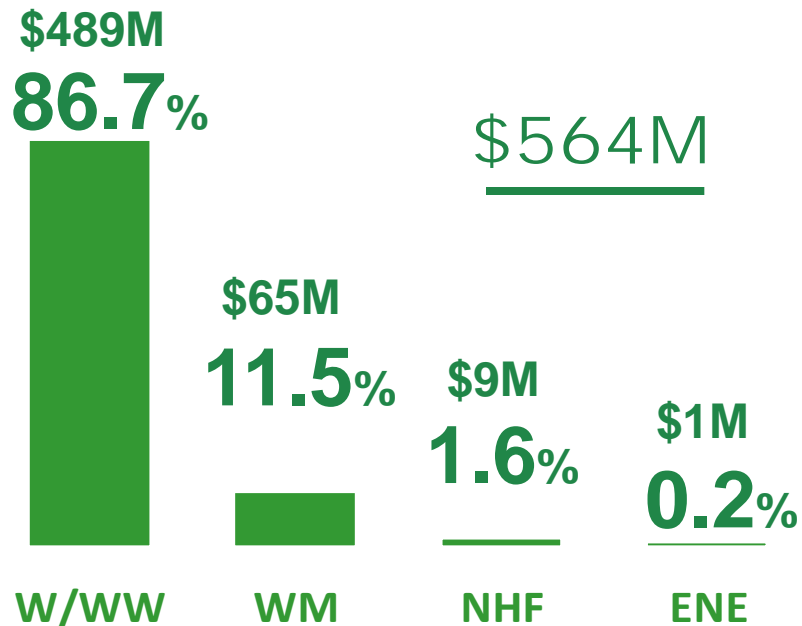
Proposed Budget at a Glance

Proposed Net Operating Budget Change	2017	2018
	3.3%	2.8%
Net Operating Budget for 2017	\$52.8M	
Capital Budget for 2017	\$199M	
Capital Spending Authority	\$974M	
10-Year Capital Plan	\$2.4B	

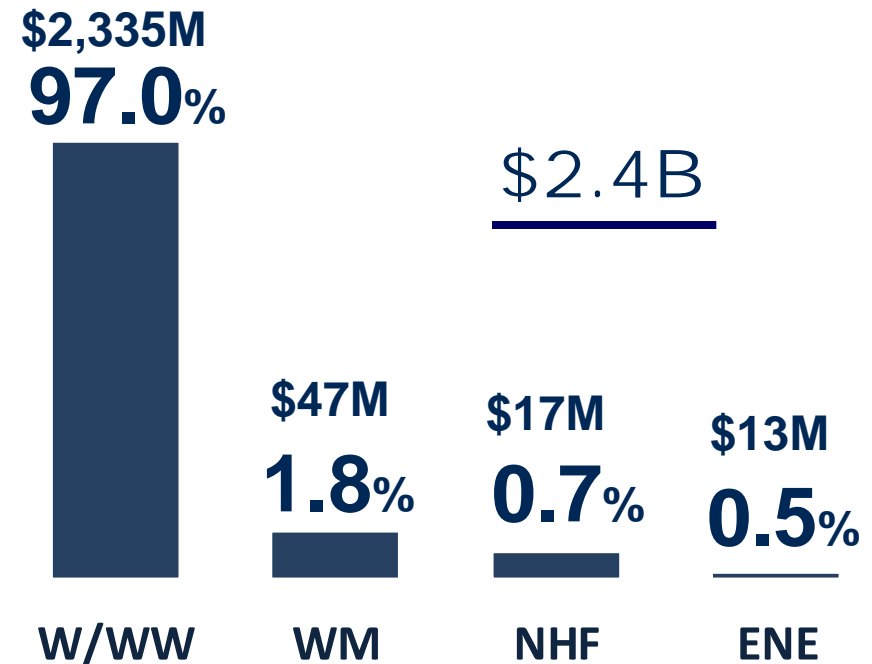
No tax levy variance proposed compared to 2017 outlook approved in 2016

Overview of 2017 Operating Budget and 10-Year Capital Plan

2017 Operating



10-Year Capital Plan



Water and wastewater accounts for 94 per cent of spending in Environmental Services

Driving Budget Efficiencies



CUTTING
COSTS

\$0.5M



INCREASING
REVENUE

\$0.3M



OPTIMIZING
PROCESSES

\$1.1M

in Water and Wastewater

Driving Budget Efficiencies



CUTTING
COSTS

\$0.7M



INCREASING
REVENUE

\$0.1M



OPTIMIZING
PROCESSES

\$0.1M

in Waste, Forestry and Energy

2015 – 2019 Strategic Plan Activities Environmental Services Department



**ECONOMIC
VITALITY**



**HEALTHY
COMMUNITIES**



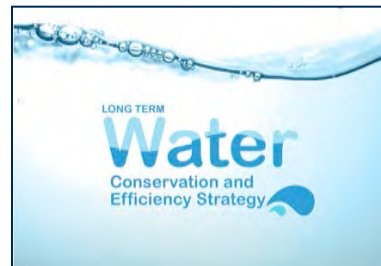
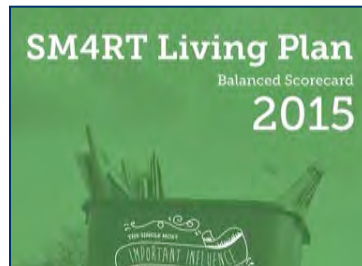
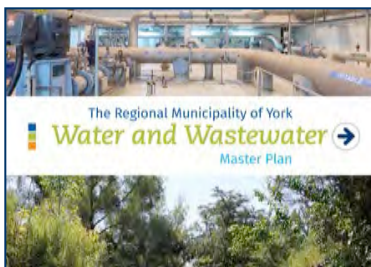
**SUSTAINABLE
ENVIRONMENT**



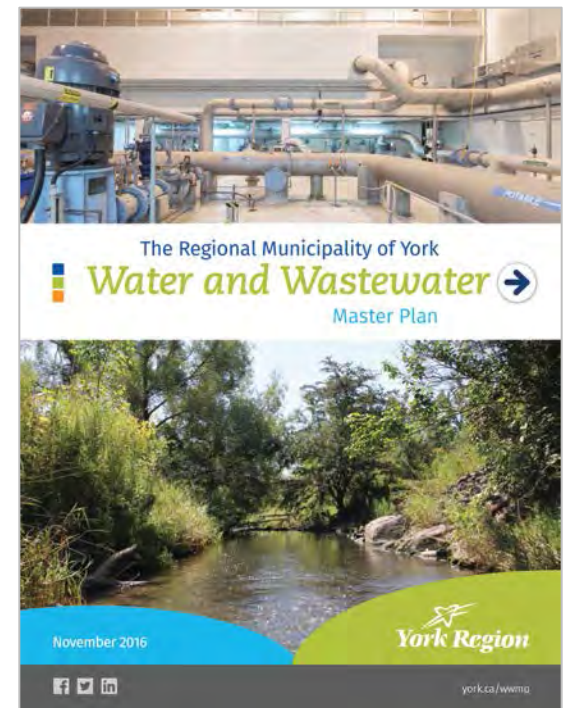
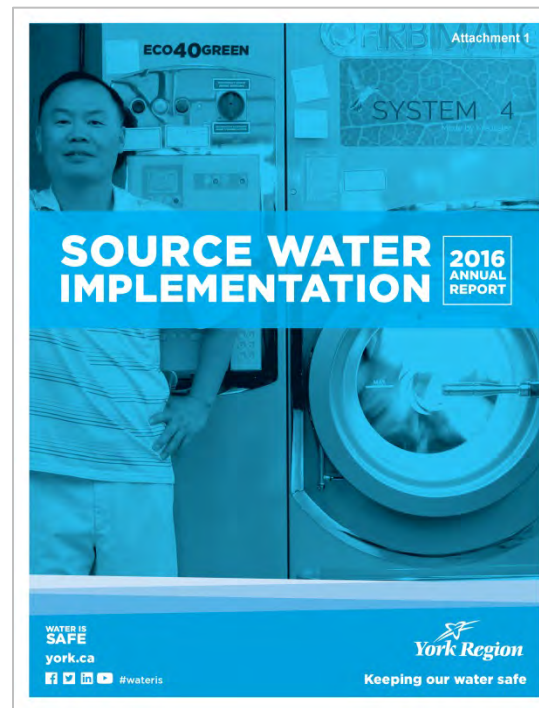
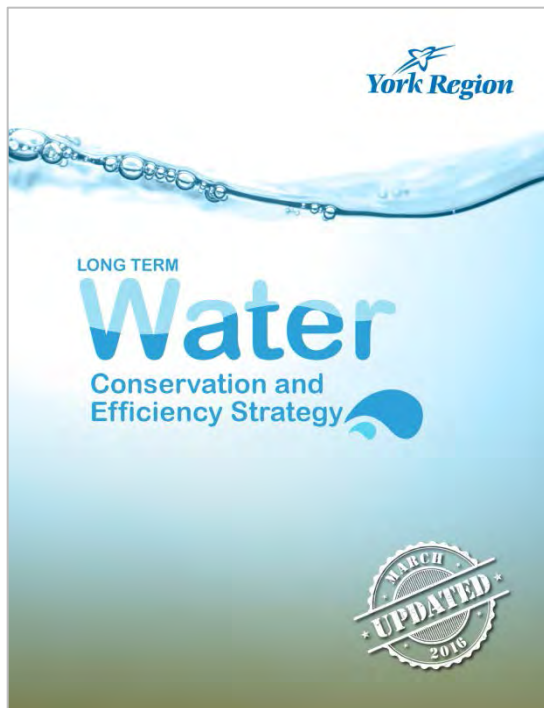
**GOOD
GOVERNMENT**

Key Planned Regional Activities

- ❑ Complete and implement Water and Wastewater Master Plan Update
- ❑ Implement Environmental Services Infrastructure Improvement Program
- ❑ Implement SM4RT Living Integrated Waste Management Master Plan
- ❑ Implement Long Term Water Conservation Strategy
- ❑ Implement Greening Strategy programs; increasing forest cover and urban canopy
- ❑ Implement infrastructure Asset Management Framework across Corporation
- ❑ Complete Bi-annual Corporate State of Infrastructure Report



Water: Accomplishments



Delivered over \$80M in capital projects

Wastewater: Accomplishments



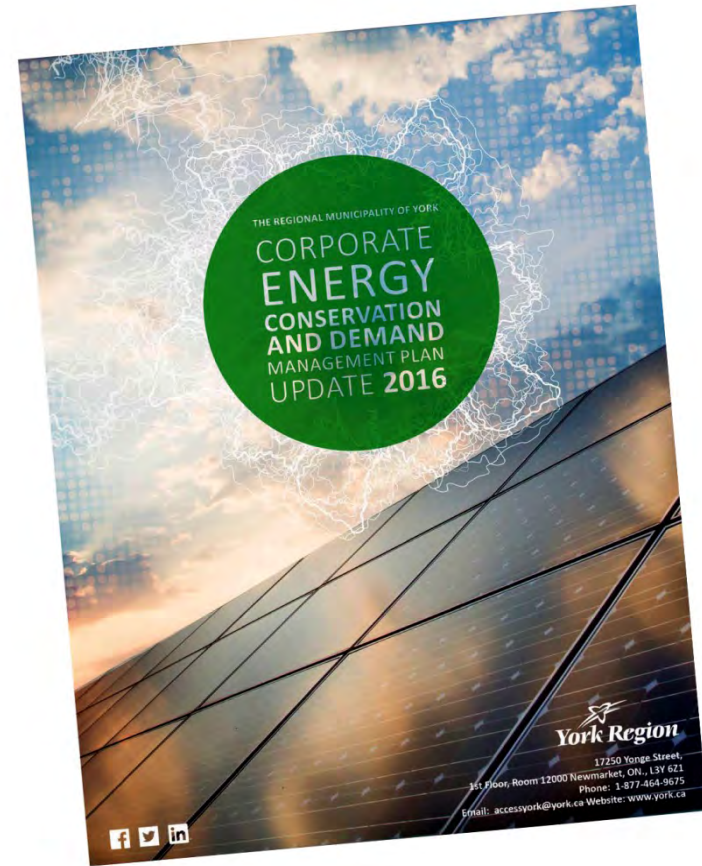
Delivered over \$120M in capital projects

Waste: Accomplishments



On track to achieve 90 per cent diversion from landfill

Forestry and Energy: Accomplishments



Completed Forest Management Plan and updated Energy Plan

Future-Proofing

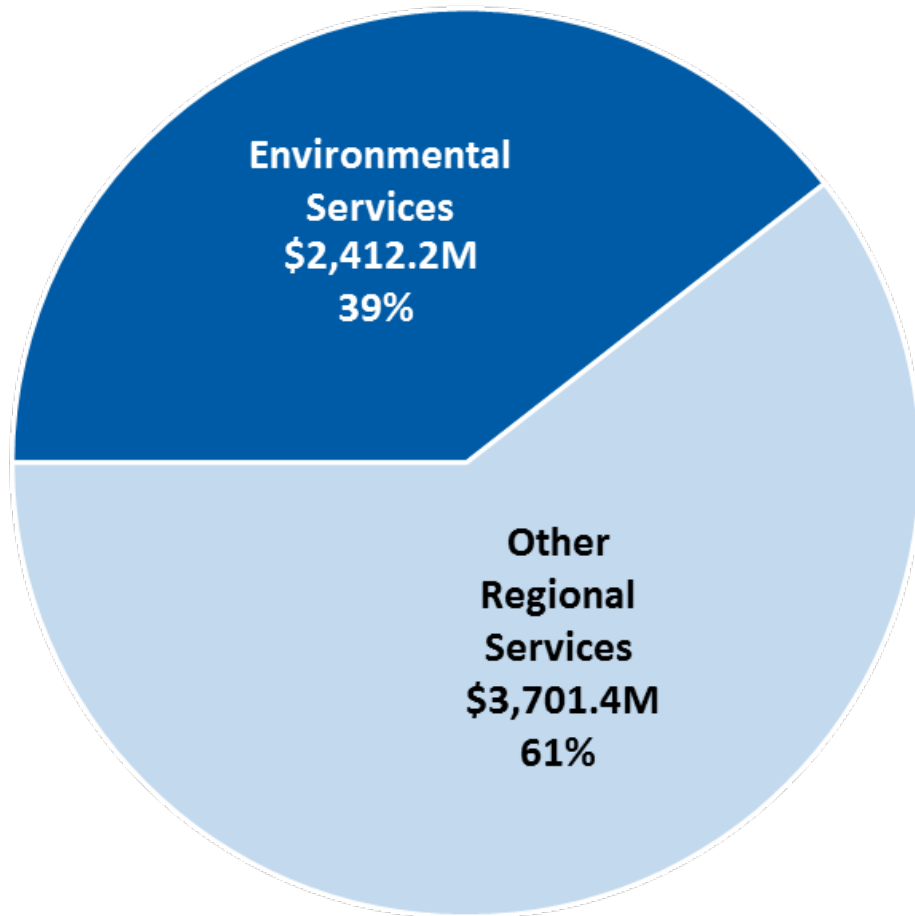


Building climate change resiliency into all programs

CAPITAL

ENVIRONMENTAL SERVICES DEPARTMENT

York Region 10-Year Capital Plan



**York Region 2017 10-Year
Capital Plan: \$6,113.6M**

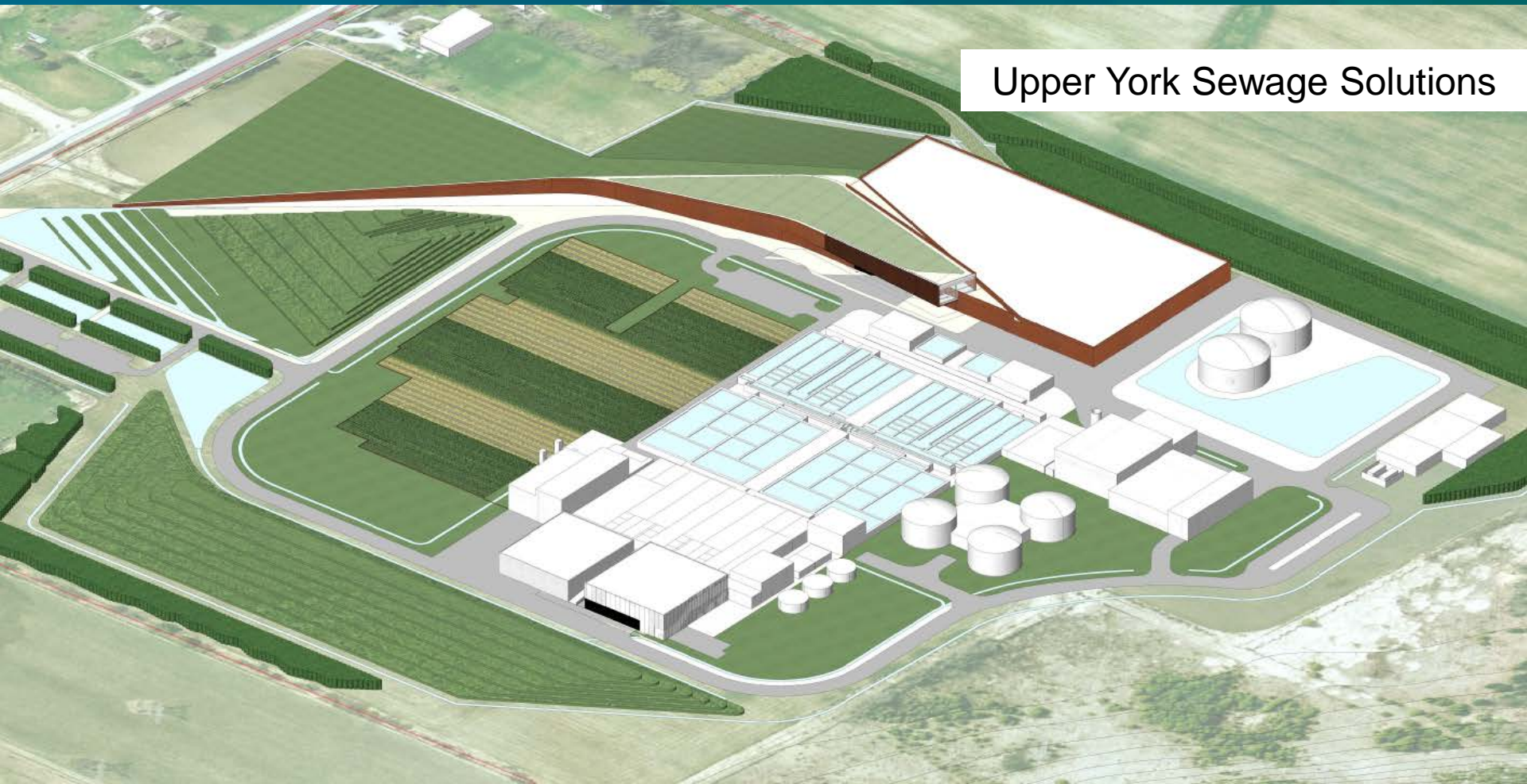
Environmental Services represents 39 per cent of the Region's 10-year capital plan

Proposed Capital Budget

Capital Budget	\$ Millions
2017 Capital	199
2017 Capital Spending Authority	974
10-Year Capital Plan	2,412

Capital budget focused on delivering required capacity to service growth and sustain critical infrastructure

Drive For Capital Efficiency and Innovative Solutions

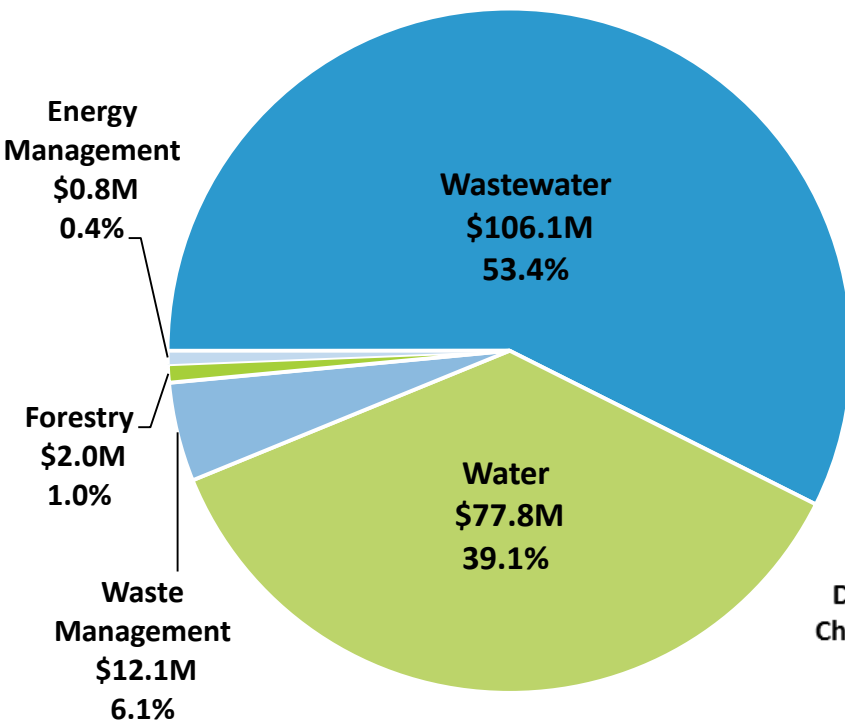


Upper York Sewage Solutions

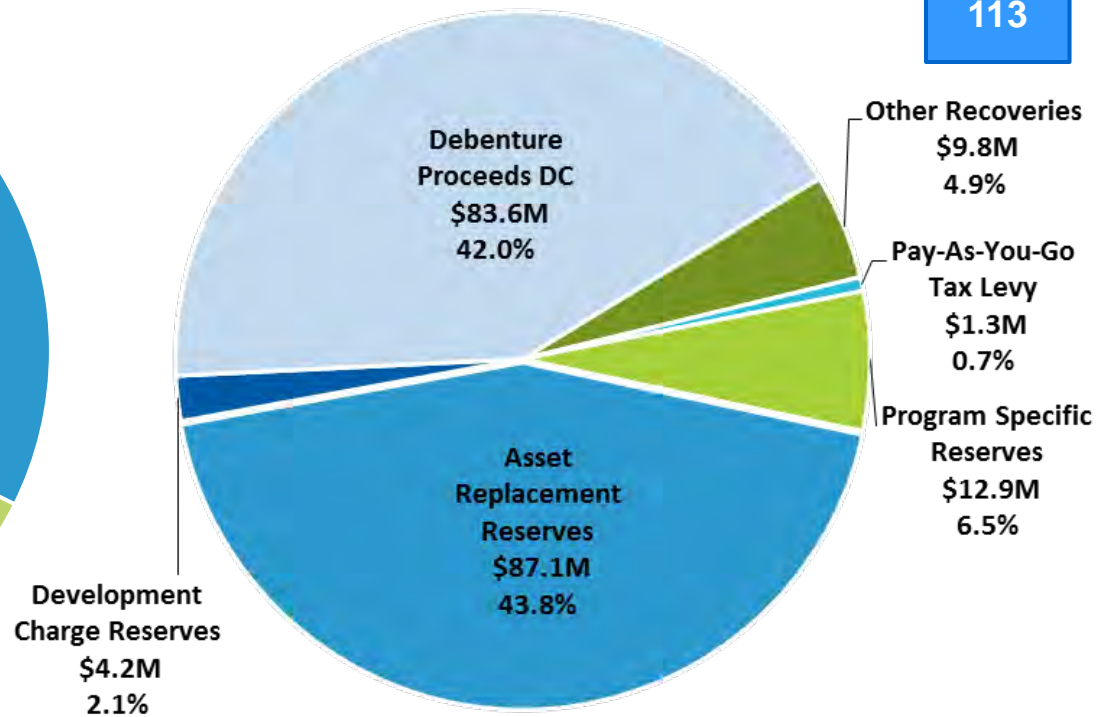
\$2.4 billion in new capital and capital improvements
over the next 10 years

2017 Capital Plan Overview

**2017 Capital Expenditures
\$199 Million**



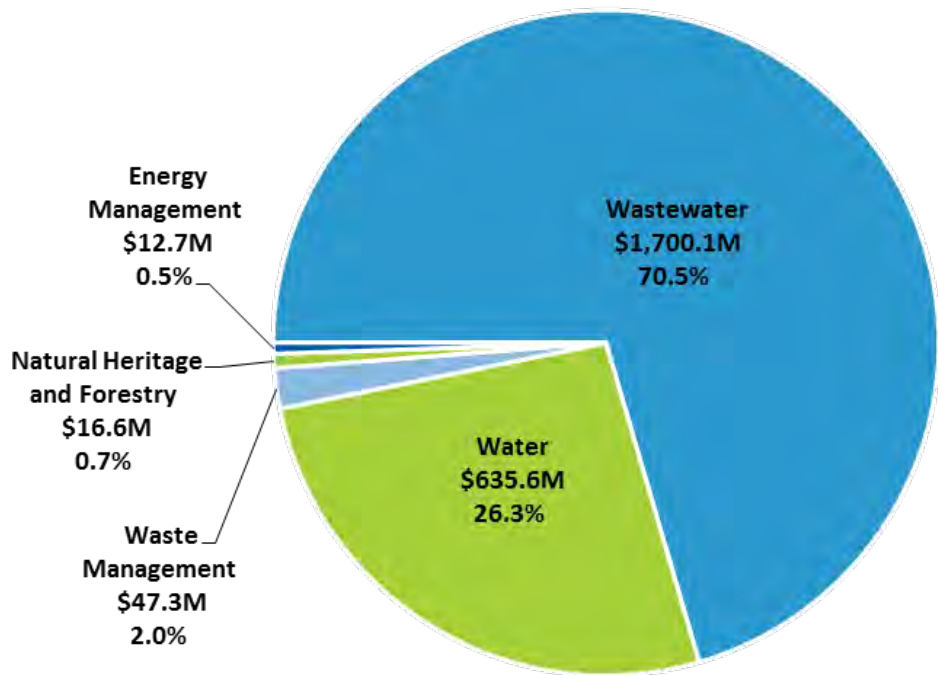
**2017 Funding Sources
\$199 Million**



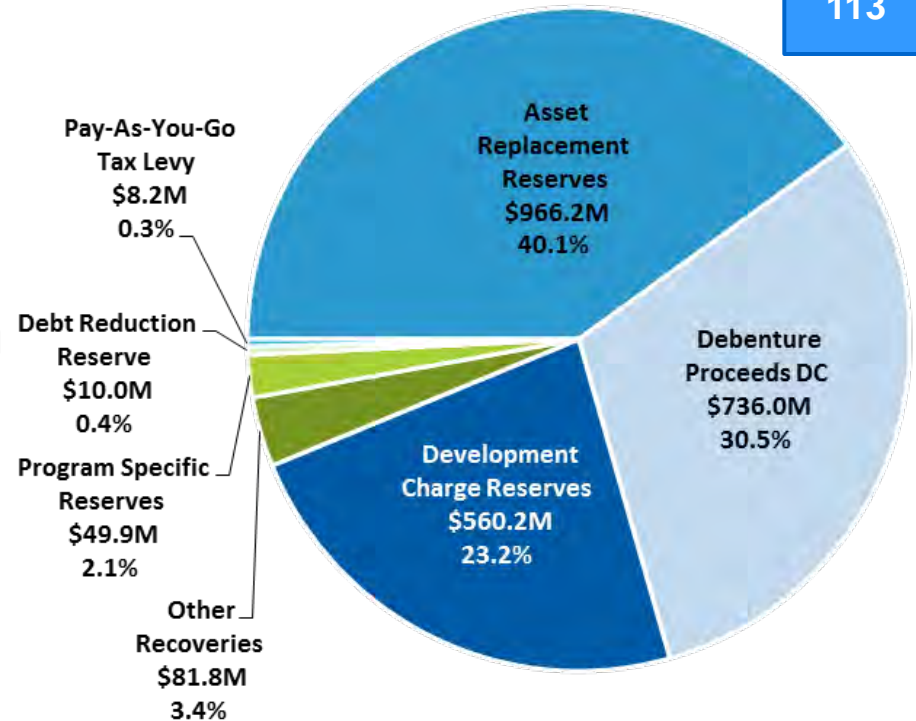
\$199M 2017 Capital Budget with over 140 active projects

10-Year Capital Plan Overview

**Gross Expenditures
\$2,412 Million**



**Funding Sources
\$2,412 Million**



Water and Wastewater is 97 per cent of 10-Year Capital Plan

2017 to 2026 Capital Plan

WATER	WASTEWATER	WASTE	FORESTRY	ENERGY
<u>\$636M</u>	<u>\$1,700M</u>	<u>\$47M</u>	<u>\$17M</u>	<u>\$13M</u>
Rehabilitation & Replacement <i>\$386M</i>	Rehabilitation & Replacement <i>\$607M</i>	Rehabilitation & Replacement <i>\$21M</i>	Street Tree Planting <i>\$12M</i>	Energy Retrofit – Various Existing Buildings <i>\$13M</i>
Toronto Cost Shared <i>\$74M</i>	Upper York <i>\$584M</i>	Source Separated Organics Facility <i>\$11M</i>	Regional Forest Property Upgrade <i>\$3M</i>	
Green Lane/ Leslie Street Water main <i>\$36M</i>	West Vaughan <i>\$157M</i>	Markham Household Hazardous Waste Depot <i>\$4M</i>	Urban Forest Studies <i>\$1M</i>	
Peel Cost Shared <i>\$24M</i>	Primary Trunk Sewer <i>\$151M</i>			

Over 40 per cent of 10-Year Capital Plan is related to asset management

Strengthening Commitment to Infrastructure

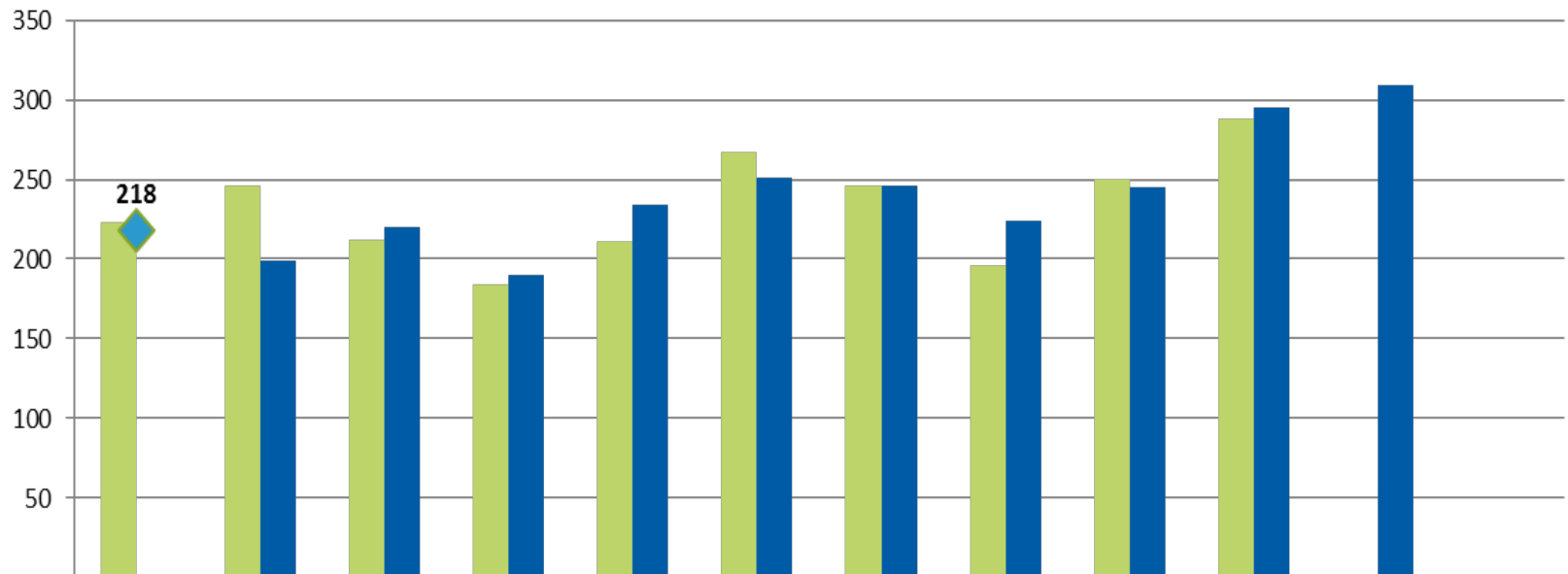


Duffin Creek Incinerator Upgrades

Operating and maintaining \$6.3B asset base

Comparison of 10-Year Capital Plan 2016 vs. 2017

\$ Million

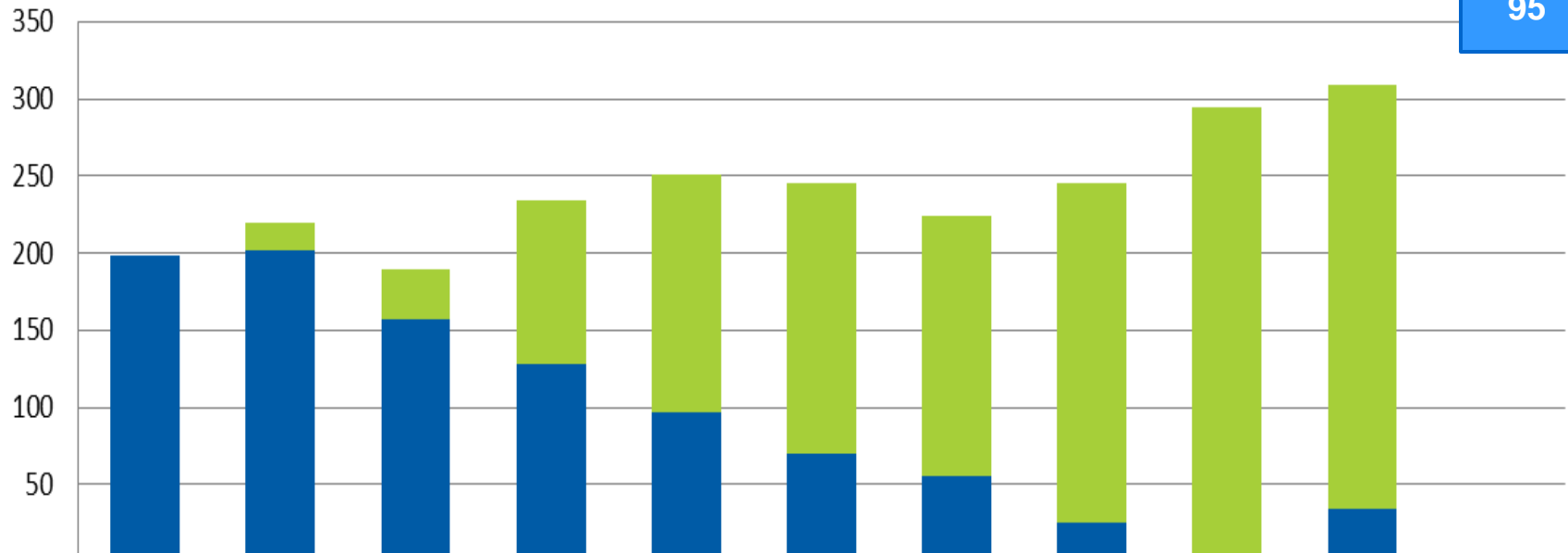


	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	Total
■ 2016 Budget	223	246	212	184	211	267	247	196	250	288	-	2,323
■ 2017 Budget	-	199	220	190	234	251	246	224	245	295	309	2,412
Increase/(Decrease)	(223)	(47)	8	6	23	(16)	(1)	28	(5)	7	309	89

\$2.4B 10-Year Capital Plan

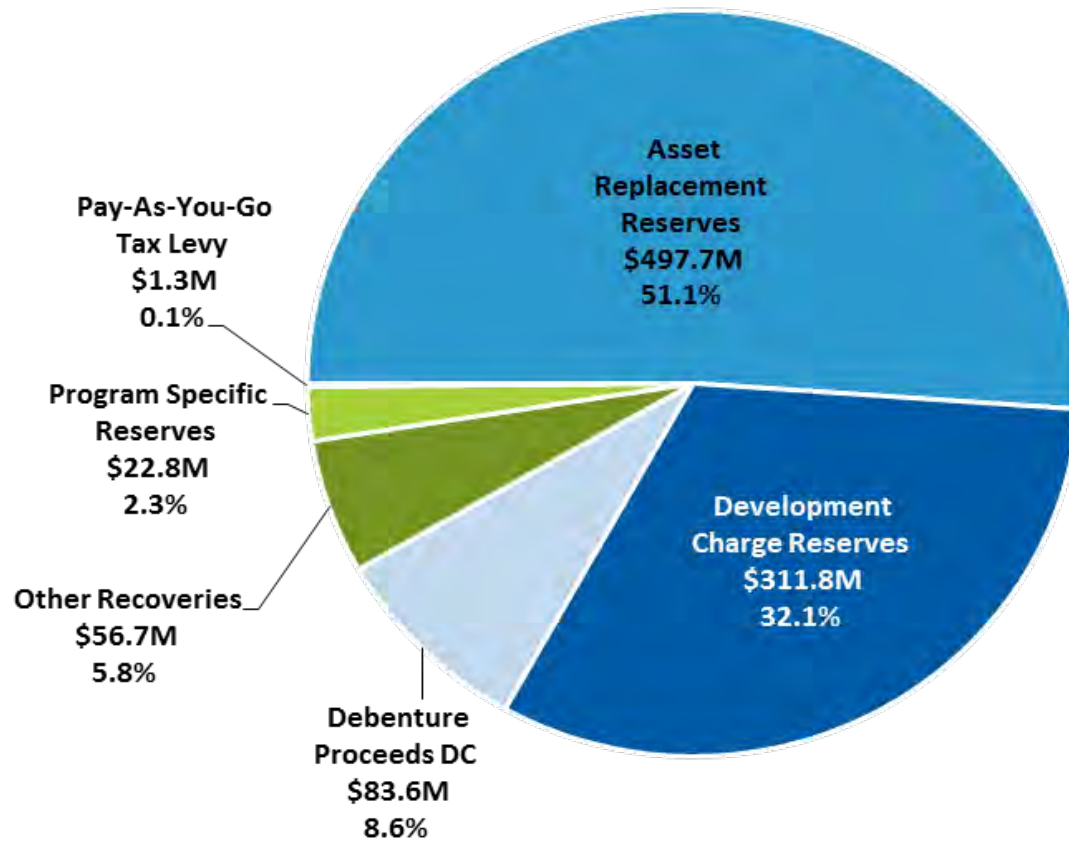
10-Year Capital Plan and Capital Spending Authority (CSA)

\$ Million



	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	Total
■ Non-CSA	-	18	33	106	154	176	168	220	290	274	1,438
■ CSA	199	202	157	128	97	70	56	25	5	35	974
All CSA Years	199	220	190	234	251	246	224	245	295	309	2,412

2017 CSA Funding Sources



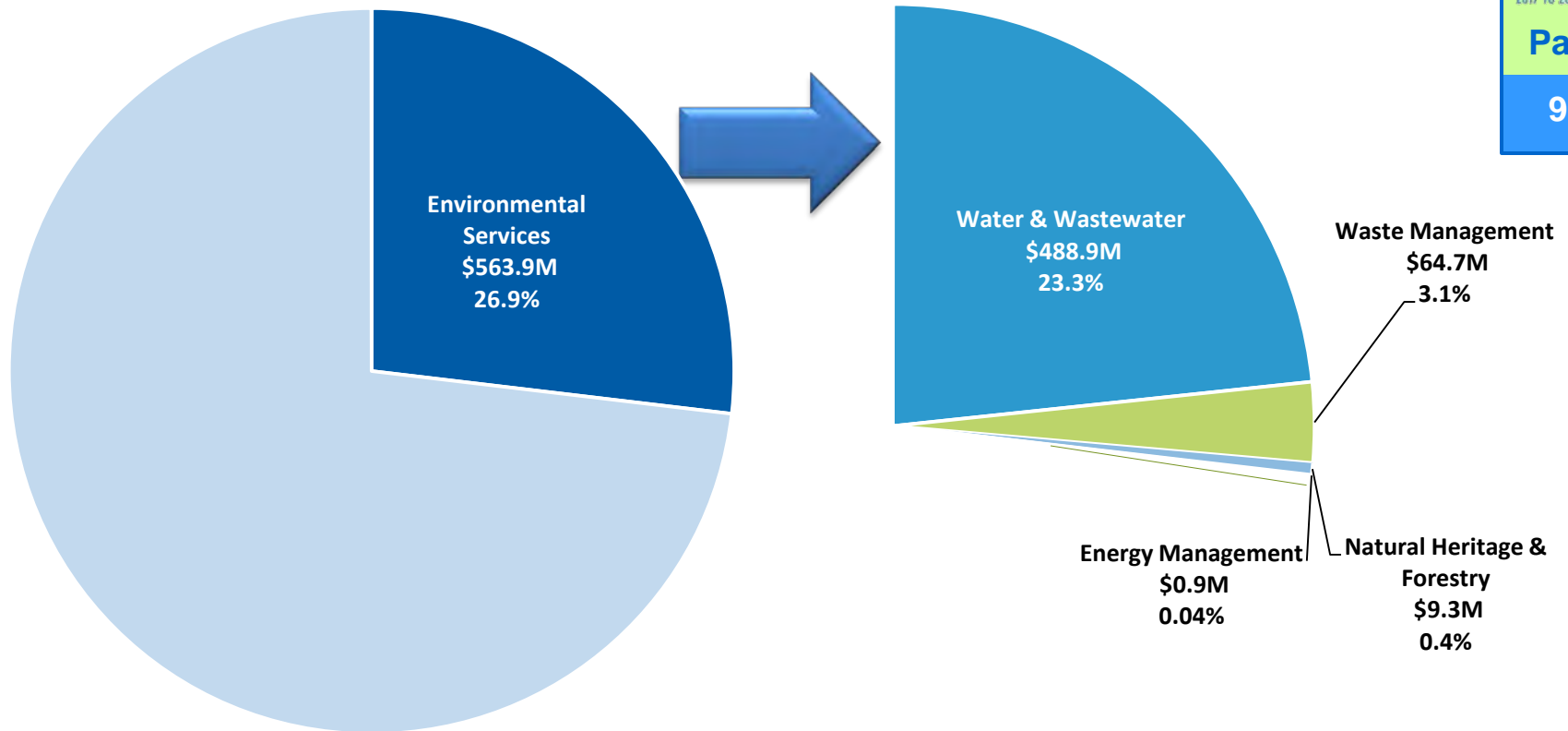
Total: \$974M

CSA primarily financed through reserves

OPERATING

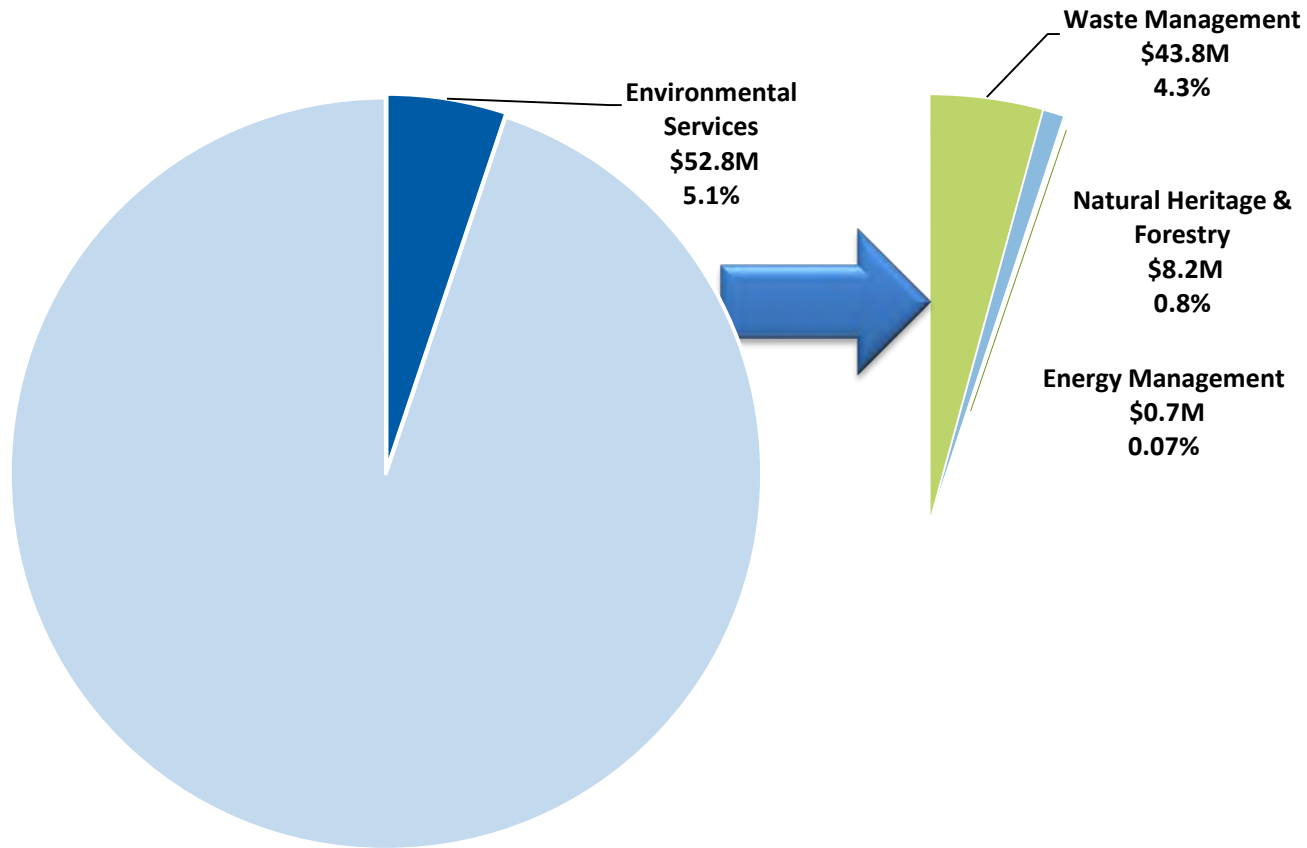
ENVIRONMENTAL SERVICES DEPARTMENT

2017 Operating Share of Total Gross Spending



Water and Wastewater account for about 87 per cent of total gross spending in Environmental Services in 2017

2017 Operating Share of Total Net Spending



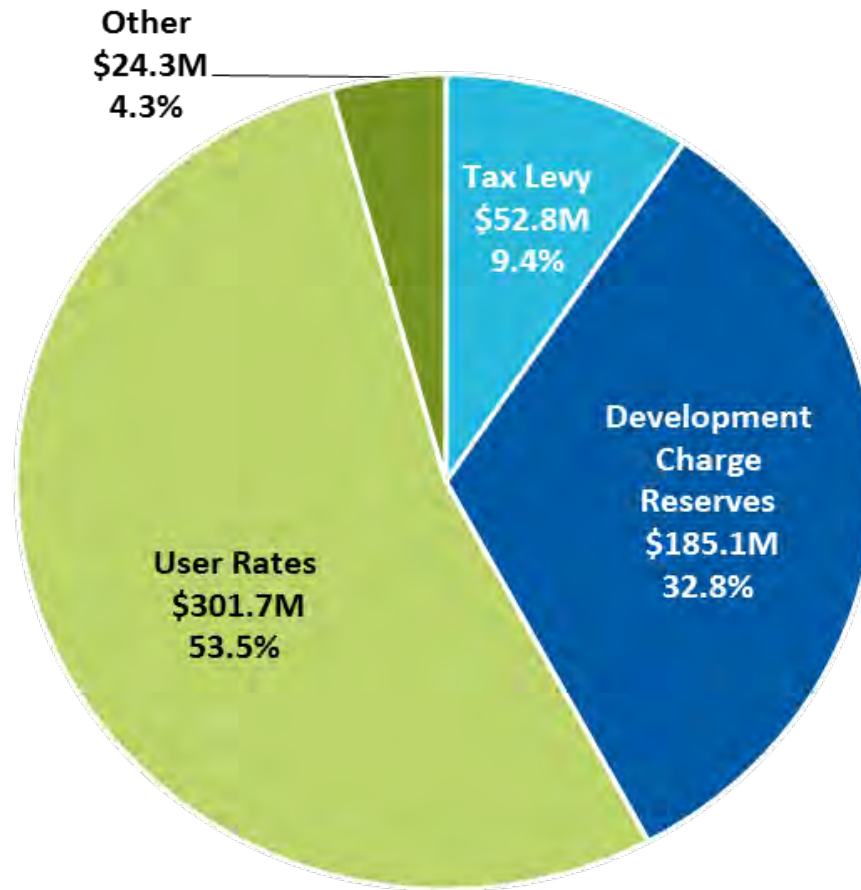
Environmental Services represents only 5.1 per cent of total Regional net spending

Operating Budget Summary

	2016 Approved	2017 Proposed	2018 Outlook
Gross Expenditures (\$M)	542.9	563.9	587.0
Non-Tax Revenues (\$M)	(491.8)	(511.1)	(532.8)
Net Expenditures (\$M)	51.1	52.8	54.3
Increase/(Decrease) (year over year)	-	3.3%	2.8%
2016 Approved Outlook		3.3%	2.8%
Total FTEs	375.0	394.0	412.0
New FTEs	19.0	19.0	18.0
2016 Approved Outlook New FTEs	-	19.0	18.0

How the 2017 Operating Budget is Funded

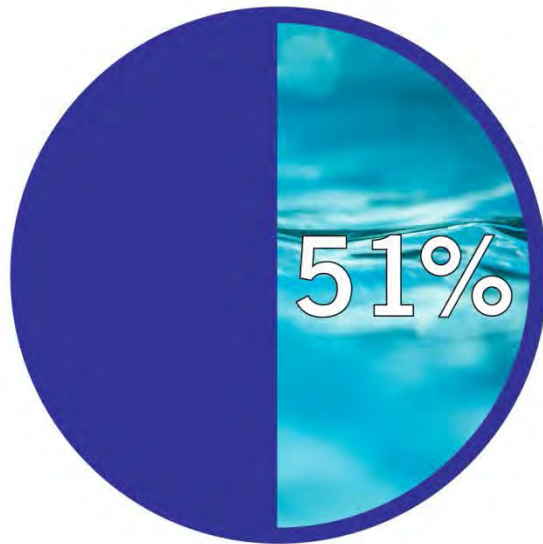
Environmental Services 2017 Funding Requirements: \$563.9M



User rates account for approximately 54 per cent of required funding

Balancing Roles for Private and Public Sector Participation in Delivery

WATER/WASTEWATER



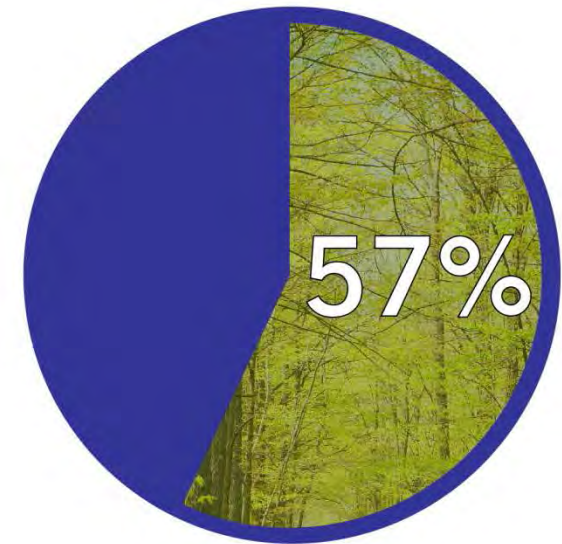
of direct costs are related to purchased water and treatment costs

WASTE



of waste management costs are third party contracts

FORESTRY



of direct costs are contracted services for planting, maintenance and partnerships

Effective and efficient service delivery reliant on private sector capacity and partnerships

Water and Wastewater User Rates



Moving to full cost recovery by 2021

Leveraging Utility Data and Analytics



Creating efficiencies through investment in new technologies and data analysis

2017 – 2018 Budget Summary

	2017	2018
Net Operating Budget	\$52.8M	\$54.3M
Capital Budget for 2017	\$199M	
10-Year Capital Plan	\$2.4B	
2017 CSA	\$974M	

No change in requested net operating budget compared to approved outlook

Managing Future Pressures

Over \$2M of efficiencies in 2017 budget with continued focus on improvements

Delivering services through strong partnerships with our local municipalities

Increased asset management, no new user-rate debt with full cost recovery by 2021

Budget Recommendations

1. The Committee of the Whole recommends the budget as submitted for Environmental Services as follows:
 - a) The 2017 operating budget and the outlook for 2018, as summarized in Attachment 1
 - b) Capital Spending Authority, as summarized in Attachment 2

2. That the recommended budget be consolidated by the Treasurer for consideration by Council on December 15, 2016

Delivering capacity needs within financial limits and building system resiliency through asset management