



FROM VISION TO RESULTS



THE REGIONAL MUNICIPALITY OF YORK  
ONTARIO, CANADA

2015 COMMUNITY REPORT

FOR THE YEAR ENDED DECEMBER 31, 2015



The background image shows the York Region Council Chambers, a modern building with a curved facade of light-colored stone and large glass windows. Two prominent clock towers are visible on the right side of the building. The sky is clear and blue.

## OUR VISION

Creating strong, caring, safe communities.

## OUR MISSION

York Region staff are committed to providing cost effective, quality services that respond to the needs of our rapidly growing communities.



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## 2015 ACCOMPLISHMENTS

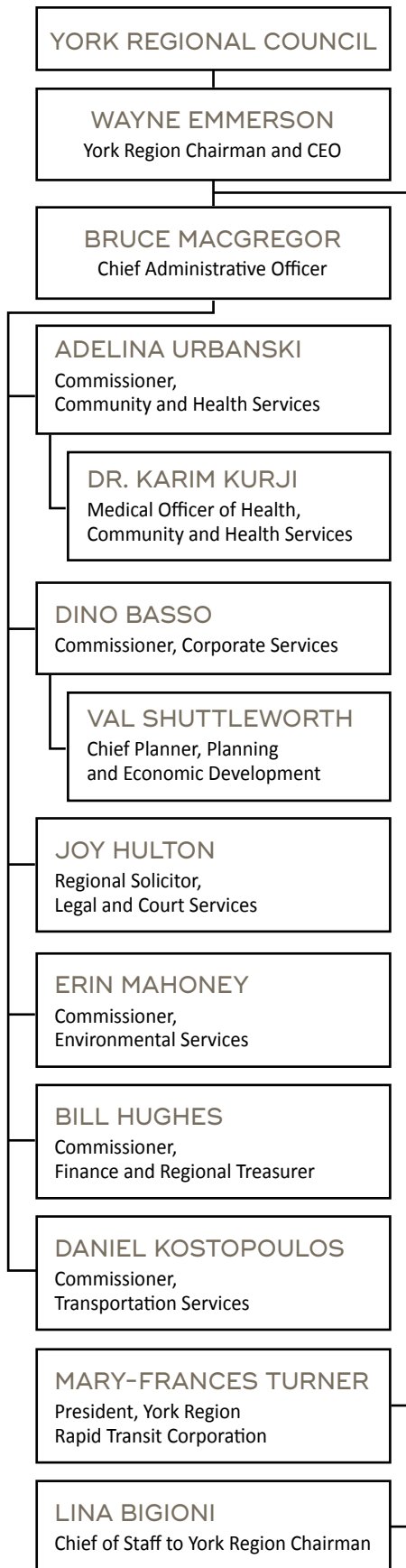
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## YORK REGION ORGANIZATIONAL STRUCTURE



## REGIONAL COUNCIL

One of six Regional governments in Ontario, The Regional Municipality of York is an upper-tier municipal government that provides common programs and services for the residents and businesses in nine local municipalities. The area municipalities are represented by their Mayors and Regional Councillors on Regional Council.

### YORK REGION CHAIRMAN AND CHIEF EXECUTIVE OFFICER (CEO)

The York Region Chairman and Chief Executive Officer (CEO) is the head of Council. The Chairman and CEO is elected by members of Regional Council at the first meeting of each term and serves a four-year term.

The 21-member York Regional Council sets the policies, direction and budgets for York Region through Committee of the Whole and Council meetings that include reports on:

- Audit
- Community and Health Services
- Environmental Services
- Finance and Administration
- Planning and Economic Development
- Transportation Services

During Committee of the Whole meetings, members receive public input, review policies and consider staff reports before making recommendations to Regional Council.

In addition, three boards and the corporations they oversee operate with varying degrees of Council oversight:

- York Region Rapid Transit Corporation Board of Directors
- York Regional Police Services Board of Directors
- Housing York Inc. Board of Directors

### CHIEF ADMINISTRATIVE OFFICER (CAO)

The CAO oversees a senior management team responsible for providing programs and services to residents and businesses, in addition to financial, technical, property, legal, administrative and human resource services. The following positions make up the senior management team:

- Commissioner of Community and Health Services
- Commissioner of Corporate Services
- Commissioner of Environmental Services
- Commissioner of Finance and Regional Treasurer
- Commissioner of Transportation Services
- Regional Solicitor
- Executive Director of Strategies and Initiatives



Chairman & CEO  
Wayne Emmerson



Mayor  
Geoffrey Dawe  
Town of Aurora



Mayor  
Virginia Hackson  
Town of East Gwillimbury



Mayor  
Margaret Quirk  
Town of Georgina



Regional Councillor  
Danny Wheeler  
Town of Georgina



Mayor  
Steve Pellegrini  
Township of King



Mayor  
Frank Scarpitti  
City of Markham



Regional Councillor  
Jack Heath  
City of Markham



Regional Councillor  
Jim Jones  
City of Markham



Regional Councillor  
Joe Li  
City of Markham



Regional Councillor  
Nirmala Armstrong  
City of Markham



Mayor  
Tony Van Bynen  
Town of Newmarket



Regional Councillor  
John Taylor  
Town of Newmarket



Mayor  
David Barrow  
Town of Richmond Hill



Regional Councillor  
Vito Spatafora  
Town of Richmond Hill



Regional Councillor  
Brenda Hogg  
Town of Richmond Hill



Mayor  
Maurizio Bevilacqua  
City of Vaughan



Regional Councillor  
Michael Di Biase  
City of Vaughan



Regional Councillor  
Mario Ferri  
City of Vaughan



Regional Councillor  
Gino Rosati  
City of Vaughan



Mayor  
Justin Altmann  
Town of Whitchurch-Stouffville

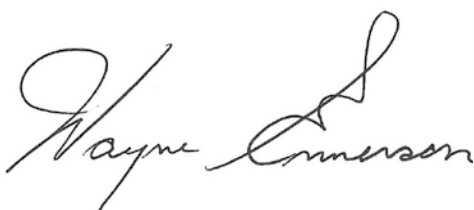
## A MESSAGE FROM YORK REGION CHAIRMAN AND CEO AND MEMBERS OF REGIONAL COUNCIL

Over the past year we have taken steps to make York Region an even better place to live and work. York Regional Council approved a four-year strategic plan with four specific priorities: Economic Vitality, Healthy Communities, Sustainable Environment and Good Government. To support our efforts, we set out a four-year budget with realistic tax increases to accommodate growth while offering our residents predictability. We believe this approach is prudent, fair and forward looking.

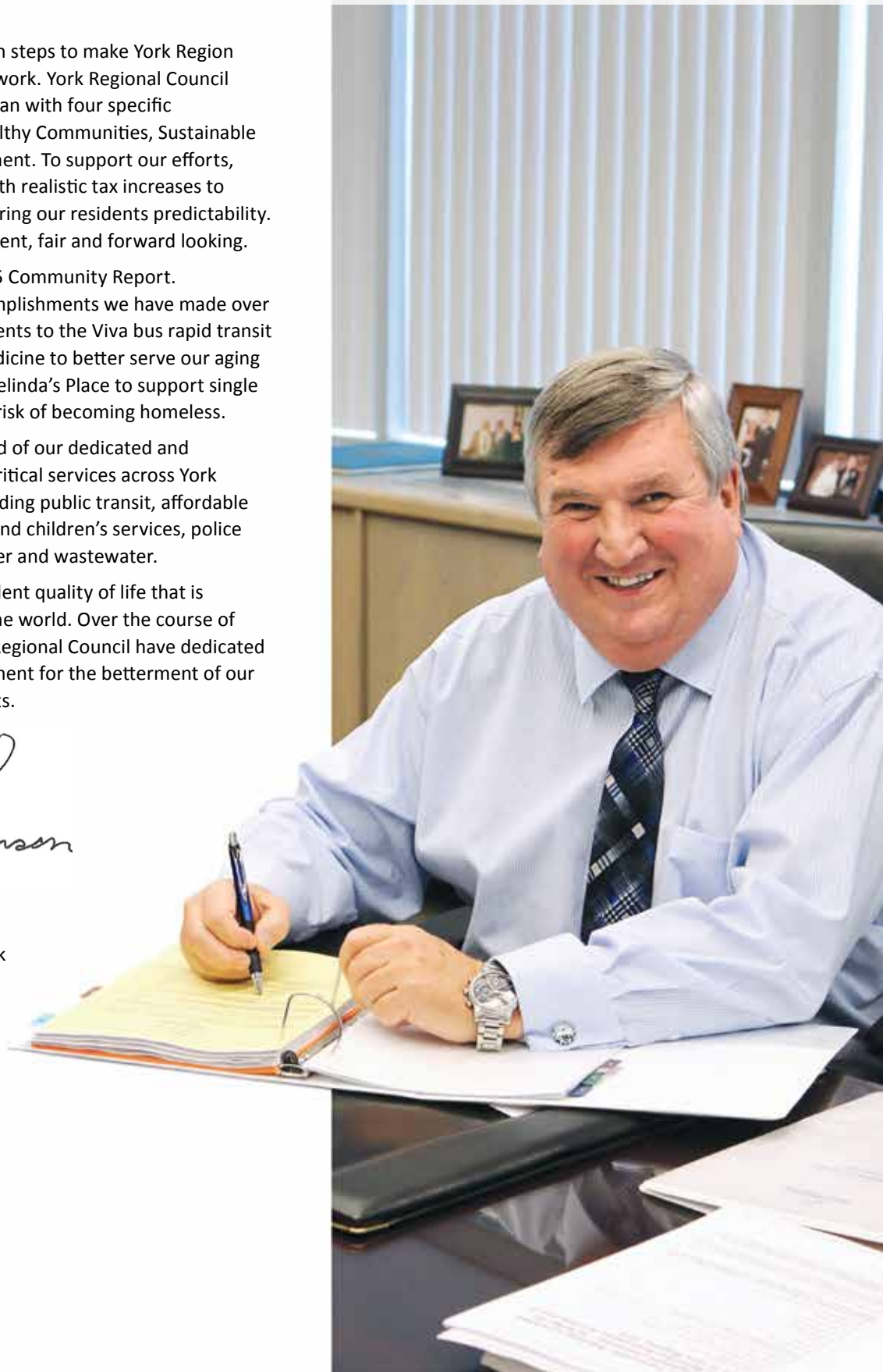
I encourage you to read the 2015 Community Report. It highlights the significant accomplishments we have made over the past year, such as improvements to the Viva bus rapid transit system, the adoption of paramedicine to better serve our aging population and the opening of Belinda's Place to support single women who are homeless or at risk of becoming homeless.

As Chairman and CEO, I am proud of our dedicated and professional staff. They deliver critical services across York Region each and every day, including public transit, affordable housing, long term care, family and children's services, police and paramedic services and water and wastewater.

In York Region, we have an excellent quality of life that is attracting people from around the world. Over the course of this term of office, members of Regional Council have dedicated themselves to ongoing improvement for the betterment of our communities and all our residents.



Wayne Emmerson  
Chairman and CEO  
The Regional Municipality of York



## A MESSAGE FROM YORK REGION CAO

It is my pleasure to present York Region's 2015 Community Report on behalf of the Senior Management Team and approximately 4,000 staff.

This document highlights many of our major successes from 2015, which includes beginning the implementation of a \$1.5 billion 10-year roads program, working with our partners to secure York Region's first university and planting almost 95,000 new trees and shrubs.

New this year, the Community Report also combines the year one reporting of the York Region *2015 to 2019 Strategic Plan: From Vision to Results*.

Organized by the plan's four interconnected strategic priority areas, the first section of this report provides a snapshot of how we are trending to achieve the Council-approved strategic result areas of economic vitality, health and well-being, sustainable environment and good government.

Within our first year, I am proud to announce 83 per cent of the plan's key performance measures are on track and trending in the desired direction. The complete list of all 48 indicators is available for review on page 32.

To deliver on these Council-mandated priorities requires sound fiscal responsibility. The Treasurer's Report and Financial Statements provide an overview of the 2015 results and a detailed analysis of our organization's effective business planning and our strong fiscal strategy.

As you review our 2015 highlights, we hope you are reminded of the positive effort York Region is making in our communities and the commitment we make to you to do even better in the years to come.



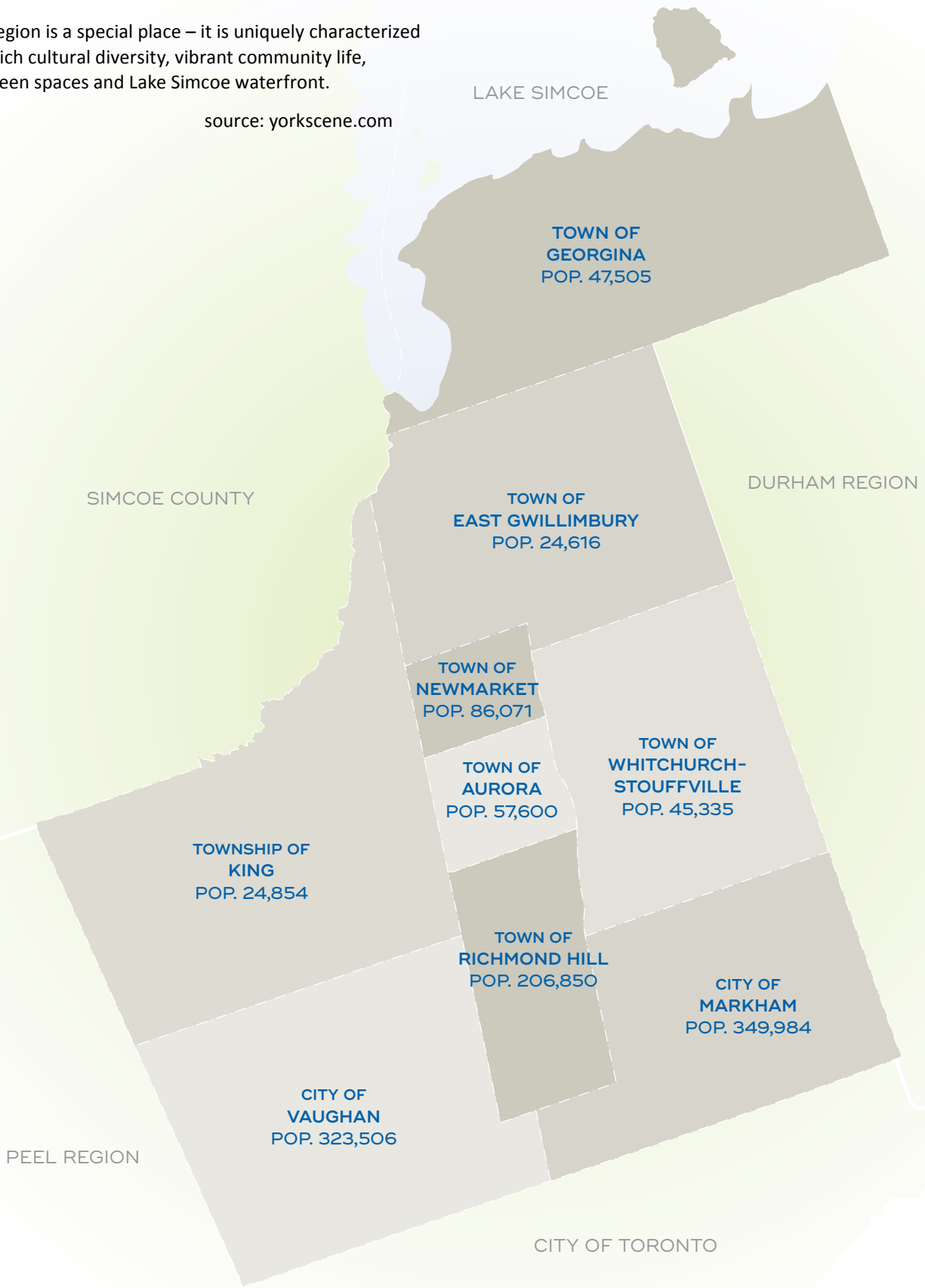
Bruce Macgregor  
Chief Administrative Officer  
The Regional Municipality of York



# YORK REGION. WHO ARE WE?

York Region is a special place – it is uniquely characterized by its rich cultural diversity, vibrant community life, vast green spaces and Lake Simcoe waterfront.

source: yorkscene.com



Total Population estimates as of December 31, 2015: **1,166,300**



## We are growing.

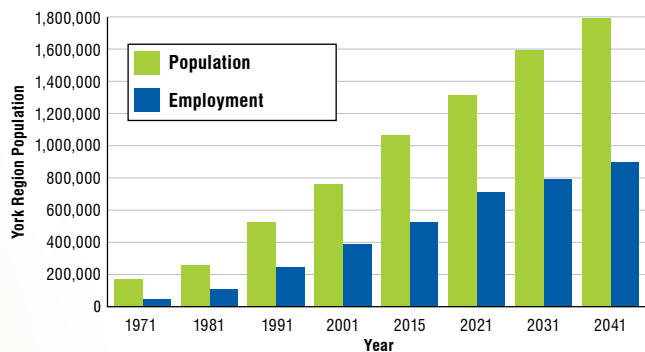
York Region's **population** is expected to grow from

**1.1** million in 2015 to **1.8** million in 2041

York Region's **employment** is expected to grow from

**580** thousand in 2015 to **900** thousand in 2041

## York Region Population Growth - 1971 to 2041

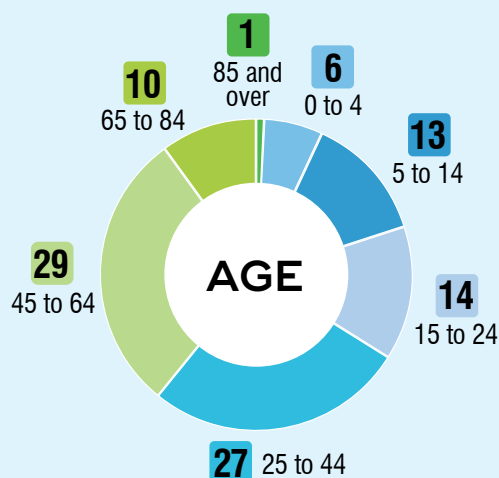


During 2015, York Region grew by approximately **22,000** people (2 per cent growth over 2014).

## We are diverse.

If York Region were a village of 100 people this is what we would look like.

- 54** villagers would be born in Canada
- 1** villager would be a non-permanent resident
- 45** villagers would be immigrants, of these:
  - 27** would be born in Asia
  - 12** would be born in Europe
  - 4** would be born in the Americas (including North, South and Central)
  - 2** would be born in Africa



## We are educated.

More than 70 per cent of York Region residents have a post-secondary education. We rank #1 most educated population among Canada's largest municipalities.

## We work hard.

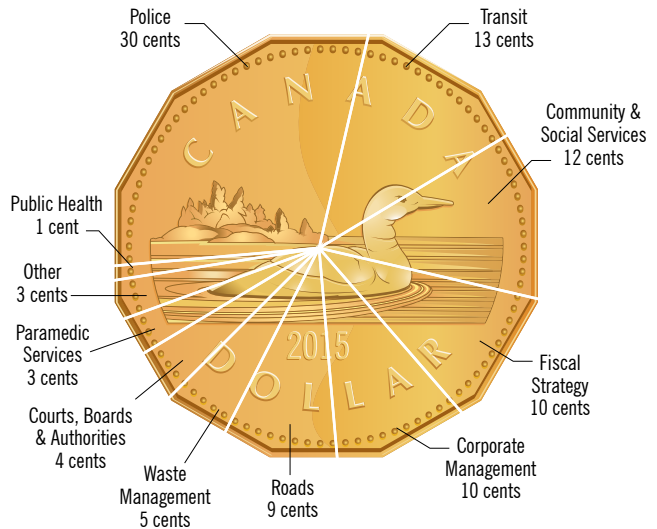
York Region is home to almost 50,000 businesses and 580,000 jobs. We are the second largest business centre in Ontario and the destination of choice for more than 4,500 Information, Communication and Technology (ICT) businesses. This makes us the second largest ICT cluster in Canada.

The average household income is \$127,066 and the average cost of a detached resale home is \$943,441.

## We are fiscally responsible.

The 2015 York Region budget was \$2.7 billion and included \$1.9 billion to maintain and operate York Region services and \$826 million in funding for capital projects.

2015 was the first year of a four-year budget that aligns with the current term of York Regional Council and the *York Region 2015 to 2019 Strategic Plan: From Vision to Results*.



## We are committed to delivering quality services:

- Court Services
- Family and Children's Services
- Housing
- Long Term Care
- Paramedic Services
- Planning and Economic Development
- Police Services
- Public Health
- Regional Roads & Street Trees
- Social Assistance
- Solid Waste Management
- Transit and Rapid Transit (YRT/ Viva)
- Water/Wastewater Treatment
- York Regional Forest

# THE REGIONAL MUNICIPALITY OF YORK STRATEGIC FRAMEWORK

## WHAT IS VISION 2051?

*Vision 2051* is York Region's long-term strategy that describes the vision for York Region in the year 2051.



*Vision 2051* describes a York Region that:

- Is a place where everyone can thrive
- Is made up of livable cities and complete communities
- Has a resilient natural environment and agricultural system
- Has appropriate housing for all ages and stages
- Has an innovation economy
- Has interconnected systems for mobility
- Promotes living sustainably
- Has open and responsive governance

## WHAT IS THE REGIONAL OFFICIAL PLAN?



Consistent with *Vision 2051*, the Regional Official Plan sets out directions and policies to guide growth management, land use, economic, environmental and community planning decisions.

The policies deal with growth management while protecting the Region's agricultural and rural areas, building strong healthy communities and vibrant cities. The policies also ensure effective delivery and use of infrastructure and public service facilities. The policies in the Regional Official Plan set the stage for more detailed planning with the nine area municipalities and help co-ordinate planning efforts across York Region.

The Regional Official Plan guides how growth and redevelopment will occur and sets a course for the future we desire as envisioned through *Vision 2051*.

In February 2015, The Regional Municipality of York released its *2015 to 2019 Strategic Plan - From Vision to Results*, which outlines four areas of focus to meet the community's changing needs.

Maintaining the quality of life in York Region over the long term requires strategic focus and this plan outlines the goals we continue to strive for to achieve our longer-term plan of *Vision 2051*.

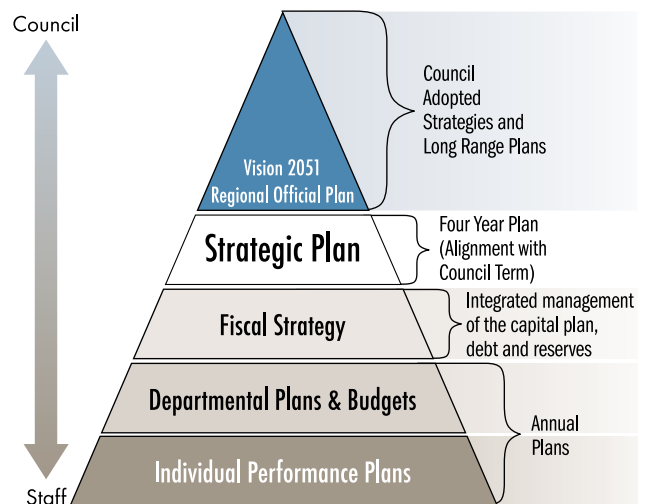
Building on the success of the 2011 to 2015 Regional Strategic Plan, the plan provides a detailed course of action over the next four years within the following four strategic result areas:

- Economic Vitality
- Healthy Communities
- Sustainable Environment
- Good Government

This plan has been carefully integrated with the Region's multi-year budget process and coincides with this term of council to ensure we continue to make progress on serving our communities.

Highlights of the 2015 to 2019 plan include:

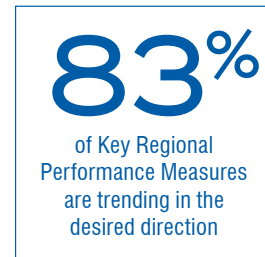
- Managing traffic congestion within York Region
- Addressing affordable housing concerns
- Continuing to support attraction of high quality jobs to the Region
- Increasing the health and resiliency of our communities
- Achieving Regional fiscal sustainability
- Continuing to manage the Region's growth
- On-going protection of our natural environment
- Improving the way York Region's programs and services are accessed



The York Region 2015 Community Report highlights some of the successes during our first year of this plan. Using a results-based accountability model, below is a brief overview of how we are trending in the first year within each of the strategic result areas.

## YEAR 1 (2015) OVERALL PROGRESS SUMMARY STATEMENT KEY REGIONAL PERFORMANCE MEASURES

A Key Regional Performance Measure demonstrates how well a York Region program or service system is working and helps indicate whether the desired impact is taking shape as a result of the Region's focused efforts. York Region has made significant progress in Year 1 (2015) of its four-year Strategic Plan. Forty of 48 Key Regional Performance Measures (83 per cent) are trending in the desired direction. These achievements demonstrate strong, organized and collaborative efforts across the organization and in relationship to Council's direction. The complete list of all 48 indicators can be found on page 32.



### ECONOMIC VITALITY

#### MODERATE PROGRESS:

**5 of 8 Key Regional Performance Measures (63%) are trending in the desired direction**

Strengthening the Region's economy is trending positively by fostering an environment that attracts, grows and maintains businesses; supporting the development and retention of Region-wide workforce; and focusing on networks and systems that connect people.



### HEALTHY COMMUNITIES

#### SIGNIFICANT PROGRESS:

**9 of 11 Key Regional Performance Measures (82%) are trending in the desired direction**

Supporting community health and well-being is continuing to show progress through increasing the range of available and affordable housing choices; protecting our public health; making our communities more welcoming and inclusive; and strengthening the Region's network of human services to support people in achieving their potential.



### SUSTAINABLE ENVIRONMENT

#### SIGNIFICANT PROGRESS:

**13 of 14 Key Regional Performance Measures (93%) are trending in the desired direction**

Managing environmentally sustainable growth has made significant gains towards managing traffic congestion; optimizing critical infrastructure systems capacity; encouraging growth along the Regional Centres and Corridors; and preserving green spaces.



### GOOD GOVERNMENT

#### SIGNIFICANT PROGRESS:

**13 of 15 Key Regional Performance Measures (87%) are trending in the desired direction**

Providing responsive and efficient public service has achieved considerable progress towards making it easier to access Regional information and services; ensuring a fiscally prudent and efficient Region; stewardship of the Region's assets; and strengthening organizational capacity and effectiveness.

## STRENGTHENING THE REGION'S ECONOMY



## York University campus achieves key economic goal

Universities and other institutions of higher education provide economic benefit to the communities that host them: they help produce a skilled, educated workforce, a necessity in today's global economy, and through research in cutting-edge fields such as robotics and clean energy, they help create new businesses and exciting, well-paying jobs.

York Region recognized these important benefits by including the development of a greater post-secondary and research presence within the Region as the key goal of its *2012-2015 Economic Development Action Plan*, which aligned with the corporate strategic plan. Throughout 2015, the Region collaborated with the City of Markham, Seneca College and York University to make this goal a reality.

The fruit of our labour was recognized on May 20, 2015, when the province of Ontario announced the City of Markham was chosen as the location for a new campus of York University. Scheduled to open by 2021, the new campus will be located in Markham Centre, an urban hub located north of Highway 407 between Warden Avenue and Kennedy Road with ready access to transit, employers and other research centres.

This state-of-the-art campus will focus on offering professionally relevant academic programs and workplace-based learning opportunities. Initial plans have the new campus hosting more than 4,000 students, with the numbers expected to increase in the following years.

The new campus is a great fit with York Region's existing orientation toward high-value-added economic activity. An internationally recognized educational institution, York University is currently engaged in more than 30 active research collaborations across the Region, with significant projects involving Markham Stouffville Hospital, IBM, PowerStream and Southlake Regional Health Centre. Innovation York, its office for commercialization and industry liaison, is already located in Markham.

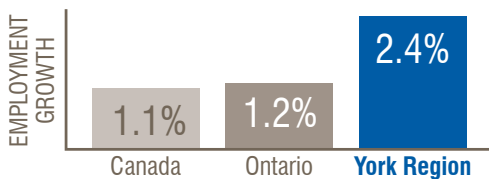
As well as committing up to \$25 million toward building the new campus, York Region will help facilitate connections to the local business community to drive innovation and create more local knowledge-intensive jobs.

ESTIMATED NUMBER OF JOBS MID 2015

577,600

↑13,300 OR 2.4% FROM A YEAR EARLIER

RESULTING IN LOWER UNEMPLOYMENT WHEN COMPARED ACROSS THE PROVINCE AND CANADA



APPROXIMATELY

75% OF ALL JOBS ARE full-time

17% of firms are professional, scientific and technical services

## Growing more knowledge-based firms in the Region

Strong growth in jobs and business formation continued in 2015 in York Region, the province's second-largest employment hub after the City of Toronto.

Professional, scientific and technical service firms continued to dominate in 2015, accounting for 17 per cent of all firms. Manufacturing firms and service-providing companies, particularly in retail trade, were also important contributors to the total.

Like most jurisdictions, Canada has seen a shift towards service-oriented jobs in the past several decades, and this is reflected in York Region's employment patterns. The share of service-oriented jobs for Canada, Ontario, the GTA and York Region has grown since 1998, while the share of jobs in the goods-producing sectors has gradually fallen over the same period. Employment in the Region's service-producing sectors grew by 2.4 per cent, or 9,600 jobs between mid-year 2014 and mid-year 2015, exactly in line with overall employment growth.

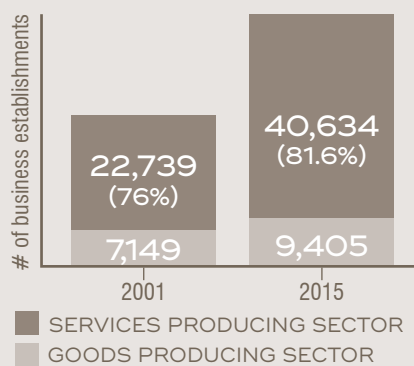
York Region has a diverse and resilient economy, and a talented labour force.

Paralleling this shift towards a more service-based economy, finding suitable locations for office-based workers has become increasingly important, especially in the GTA. Employers are looking to operate more efficiently while remaining able to attract and keep a talented workforce and foster innovation. This has spurred several trends, including reduced space per employee, more "open space" layouts and moves to locations that offer better lifestyle choices and access to transit and key highways.

APPROXIMATE NUMBER OF FIRMS

50,000

ECONOMY IS INCREASINGLY SERVICES-BASED



Several notable office-based companies and organizations relocated to York Region between 2014 and 2015, including Lenovo Canada's head office, Hallmark Canada's head office and the Toronto and Region Conservation Authority (TRCA). More moves are expected between 2016 and 2018.

Despite the general trend toward office-based and other service-related jobs, York Region consistently offers relatively more jobs in goods production, especially manufacturing and construction, than Canada, Ontario and the GTA. At 15 per cent, manufacturing provides the single largest share of jobs. This reflects the presence of numerous automotive parts producers in the Region and the high technology and value added nature of the work.

Between 2014 and 2015, the manufacturing sector grew by 2.6 per cent or 1,980 jobs, increasing slightly faster than employment overall in the Region. The auto parts subsector, however, remains sensitive to trends in the industry as a whole. Vehicle manufacturers are increasingly relocating or setting up assembly lines in more cost-competitive jurisdictions. This shift, if it continues, presents a risk for parts manufacturers in Ontario, including York Region.



## Opening the Gateway to job opportunities

When it comes to employment, York Region is facing a challenge – and an opportunity.

In the next five years, a quarter of the Region's workforce – those drawn from the baby boom generation – will be reaching the traditional retirement age of 65. This could potentially create a gap for all employers across York Region, particularly those who depend on a highly educated workforce.

Fortunately, the solution is already at hand, in the form of the 10,000 to 12,000 newcomers that arrive in the Region. The majority of the working age newcomers are highly skilled and educated. The challenge, however, is connecting these motivated workers with opportunities and making sure that employers are aware of this valuable human resource.

The Region is working to do just that through events like *The Gateway 2015, York Region's Conference for Internationally Educated Professionals*. This one day conference was held in Richmond Hill on November 9, 2015, and drew more than 500 people. It was sponsored by York Region's Local Immigration Partnership as part of its "Made-in-York Region Immigration Settlement Strategy." Attendees included internationally educated professionals, York Region employers and professional associations, community groups and educational organizations.

The goals of the event were to encourage networking, inform skilled immigrants about the support available to them and increase employers' awareness of the skills and international experience of these potential employees.



# York Region is developing complete communities\*



## An action plan for continued growth

York Region's *2012-2015 Economic Development Action Plan* addressed key economic challenges and opportunities facing York Region and translated them into concrete goals. As noted, with the announcement of a new university campus in the Region, it achieved its highest-priority goal.

Along with goals and initiatives identified in the updated *2016 to 2019 Action Plan*, the Region continues to support business growth and innovation in a number of areas:

- Investing in critical infrastructure such as transit and the transportation network, water and wastewater and broadband connectivity networks
- Investing significantly to attract and keep businesses in the Region's Centres and Corridors to support growth in knowledge-based sectors
- Developing "complete communities" that will maintain and improve the Region's quality of life and help attract a skilled workforce
- Expanding and preserving the employment land base that provides businesses which sell goods and services outside the Region with strategic locations close to major highways and other destinations

\*Definition: Complete Communities incorporates elements that contribute to the quality of character of the places where people live, work, move and thrive.

Source: [completecommunities.org](http://completecommunities.org)





### Belinda's Place: Helping women find and keep permanent housing

Opened in November 2015, Belinda's Place is the first emergency housing facility in York Region for women, over 18, who are homeless or at risk of becoming homeless. A true community effort, the building sits on land donated by the Quakers and is the property of York Region. Service delivery is provided by The Salvation Army in partnership with community agencies. Belinda's Place Foundation raised more than \$1 million from the local community to help build the facility.

Aligning with the Strategic Plan goal of providing more shelter beds, Belinda's Place is more than simply a shelter. It includes 28 single emergency housing rooms intended for women in need of short-term support (up to 30 days), and nine one-bedroom suites for women who are making the transition to independent living and who may stay for up to one year. Drop-in services are available for women in the community who are at risk of homelessness.

In addition, Belinda's Place also provides residents with life skills to enable them to live independently. These include cooking, budgeting, problem-solving, conflict resolution and much more. Belinda's Place enables independence and keeps women independent by supporting women after they leave until they can manage autonomously.

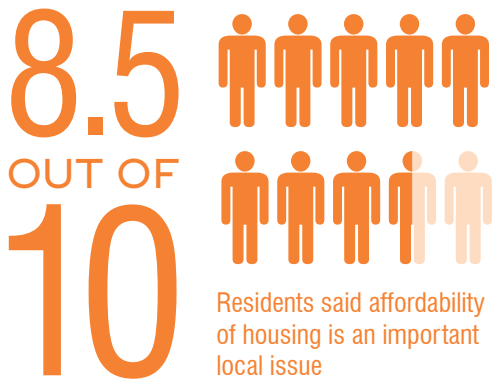
### York Region: A Place for Everyone

Work on the Region's 10-year Housing Plan continues; aiming to ensure there are appropriate and affordable housing options for all residents and workers, at every age and stage of their lives.

To help realize these goals, in 2015 Regional Council adopted the Affordable Housing Measuring and Monitoring Guidelines. This is in line with the objective in the Strategic Plan of increasing the range of available and affordable housing choices and will enable municipalities to consistently respond more accurately to evidence-based housing needs across York Region. A key driver of this success is the increasing number of medium and high density residential options - such as condos and townhouses, as well as rental options that are becoming more plentiful.

In 2015, the Region also announced the redevelopment of a Housing York site on Woodbridge Avenue near Kipling in the City of Vaughan. The project will see the construction of a new six-storey building featuring 160 units. Work will begin in 2017 with completion slated for 2019. More than 200 units are also under development in Unionville.






Ontario Chief Drinking Water Inspector  
ANNUAL RATING 2012 TO 2015


99.99%  
SAFE DRINKING WATER

33,143  
TOTAL VACCINES ADMINISTERED

25%   
OF 9-1-1 CALLS  
for patients with three chronic conditions – congestive heart failure, chronic obstructive pulmonary disease and diabetes

 vehicle collisions  
REACHED A  
10-YEAR LOW

Emergency calls for people with mental health issues has risen by more than

40% 

Following a two-year pilot, the Home Repair Program was approved in 2015. The program provides grants to low and moderate income households, primarily eligible seniors and people with disabilities to make accessibility modifications or crucial home repairs to enable them to continue to live in their homes. In 2015, more than \$280,000 helped support 54 projects, averaging \$5,200 per project. In a follow-up survey, most homeowners (88 per cent of respondents) who received funding reported they are still living in their homes at least one year after receiving the grant.



Expanding paramedic response beyond the ambulance and emergency room and into the living room

One of the key goals of the Strategic Plan is to optimize the use of paramedic resources so residents have better access to appropriate and timely health care.

In 2012, data showed that patients with three chronic conditions – congestive heart failure, chronic obstructive pulmonary disease and diabetes – accounted for 25 per cent of all 911 calls and ambulance trips in York Region. In all, this amounted to 12,300 patients. As York Region continues to grow, and its elderly population rises as well, these calls are expected to expand.

To reduce this pressure, in 2013 York Region created the Expanding Paramedicine in the Community Program (EPIC) in conjunction with Toronto’s St. Michael’s Hospital.

Under the pilot program, specially trained paramedics visit high-use patients regularly to assess blood pressure, perform blood tests and, in consultation with a physician, help them understand and manage medications. Partnerships have also been developed with regional and community health and social agencies to help these patients. The goal is simple: staying on top of these patients’ chronic conditions to avoid costly and anxiety-inducing emergency trips to hospital and hospitalizations.

In 2014, the province announced a \$6-million program to try similar programs in other parts of the province and York Region received \$419,000 to continue supporting this pilot project. Since 2013, 268 patients have been enrolled in the program and more than 1,300 routine home visits have taken place.





## Mental health matters

Since 2009, the number of police calls related to mental health occurrences has risen by more than 40 per cent.

To help address this, the Region is working with York Regional Police and other partners to address mental health issues holistically in alignment with the Strategic Plan to focus and continue to build capacity in:

1. Building resilience and preventing mental health issues within our communities
2. Providing ongoing supports to those living with mental illness that need intensive case management and wrap around supports
3. Providing effective crisis intervention

The new initiative will expand by integrating resilience-building and mental health prevention initiatives into programs and services, establishing internal mental health working groups including, gathering and analyzing local data on mental health and mental illness. This work is dedicated to supporting and advocating for the positive mental health of our residents because mental health matters.

## It's a green light for greater road safety

York Region sees a growing volume of traffic, with more than three million vehicles now moving along our roads every day.

Traditionally, more cars on the road meant more collisions, which can result in injuries, time off work and damage to property. But despite York Region's population growth, the most recent data shows vehicle collisions have reached a 10-year low.

Red light cameras have been key to this success. Most collisions, whether they involve two vehicles, a vehicle and pedestrians or a vehicle and bicycles, occur at "signalized" intersections – those equipped with traffic lights.

Installing cameras discourages drivers from running red lights because they provide evidence that can lead to a significant fine. Since their introduction in 2013, the number of right-angle collisions between vehicles at intersections equipped with the cameras has been reduced by 48 per cent – a big share of all the collisions in York Region. These efforts align with the Strategic Plan goal of delivering high-quality programs to promote health and prevent injury.



### A passion for water quality

Ensuring safe and clean drinking water is essential to the health and well-being of our communities. York Region is passionate about treating the water to a high standard for its more than 1.1 million consumers. The Region continuously monitors critical processes and conducts a comprehensive sampling program that exceeds regulatory requirements.

In 2015, more than 18,690 tests were performed on water quality samples and for the third year in a row, York Region achieved top marks in the Greater Toronto Area for drinking water quality.

### Healthier handling, healthier food

Because evidence shows food-handling problems occur most often in places where people have not received standardized training, York Region recently passed a Mandatory Food Handler Certification bylaw.

This bylaw requires many establishments selling prepared food, from restaurants to stores to food trucks, to have at least one operator and one food handler certified in safe food handling. Someone who is certified must always be present during operations.

Vendors at farmers' market, religious and service groups that prepare and serve meals on special occasions, or conduct bake sales, and similar organizations are exempt.

The introduction of the new bylaw will also enhance efficiencies related to follow-up inspections, court appearances and other compliance activities.

### York Region strengthens the social network with community investments

In working towards the Strategic Plan goal of strengthening the network of human services to support people in achieving their potential, York Region has been enhancing the funding of its Community Investment Strategy. The strategy, through an application-based process, provides funds to not-for-profit organizations for programs that serve low and moderate income residents in York Region.

In 2015, the Community Investment Strategy provided \$6.2 million to achieve results in one of the following areas:

- Community Health: Residents are healthy and are able to make healthy choices
- Economic Independence: Residents have and keep jobs and have financial stability
- Housing Stability: Residents live in affordable, adequate and suitable housing
- Social Inclusion: Residents are connected and can engage in communities



# MANAGING ENVIRONMENTALLY SUSTAINABLE GROWTH



Ensuring York Region's activities are environmentally sustainable is a key priority as growth in the Region continues to outpace that of most other Ontario municipalities. Serving more people and businesses brings the need to add and enhance key infrastructure systems, especially roads, transit, water and wastewater. York Region also continues to investigate and implement innovative approaches that mitigate the impacts on the environment as demand grows.

## Getting you home faster: Continued investment in convenient and efficient public transit network

Traffic congestion remains a top concern among residents. To address this during the current council term (2014 to 2018), York Region will invest the largest amount in its history on transportation and transit-related initiatives to help move people and goods more efficiently.

While investments in roads will continue, the need to create a comprehensive, convenient, integrated transit and transportation network is paramount.

In support of that goal, transportation and transit achievements in 2015 included:

- Completing almost 10 kilometres of key sections of the Viva bus rapidway system, which runs articulated buses on dedicated lanes of major roads, including Davis Drive in the Town of Newmarket and Highway 7 in the City of Markham

- Reaching the 80 per cent completion point on the extension of the Toronto-York Spadina Subway Extension into the City of Vaughan, with opening scheduled for the end of 2017
- Adding 11 new lane-kilometres to Regional roads and completing the construction of 20 lane-kilometres for cycling
- Rehabilitating and resurfacing on approximately 120 lane-kilometres of road

The YRT/Viva rapidways and Spadina subway extension represent key building blocks of the comprehensive transit network, including rapid transit options York Region needs to manage growth sustainably. Other key elements include improving the provincially-owned GO Transit rail service to all day, every day service and extending the Yonge Street subway line north to the Richmond Hill Centre Terminal. While the provincial government has indicated support for these initiatives, both the timing and the funding arrangements are uncertain.

**87%** SOLID WASTE  
**DIVERTED**  
**FROM LANDFILL**  
 (INCLUDING ENERGY-FROM-WASTE)



PLANTED ALMOST  
**95,000**  
 TREES AND SHRUBS



COMPLETED  
**8.6 km**  
 OF RAPIDWAY  
 (REDUCING TRAVEL TIME BY 35% ALONG HWY. 7)

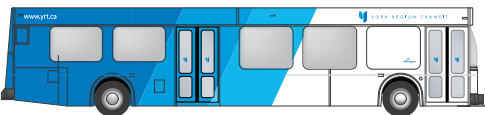


AVERAGE RESIDENTIAL  
**WATER DEMAND**  
 (LITRES/CAPITA/DAY)



IN 2015  
 FROM 2010

OVER  
**22 MILLION**  
 TRANSIT TRIPS\* TAKEN  
 \*REFERS TO REVENUE TRIPS



RESIDENTS IDENTIFIED  
**TRANSPORTATION**  
 AS THE MOST IMPORTANT LOCAL ISSUE



**Water and wastewater systems poised to handle growth**

Key water and wastewater investments over the past several years have put York Region in a good position to support provincially mandated growth. Combined with investments in extending and maintaining existing systems, the Region has supported greater sustainability with several key steps to optimize the use of existing infrastructure. In 2015, achievements included:

- Investing in major projects to serve a growing population, including work on the Duffin Creek Water Pollution Control Plant, co-owned with The Regional Municipality of Durham
- Rehabilitating and replacing older assets and developing better estimates of the replacement value of all assets, both key elements for the efficient management of assets over the long term
- Expanding and upgrading the Keswick Water Resource Recovery Facility, resulting in an Ontario Public Works Association Project of the Year Award
- Continuing the "Water Is" campaign to communicate the value of water and encourage conservation
- Subsidizing activities taken by farmers and business owners to protect drinking water

In addition, new water and wastewater rates approved by Council in October 2015 will provide, starting in 2021, the ability to recover all costs associated with providing the services of supply and treatment of drinking water. Setting rates at an appropriate level is key to encouraging the wise use of water.

As a result of the new rates, changes in the Ontario Building Code, smaller lot sizes and changing attitudes, the average consumer in York Region is using less water, a trend that has been evident for several years.





Over the long term, further reductions in average daily water consumption will be critical to meeting population growth in ways that are sustainable. Lower daily consumption reduces the need to build huge systems to deliver water, collect it after use and treat it before returning it to the environment.

## A strategic approach to a sustainable future

In support of a more sustainable future, in 2015 the Region moved forward on three critical activities set out in the Strategic Plan:

- Updating the Regional Official Plan to manage growth in line with the provincial government's Growth Plan, which forecasts a population of about 1.8 million in York Region by 2041
- Updating the Transportation Master Plan to address York Region's mobility needs to 2041 and beyond
- Updating the Water and Wastewater Master Plan to ensure systems serve growth efficiently while meeting regulatory standards

The focus throughout 2015 was on stakeholder engagement. Because of the linkages among them, staff took a coordinated approach to the process, consulting widely with residents and working with local municipalities and other stakeholders.

Draft plans will be finalized and presented to Council in 2016. More information about each of these plans is available at [york.ca](http://york.ca)

### What we heard:

- Residents want complete, vibrant and walkable communities. Planning communities where people can live close to work, shops and entertainment is clearly seen as a way to reduce travel demand. Where travel is necessary, people want reduced traffic congestion and more travel options
- The Region should include adding new and innovative transportation policies, address housing options for all residents and promote wise water conservation and use
- Investment in new subways and Viva rapidways were seen as the first priority; followed closely by expanding and increasing local transit service
- Growth management should protect agriculture lands including intensification and address transportation needs in new and creative ways
- Implement innovative technologies such as energy recovery and water reuse to provide greater adaptability to climate change



## Keeping the Region green as it grows

While the built road, transit, water and wastewater systems are a major focus for sustainability, owing to their large costs and impacts, the Region also works to support environmental sustainability through all of its other activities.

Recent achievements in these areas include:

- Continuing to be a leader in waste diversion among Ontario municipalities; York Region achieved a diversion rate of 87 per cent from landfill in 2015
- Starting operations at the Durham York Energy Centre, a state-of-the-art energy from waste facility co-owned with Durham Region, that can process up to 140,000 tonnes of non-hazardous residential garbage each year while producing enough electricity to power about 10,000 homes
- Continuing to implement the SM4RT Living Integrated Waste Management Master Plan, which focuses on waste reduction and reuse to increase diversion and disposal capacity
- Realizing significant improvements in street tree health and performance, with 84 per cent of trees assessed in good health in 2015, up from only 29 per cent in 2003; street trees are a central element of green infrastructure, which provides important benefits such as improved air quality, reduced energy costs and more efficient storm water management
- Replacing 400 ash street trees affected by the emerald ash borer infestation in 2015
- Removing approximately 963 metric tonnes of air pollution by urban forests in the Cities of Markham and Vaughan and the Towns of Aurora, Newmarket and Richmond Hill

## Bill Fisch Forest Stewardship and Education Centre

The new *Bill Fisch Forest Stewardship and Education Centre*, named for the Region's long-time former Chairman, takes the Region's environmental leadership role to a new level. The innovative, environmentally friendly building located in the Hollidge Tract of the York Regional Forest, demonstrates the importance of the regenerated forest as a natural resource and showcases modern, low-impact building techniques.

The design and building of the centre involved a unique, interdisciplinary team of architects, engineers, interior designers, education experts, foresters and ecologists. It was guided by green design principles confirmed by the Region.

The result is a single-storey, 4,000-square-foot sustainable building that will attempt to become one of only a handful of buildings in the world certified to be both Leadership in Energy and Environment Design (LEED) Platinum standard and Living Building Challenge standard.

The facility captures rain water to supplement the water the building needs. Wastewater passes through a pollutant-cleansing treatment system before re-entering into the ground. With roof-mounted photovoltaic panels, heat recovery ventilators, in-floor heating and LED lighting, the centre will look to generate more energy than it uses. The building also makes innovative use of wood, all of which was Forest Stewardship Council certified or reclaimed from the existing facility. Many building materials were sourced locally to reduce carbon emissions from long-distance haulage.



## PROVIDING RESPONSIVE AND EFFICIENT PUBLIC SERVICE



The Canadian constitution defines “good government” as providing public value through accountability, transparency, predictability, participation and capacity to deliver. The York Region 2015 to 2019 Strategic Plan sets four broad objectives for York Region in the area of good government:

- Making it easier to access Regional information and services
- Ensuring a fiscally prudent and efficient Region
- Stewardship of the Region’s assets
- Strengthening organizational capacity and effectiveness

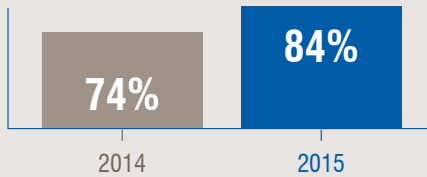
### Like Us, Follow Us, Call Us and Visit Us: Providing more channels for access to services

York Region is responding to residents’ increasing expectation of more and easier ways to access Regional services. A major element of this is expanding our social media presence, which is used both to provide general information and to offer interactive services.

As well as expanding its use of web-based tools, the Region continues to update and expand the centralized corporate Access York Contact Centre to handle a wider variety of telephone and in-person inquiries. In 2015, Access York responded to almost 250,000 telephone



## RESIDENT SATISFACTION LEVEL WITH REGIONAL GOVERNMENT



**90%** OF RESIDENTS FEEL QUALITY OF LIFE IN YORK REGION IS GOOD OR EXCELLENT



## SINCE LAUNCHING IN 2012

 TWITTER FOLLOWERS GREW BY

**439%**

 LIKES/FANS ON FACEBOOK GREW BY

**353%**



MORE THAN **117,000** VIEWS ON YOUTUBE

ALMOST  
**4 MILLION**  
VISITS TO OUR WEBSITES

ALMOST

**250,000**

CALLS TO ACCESS YORK

## YORK REGION AMONG TOP EMPLOYERS



requests for general information, intake and referral service providing a “no wrong door” approach in answering information requests. The most frequently asked questions in 2015 were related to recycling and waste, public health services and financial assistance.

## It's all about the data

York Region's Open Data program, which makes information available without charge in a form that can be easily downloaded as a spreadsheet, includes 131 government-collected data sets. In 2015, York Region's data was used in a variety of ways, including:

- YorkSafe food and restaurant inspections available on Yelp, which publishes crowd-sourced reviews of restaurants
- Map data for athletes during the 2015 PanAm and ParaPanAm Games
- Property lines, addresses and contours used by start-up company Map Your Property
- Road network, solid waste facilities and map layers used to update Google Maps
- Road data used by RouteMatch, a third-party application for planning trips on York Region's Mobility Plus transit service
- Road data used by TomTom, an international navigation company, to research and resolve issues reported by customers

## Prudent fiscal policies are improving financial position

Over the past several years, York Region has taken several steps to ensure its long-term financial sustainability. The centrepiece of these efforts has been the Regional fiscal strategy, which Council originally approved as part of the 2014 Budget. The strategy brings together and integrates three strands of financial management: managing the capital plan, reducing reliance on debt and saving for the future.

As a result of the fiscal strategy and other measures, the Region will be lowering peak debt and increasing reserves.

To ensure greater efficiency in financial management, the Region has adopted a multi-year approach to budgeting. The four-year budget cycle aligns with the term of Regional Council. This Community Report, for the year ended December 31, 2015, covers the first full year of the four-year budget for 2015 to 2018 inclusive.

The adoption of a four-year budget cycle had the following aims:

- Tightening the links between budgeting and strategic priorities
- Improving fiscal discipline
- Providing a longer-term planning outlook
- Reducing uncertainty about future tax levies
- Providing a longer-term outlook to those who rely on Regional funding for programs they deliver

The Treasurer's Report, beginning on page 34, provides more details about the fiscal strategy and the new approach to budgeting, as well as discussing financial results for 2015.





## Preparing to update the Region's asset condition report

York Region has adopted an enterprise-wide asset management strategy to ensure its assets support the long-term, sustainable delivery of services. Department asset management plans set out specific steps to achieve the strategy and support good investment decisions.

The Region publishes regular reports on asset condition as part of the asset management strategy. These reports show the base condition of assets and, over time, indicate whether asset condition is improving or declining. In 2015, departments worked on the updated asset condition report that will appear this year.

## Towards a more capable, effective organization

During 2015, the Region created three task forces drawn from members of Regional Council to help guide the development of policy in three critical areas:

- **Transportation.** This Task Force has a key role in supporting coordination of transportation services by the Region, local municipalities, provincial agencies and neighbouring municipalities. The work of the task force and its term coordinate with the Transportation Master Plan update in 2016.
- **Broadband.** The Region's Economic Development Action Plan highlighted the need for improved broadband connectivity (fast, high-capacity connectivity, especially via the internet). The major role of this task force, which is helping to deliver the York Region Broadband Strategy, is engaging with local municipalities and other stakeholders.
- **Seniors' Strategy.** An aging population can pose challenges across many programs, including long-term care, housing and community planning. This task force is supporting the development of a strategy to ensure as growth in the seniors' population accelerates, the Region's role will evolve in the right ways. The strategy will provide guidance in adjusting service levels and altering service delivery models as needed. It will also prepare the Region to respond to provincial directions to allow and encourage seniors to age at home.



Photo courtesy of Canadian Paralympic Committee

## York Region appoints municipal ombudsman

Showing leadership in transparent and accountable government, York Regional Council in 2015 appointed a municipal ombudsman.

The successful organization, ADR Chambers Inc., was chosen through a competitive procurement process and will operate at arm's length from the Region and Council. The firm will independently receive, review and investigate complaints from members of the public unresolved through any other avenue, provide periodic updates and produce an annual report on its activities.

ADR Chambers has more than 20 years of experience providing mediation, arbitration and investigation services for both the public and private sectors. It is certified by the federal government as one of two approved external complaint bodies for the financial services sector in Canada.

## Regional employees support a successful United Way campaign

York Region and York Regional Police surpassed their 2015 United Way fundraising goal, together raising \$473,508 in the employee campaign and exceeding the \$450,000 campaign goal by \$23,508. Over two decades, employees have raised more than \$3.8 million to support critical services for residents close to home. These accomplishments have been recognized with a Spirit of Community award, the highest United Way honour an organization can receive.

In 2015, United Way York Region merged with United Way Toronto to form a new, unified organization called United Way Toronto & York Region. This allows more integrated and collaborative approaches to improving lives throughout Toronto and York Region.

## York Region hosts Pan Am and ParaPan Am events, athletes and visitors

The Pan Am / Parapan Am Games took place in July and August and brought many athletes and visitors to the Region, with the City of Markham hosting badminton, water polo, table tennis/para table tennis and golf.

Behind the scenes, York Region Transportation Services, Emergency Management, Paramedic Services and Public Health worked alongside our York Regional Police partners and other stakeholders to plan and prepare for the Games and ensure a successful, safe event.

The Pan Am / Parapan Am Games, with some 7,000 athletes from 41 countries taking part in nearly 400 events across the Greater Toronto Hamilton Area, were the largest multi-sport events ever held in Canada. It presented a chance-of-a-lifetime to see and cheer on world-class Canadian athletes on their home soil.



2011

2012

2013

2014



GOVERNMENT FINANCE OFFICERS ASSOCIATION

Canadian Award  
for  
Financial Reporting

Presented to

The Regional Municipality  
of York, Ontario

*Jeffrey A. Chan*  
Executive Director / CEO

THE REGIONAL MUNICIPALITY OF YORK  
**AWARDS AND HIGHLIGHTS**



## HEALTHY COMMUNITIES

**Project of the Year Award** from the Ontario Public Works Association for the Keswick Wastewater Control Pollution Plant expansion; recognized for demonstrating excellence, outstanding quality and service in greater than \$50 million category.

**Excellence Canada – Ontario Accessibility Award** The award recognizes and congratulates organizations that have shown a commitment to providing excellent accessibility initiatives to accommodate people with disabilities.

**Ontario Business Achievement Award (OBAA) – Ontario Leader in Accessible Employment for 2015** Nominated by the Ontario Chamber of Commerce (OCC) and invited with senior management to the prestigious finalist gala which included an on-stage interview and profile. This OBAA is awarded to a business that has created an accessible work environment, values the contributions of persons with disabilities, and promotes the development of an inclusive workplace culture for all.



## SUSTAINABLE ENVIRONMENT

**Forest Stewardship Council Recertification** from the Rainforest Alliance for managing the York Regional Forest in an appropriate and sustainable manner, and helping to ensure these lands are preserved for current and future generations.

**Pioneering Green Communities Award** from the Lake Simcoe Region Conservation Authority for the Rain Garden Demonstration Project in De La Sale Park in the Town of Georgina.

**Merit of Recognition Award** from the Lake Simcoe Region Conservation Authority for the comprehensive, multi-media *Water Is* communication program to increase public awareness about the importance and value of water.

**Award of Merit** from International Association of Business Communicators (IABC) for two York Region Transit/Viva advertising campaigns: York Region Man and #MeTime.

**Corporate Leadership Award** from Canadian Urban Transit Association (CUTA) for Family of Service program and the York Region Man advertising campaign.

**Smart Commute Gold Workplace Designation** from Metrolinx recognizing York Region's leadership efforts in promoting sustainable transportation options to employees.



## GOOD GOVERNMENT

**Greater Toronto Area (GTA) Top Employer Award** from Mediacorp Canada for effective and progressive employee initiatives and community involvement.

**Exemplary Systems in Government Award** from the Urban and Regional Information System Association for demonstrating commitment to assisting stakeholders access and use online information quickly and efficiently.

**Distinguished Budget Award** from the Government Finance Officers Association (GFOA) for the 11<sup>th</sup> consecutive year in preparing high quality budget documents that meet the best practices set out by the GFOA.

**Canadian Award for Financial Reporting (CAnFR) and the Popular Annual Financial Reporting Award (PAFR)** from the Government Finance Officers Association (GFOA) for preparing high quality financial reporting documents that promote accessibility and understandability of financial information.

**High credit ratings** from two international rating agencies. Moody's Investors Service assigned York Region its top Triple A rating – Aaa – for 15<sup>th</sup> consecutive year. Standard & Poor's Financial Services LLC reaffirmed York Region's "AA+" credit rating.

2015 TO 2019 STRATEGIC PLAN - FROM VISION TO RESULTS

# KEY REGIONAL PERFORMANCE MEASURES

## YEAR 1 (2015) PROGRESS

**40** OF **48** = **83%**

of Key Regional Performance Measures are trending in the desired direction



### ECONOMIC VITALITY TREND

5 of 8 Key Regional Performance Measures (63%) are trending in the desired direction

Increase percentage of business engagements resulting in business retention, expansion and attraction	↗
Increase percentage of business engagements with targeted business sectors	↗
Decrease average time on social assistance	▲
Increase percentage of businesses in services-producing sector	↗
Increase number of road lane kilometres new and rehabilitated	↗
Increase number of rapidway lane kilometres	↗
Increase percentage of employment land within 1 kilometre of 400-series highways	▲
Increase percentage of employment land within 500 metres of a transit stop	▲

### LEGEND

- ↗ ↘ → - Trending in the desired direction
- ↖ ↙ - Not trending in the desired direction
- ▲ - Data under development



### HEALTHY COMMUNITIES TREND

9 of 11 Key Regional Performance Measures (82%) are trending in the desired direction

Increase number of subsidized households	↗
Increase percentage of total housing stock medium/high density residential housing	↗
Increase number of households that receive housing assistance	↗
Increase number of shelter beds	↗
Decrease number of long term care residents transported to hospital	↖
Reduction in mental health crisis calls to 911	↖
Increase number of vaccines administered	↗
Maintain percentage of samples that meet Ontario drinking water standard	→
Increase number of bike lane and paved shoulder kilometres	↗
Maintain per capita investment of the Community Investment Fund	→
Maintain or grow number of individual and collective actions of the Board	→



### SUSTAINABLE ENVIRONMENT TREND

13 of 14 Key Regional Performance Measures (93%) are trending in the desired direction

Increase number of road lane kilometres new and rehabilitated	↗
Increase number of traffic signals reviewed and optimized annually	↗
Increase transit ridership per capita	↗
Increase number of rapidway lane kilometres	↗
Maintain percentage of treated water returned to environment within regulated standards	→
Reduce quantity of inflow and infiltration in Regional and local wastewater systems	↗
Measure percentage of capital budget spent on renewal/asset management	↗
Increase percentage of solid waste diverted from landfill	↗
Decrease average residential water demand	↘
Increase percentage of new development located in Regional Centres and Corridors	↗
Increase percentage of new non-residential development located in Regional Centres and Corridors	↗
Maintain percentage of York Region land subject to environmental protection policies	▲
Increase number of hectares of environmental lands secured through the Regional Greening Strategy programs	↗
Increase number of trees and shrubs planted annually through the Regional Greening Strategy programs	↗



### GOOD GOVERNMENT TREND

13 of 15 Key Regional Performance Measures (87%) are trending in the desired direction

Increase number of staff using the Customer Relationship Management technology system	↗
Increase number of corporate-wide call types handled by Access York	↗
Increase number of services available online	↗
Increase number of data sets available online	↗
Increase number of visits to Regional websites	↗
Increase number of social media followers	↗
Increase percentage of business continuity plans tested annually	↗
Increase reserve to debt ratio	↗
Maintain high credit rating	→
Increase percentage of invoices paid within 30 days	↘
Increase contribution to asset replacement and rehabilitation as percentage of replacement value	↗
Increased percentage of assets with real condition assessment data	↗
Increase percentage of Formal Freedom of Information Requests handled within 30 days	↗
Measure leadership and management skills gap index	▲
Maintain criteria to achieve top employer recognition(s)	→



THE REGIONAL MUNICIPALITY OF YORK  
**2015 FINANCIAL STATEMENTS**

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Bill Hughes  
Commissioner of Finance  
and Regional Treasurer

## THE REGIONAL MUNICIPALITY OF YORK TREASURER'S REPORT

To the members of York Regional Council, residents and ratepayers of The Regional Municipality of York:

I am pleased to present this report on York Region's financial performance for the year ended December 31, 2015.

Together with our audited consolidated financial statements and other information provided in this Community Report, the Treasurer's report is a key element of our accountability to Regional Council and our residents.

It explains our financial management practices, including control processes, budgeting and the Regional fiscal strategy, and discusses financial results for the year. It also looks at trends in a number of important indicators of financial performance, and concludes with a discussion of our outlook and measures we are taking to manage potential risk.

In 2015, the first year of the current term of Regional Council, York Region recorded a surplus of \$714.4 million on the full accrual basis of accounting. This was \$290.9 million higher than the expected surplus of \$423.5 million, after restatement to the same basis of accounting, set out the 2015 budget plan. It was also up from the \$317.0 million surplus achieved in 2014.

Most of the variance from the plan reflects one-time changes arising from financial arrangements between Metrolinx, a provincial agency and the Region, which builds assets on its behalf.

Without these one-time changes, which are explained later in this report, the surplus would have been \$401 million, slightly below planned results.

The 2015 annual surplus is reflected in the growth of the Region's accumulated surplus, which rose by \$714.4 million to reach \$5.7 billion by the end of the year.

Serving the needs of growth while remaining financially sustainable remains a priority for the Region. New investments in capital assets were \$808.5 million in 2015, up by more than \$100 million from the \$701.3 million of the previous year. More than 90 per cent was for road, transit and water and wastewater assets.

Net cash inflows from financing activities of \$200.9 million were down by \$180.2 million from the \$381.1 million of the previous year and below the average of \$346.8 million a year for the past five years. This result reflects the new Regional fiscal strategy, which is improving the Region's financial sustainability and reducing its reliance on debt.

## Financial management strategic framework

*Vision 2051*, which was approved by Regional Council in May 2012, sets out a path for York Region to follow over the next decades to achieve its goal of creating strong, caring and safe communities.

Every four years, at the start of the new term of office, Regional Council endorses a new four-year strategic plan that aims to turn the long-term objectives of *Vision 2051* into day-to-day activities and goals. The *2015 to 2019 Strategic Plan*, which was approved in February 2015, focuses on four priority areas for the Region: economic vitality, healthy communities, sustainable environment and good government. These priorities, and the goals associated with them, are reflected in the structure of the first sections of this annual report.

The finance function supports all of the priorities of *Vision 2051* and the strategic plan by ensuring the resources will be available to achieve them, while maintaining the Region's fiscal health. This is an important reminder that financial sustainability involves balancing the need for services with the costs of providing them.

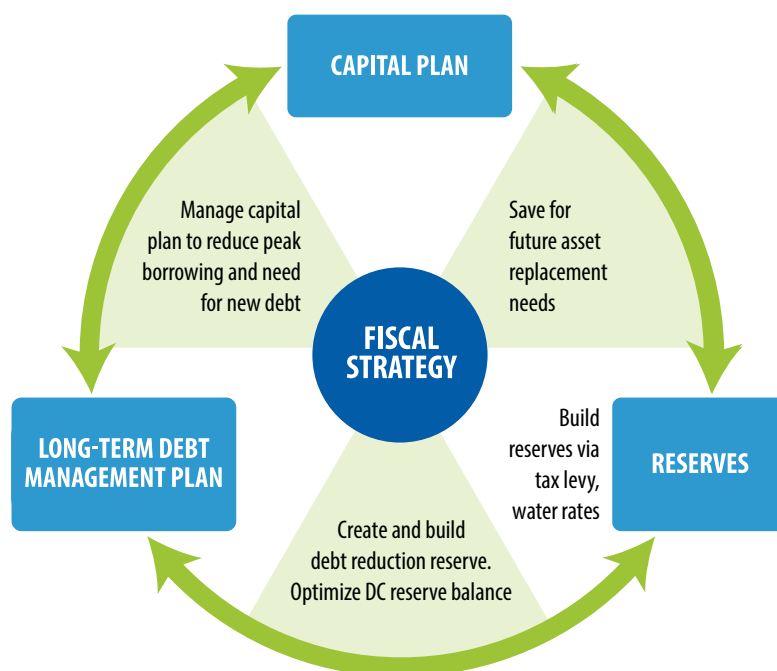
As well, some elements of *Vision 2051* and the strategic plan apply directly to Finance. *Vision 2051* recognizes the importance of open and responsive governance. In the current strategic plan, specific Finance-related objectives for achieving this vision are a fiscally prudent and efficient Region and stewardship of the Region's assets.

The Region's financial management strategies and controls and its reporting and budgeting practices, which are discussed starting on page 41, support prudence, efficiency and stewardship on an ongoing basis. The Regional fiscal strategy is helping to enhance the Region's fiscal health and keep its activities financially sustainable over the coming decades.

## Towards sustainability: the Regional fiscal strategy

Meeting the need to provide services to a growing population while maintaining the Region's fiscal health requires long-term planning. This planning must bring together three distinct strands of activity: managing the capital plan, reducing reliance on debt and saving for the future.

To integrate these strands, the Finance department has developed the Regional fiscal strategy, which was adopted in 2014 and refined in 2015. The diagram below shows how the strategy integrates and links capital planning, saving and managing debt:



The fiscal strategy recognizes and builds on debt management policies for the Region. Municipalities in Ontario may issue debt for capital purposes only. The provincial government limits the amount of municipal debt and other financial obligations through an Annual Repayment Limit regulation under the Municipal Act.

The regulation restricts the aggregate annual cost of servicing the expected long-term debt and financial obligations to 25 per cent of certain elements of a municipality's revenue. For the Region, these include property taxes, water and wastewater revenue, transit fares, investment income earned on reserve and reserve funds (excluding the sinking fund), other user fees and provincial fines.

In 2011, the government amended the regulation to provide York Region with more debt room to meet the capital-related needs of growth. The Region may add a "cost supplement" that is equal to 80 per cent of the average of the Region's last three fiscal years of development charge collections. (For prudence, the Region's general policy is to add only 70 per cent of the average of the last three fiscal years of development charge collections, not the full permitted 80 per cent.)

To qualify for the growth-related cost supplement, the Region must:

- Maintain at least an AA low (or equivalent) credit rating
- Have its Council adopt or affirm a plan for the management of its long-term debt and financial obligations, as part of the preparation of its budget for the fiscal year

The debt management plan must take into account long-term debt needs over a multi-year period, risks to the plan and ways of mitigating them, and compliance with Regional policies on capital financing and debt. The 2015 Budget, on which this document reports, included approval of a debt management plan that aligned with provincial and Regional policies, including the Regional fiscal strategy.

### **The capital plan**

The need to invest in capital is a major driver of the fiscal strategy. The Region has invested billions of dollars in major capital assets over the past decades and must continue to do so.

Most of the past investment has been driven by growth. Growth-related investments are largely paid for by charges on new development. Often, however, because these projects involve large economies of scale and long lead times, the Region has had to build assets before all the growth that would fund them has happened. This has required borrowing.

As borrowings rise, they increase financing costs and reduce the Region's financial flexibility. When development charge collections arrive more slowly than expected, as has been the case in York Region in recent years, the impacts on the fiscal picture become more pronounced.

Recognizing this risk, the Region reduced planned spending in its 10-year capital plans in 2013, 2014 and 2015 to ensure projects aligned more closely with the expected timing of growth and to limit the amount and duration of borrowing.

The Region is also making more use of infrastructure already in place and looking at ways of serving growth with less new infrastructure than in the past. More compact development and water conservation are examples of ways to achieve this. This has been a theme in updating the Regional Official Plan, Water and Wastewater Master Plan and Transportation Master Plan.

Planning must also take into account the need to renew and ultimately replace capital assets as they age. This must be funded from sources other than development charges, which can be used only for growth-related projects. In the past, debt was used for some renewal and replacement projects, which increased Regional borrowings. The Region has eliminated the need to borrow for these projects going forward. This is discussed in more detail in the following section.

## Building reserves for asset replacement

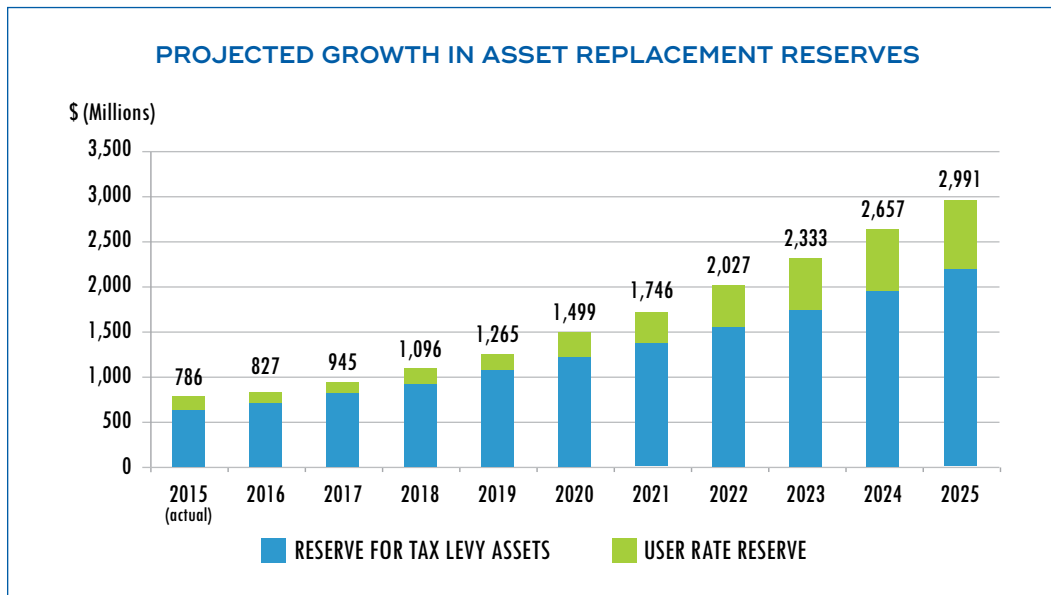
The Regional fiscal strategy is ensuring that adequate reserves are available for asset renewal and replacement, avoiding the need for debt.

For water and wastewater assets, Regional Council has approved user rates that are expected, by 2021, to generate all the funding needed to cover renewal and replacement costs. These full-cost recovery rates are now formally part of the fiscal strategy. With the new rates, renewal and replacement funding will come from reserves built up by contributions from rate revenues. No new debt will need to be added for this purpose, and existing debt will be paid off sooner. In 2015, the water and sewer capital asset replacement reserves, which are funded by water and wastewater user rates, grew from \$85.2 million to \$140.4 million.

For renewal and replacement of other infrastructure, the Region continued in 2015 to increase contributions to reserves funded from the tax levy. Before 2013, the annual increase in the Region's contribution to asset replacement reserves was 1 per cent of the prior year's tax levy. That year, Council approved higher contributions. These are being phased in by increasing the 1 per cent by a further 0.2 of a percentage point a year until 2017, when it will reach 2 per cent of the prior year's tax levy. This means that in 2015, the reserve contribution grew by 1.6 per cent of the 2014 tax levy, to \$75 million.

As well, 50 per cent of the Region's supplementary tax revenues may be added to these reserves each year. Supplementary tax revenues reflect growth in assessment values, owing for example to new properties or property improvements after the data in the tax role are finalized. In 2015, local municipalities collected roughly \$18.6 million in gross supplementary revenues on behalf of the Region, of which \$9.3 million was applied to increasing the reserves.

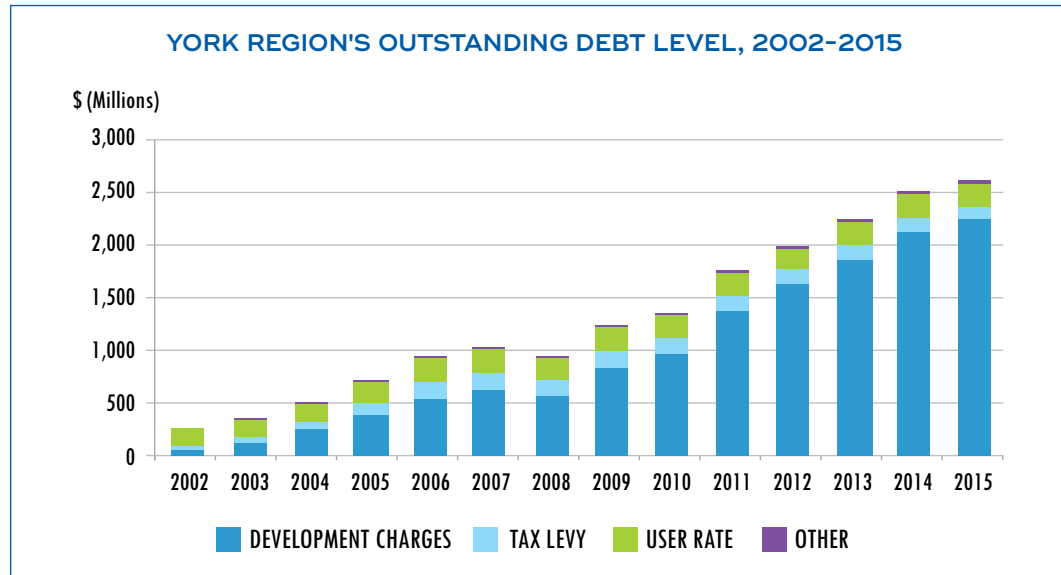
This graph shows the growth in asset replacement reserves resulting from the fiscal strategy:



With the new water and wastewater user rates and the increased tax-levy contributions to reserves, the Region is now able to rely solely on reserves instead of issuing new debt for all current and currently planned asset renewal and replacement projects.

## Reducing reliance on debt

The graph below shows how borrowings against future development charge collections, user rates and the tax levy contributed to the Region's total debt:



Adjustments to the capital plan and higher contributions to reserves, which were discussed above, are reducing the Region's reliance on debt for capital projects.

## Debt reduction reserve

In 2014, as another element of the strategy, the Region created a new reserve earmarked specifically for reducing tax-levy debt.

The debt reduction reserve was initially set up by reallocating funds from other reserves, and there are several mechanisms by which it can continue to grow. These can include allocations from the annual surplus, appropriations in the budget and/or contributions of supplementary tax revenues each year. As well, between half and all of the savings arising from funding a project through the reserve instead of issuing tax levy debt may be contributed to the reserve. Any interest earned on funds in the reserve also contributes to the growth of the reserve.

In 2015, additions to the reserve totalled \$49.8 million. The sources of growth are shown in the table below:

### Changes to the debt reduction reserve, 2015

	(\$ millions)	
Allocation from surplus	\$	13.4
Budget appropriation	\$	11.8
Principal and interest savings	\$	9.7
Interest earnings	\$	10.2
Supplementary taxes	\$	4.7
<b>Total additions to reserve</b>	<b>\$</b>	<b>49.8</b>
Less: Allocations from reserve		(8.2)
<b>Net change to Reserve</b>	<b>\$</b>	<b>\$41.6</b>

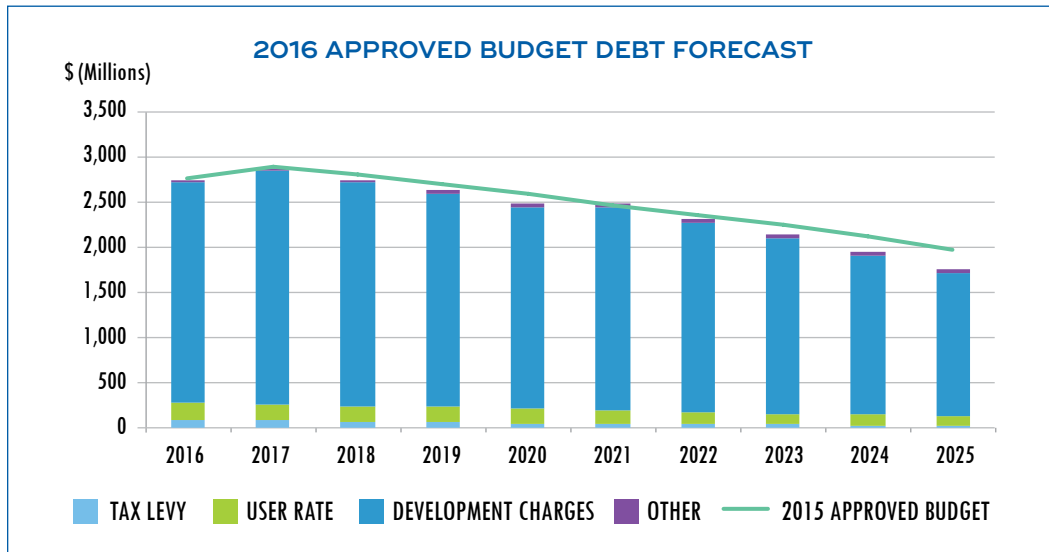
After withdrawals of \$8.2 million during the year, the net increase in the reserve was \$41.6 million, which took the balance to \$210.7 million by year end.

As a result of creating the debt reduction reserve, York Region has issued no new tax levy debt since 2014. The goal is to continue to build the debt reduction reserve to avoid all tax levy supported debt over the next 10 years.

### Full cost recovery in water and wastewater rates

New user rates for water and wastewater are also helping to reduce reliance on debt. With the new rate structure, no new user-rate-supported debt is expected to be issued. Existing user-rate debt will essentially be paid off by 2034, versus 2043 under the old structure. This will significantly improve the Region’s fiscal health by removing what has been a consistent source of new debt.

The graph below shows the impact on the Region’s total expected debt:

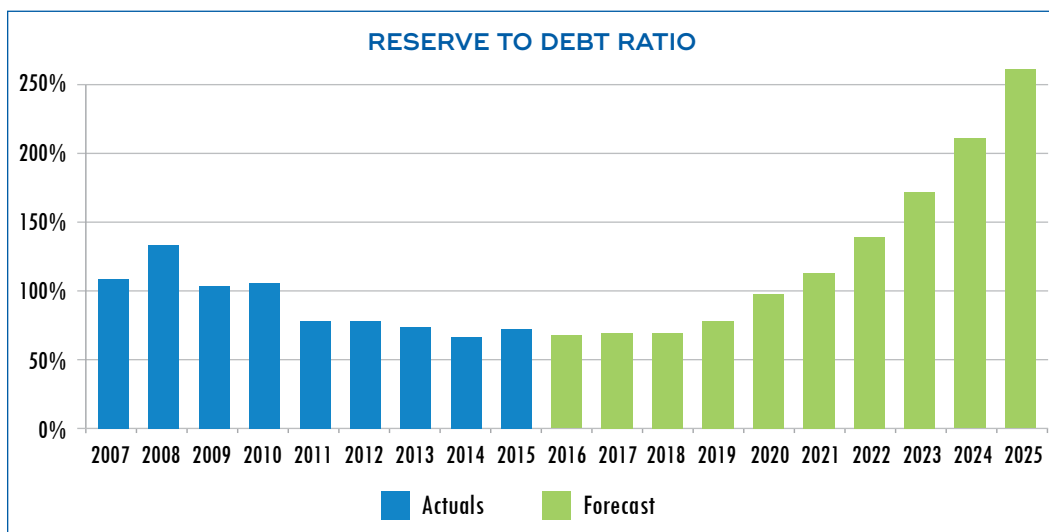


Note: Graph excludes local municipality and Housing York Inc. debt.

### Impacts of the Regional fiscal strategy

The Region will need to continue to use debt to meet its infrastructure needs. It was able to maintain last year’s forecast of peak debt in its 10-year outlook at \$2.9 billion in 2017. The appropriate use of debt is one of the key elements in maintaining the long-term financial sustainability of the Region.

With peak debt lowered, and a commitment to building reserves, York Region will see a strong improvement in its ratio of reserves to debt, as the graph below shows:



Recognizing the risks to financial sustainability now, while it is still benefiting from growth, ensures that the Region is best positioned to manage them.

## Financial management and controls

The Finance department is responsible for advising on and overseeing financial management policies and procedures in accordance with the relevant York Region bylaws. These policies and procedures cover such activities as procuring goods and services, managing risk, issuing debt, investing, accounting and reporting. The overarching goal is stewardship of the Region's resources.

In the area of procurement, risk management techniques include assessing risks related to Regional projects and contracts and, where cost-effective, transferring risk to vendors. The Region also manages risk by putting in place cost-effective insurance arrangements, including self-insuring where appropriate.

The risks arising from borrowing are managed in two ways: through the Regional fiscal strategy, which is reducing the amount of debt needed, and through a number of prudent borrowing practices, including issuing debt in Canadian dollars only to avoid exposure to foreign currency risk.

The controllership office within Finance is responsible for organization-wide controls, policies and procedures to safeguard the Region's financial resources.

The controllership office also keeps financial records, prepares the annual consolidated financial statements and reports on results, as discussed in more detail in the following section.

## Accounting and financial reporting

### Reconciling the budget and financial statements

The Region, like other municipalities, is required by the provincial government to follow the guidance of the Public Sector Accounting Board (PSAB), which sets policies and standards for government accounting and reporting in Canada.

The consolidated financial statements in this annual report therefore follow PSAB requirements. In particular, they have been prepared using the full accrual basis of accounting. Accrual accounting recognizes revenues as they are earned, even if the money has not been received, and spending on goods and services when it is incurred, even if the invoice has not yet been paid.

Full accrual also requires that when a new asset is built or acquired, its full cost is not recorded in that year. Instead, only a portion of the cost, called amortization, is recorded as an expense in the year of acquisition. Amortization continues to be recorded as an expense every year in which the asset is in service, and a running total is deducted each year from the asset's value on the balance sheet.

While the financial statements agree with PSAB recommendations, provincial direction requires that municipalities, including York Region, prepare their budgets on a different basis.

Municipal budgets are largely cash-based, which means amortization is excluded. Under cash-basis accounting, the costs of capital projects essentially match the period in which the assets are built or bought. As well, there are differences between how the budget and the financial statements treat other items, including post-employment benefits, borrowings and debt repayment.

Note 1 (b) (xii) to the financial statements, presented on page 76, provides a reconciliation of the result planned in the budget to the annual surplus that would result from following full accrual accounting. This allows readers to compare the budget plan to the actual results.

## What makes up the consolidated financial statements

Together, the consolidated financial statements show the Region's financial position at the start of the fiscal year, its activities during the year and its resulting position at the end of the year. They are consolidated in that they combine the results of the Region with those of other organizations it controls, such as York Region Rapid Transit Corporation and Housing York Incorporated.

- The Consolidated Statement of Operations summarizes the Region's revenues for the year, the expenses of its operations, and the annual surplus that resulted
- The Consolidated Statement of Financial Position, which lists the Region's assets and liabilities, is also known as the balance sheet. The presentation first lists the Region's financial assets, then its total liabilities. The difference between total liabilities and financial assets is the Region's net debt. Finally, the statement shows non-financial assets, which are mainly tangible capital assets. This amount is netted against net debt to give the accumulated surplus. An annual surplus increases the accumulated surplus
- The Consolidated Statement of Change in Net Debt shows how net debt changed during the year. The main factors are the annual surplus and the change in the net book value of tangible capital assets. (Net book value is the value of those assets less total amortization to date)
- The Consolidated Statement of Cash Flow shows the sources and uses of cash and cash equivalents over the year. (Cash equivalents are easy-to-sell instruments held to meet short-term financial commitments.) Two major sources of cash are the annual surplus and borrowings. Key uses of cash include investing in infrastructure and other assets, and repaying debt. Some expenses, notably amortization of capital assets, are deducted from revenues in the Statement of Operations even though they were not paid in cash. These and similar "non-cash" items are added back to the annual surplus to show actual cash flow. Conversely, the statement is also adjusted for several items that used cash but did not go through the Statement of Operations

The notes that follow the financial statements are helpful in gaining a fuller understanding of the Region's financial picture. They summarize the Region's significant accounting policies and give more information on underlying financial activities, potential obligations and risks.

The management of the Region has important responsibilities related to ensuring the financial statements are accurate and objective. These are outlined in the management representation letter, which appears on page 64.

## Audit oversight

Several oversight mechanisms are in place to strengthen financial management in York Region. The Audit Services branch in the Office of the Chief Administrative Officer helps Regional Council and staff better discharge their responsibilities. Internal auditors advise on managing and controlling risk, perform independent appraisals of control systems and help identify efficiencies and improvements in new and existing processes, programs and services.

Council's Audit Committee helps ensure the Region's administration properly carries out its responsibilities for financial reporting, internal control, auditing and monitoring compliance with laws, regulations and the Region's Code of Conduct. Audit Committee membership consists of the York Region Chair and CEO and at least three members of Regional Council. The current members are:

- Mayor Virginia Hackson (Chair)
- Mayor Geoffrey Dawe (Vice-Chair)
- Regional Councillor Nirmala Armstrong
- Regional Councillor Brenda Hogg
- Mayor Steve Pellegrini
- Regional Councillor Gino Rosati
- Regional Chairman Wayne Emmerson (ex officio)



The main areas of responsibility for the Audit Committee include reviewing the financial statements and the reports of the Audit Services branch, and appointing, compensating and overseeing the work of the Region's independent external auditor, as required under the Municipal Act.

The Audit Committee is required to meet at least twice a year. In practice, it usually meets three times a year to be updated on the activities of the Audit Services branch. This was the case in 2015. The committee may invite management, staff, auditors and others to attend meetings and provide information and may conduct or authorize investigations into any matters within its scope of responsibility. Its minutes are available to the public.

## The 2015-18 budget: A new multi-year approach

This document reports on the budget for 2015 approved by Regional Council in February 2015. The 2015 plan was for the first year in a four-year budget that coincides with the term of the current Council. The 2015-18 budget is the first complete four-year budget the Region has adopted.

The adoption of a four-year budget cycle to coincide with Council terms is bringing the following benefits to financial plans and management:

- **Strengthening the links between budgeting and strategic priorities.** To increase the likelihood of reaching goals, financial plans and strategic goals both need to take a longer-term view and each needs to inform the other along the way
- **Improving fiscal discipline.** Having a longer view of the spending impacts of choices made in an individual year and an idea of future revenues allows for much better decision-making. In preparing the budget for 2016, Council and Regional staff had the approved outlook in the multi-year budget as guidance. This led to the adoption of an updated budget that aligned with the outlook, while accommodating new pressures that arose during the year
- **Providing a longer-term outlook for program and service planning.** Almost all programs, services and capital investments have impacts and need funding over more than a single year. Having a longer-term budget for the entire organization helps departments assess and weigh those impacts as they fit their plans into the larger whole. In particular, this helps to ensure that updates to the Transportation Master Plan, Water and Wastewater Master Plan and other long-term plans meet targets in the provincially developed Growth Plan with timely, efficient investments in capital
- **Reducing uncertainty about future tax levies.** Preparing a longer-term budget allows the Region to develop and share a better estimate of the tax levies that will be needed and that are feasible over the period
- **Providing a longer-term outlook to those who rely on Regional funding for programs they deliver.** There are outside organizations that rely on the Region for a share of their funding. Having information for more than one year allows them to plan and deliver their programs more efficiently

The 2015-18 budget aligns with several key priorities set out in Vision 2051 and the updated strategic plan. These include strengthening the Region's economy, supporting community health and well-being, managing environmentally sustainable growth, and providing responsive and efficient public service. The first half of the Community Report discusses achievements in each of those areas.

The budget also supported Regional commitments to:

- **Invest in infrastructure to keep up with growth.** Traffic congestion is consistently named as a top concern by residents and can be a barrier to economic growth, so an important focus of the multi-year budget is road improvements and providing more surface-based rapid transit. With several major projects completed or nearing completion, water and wastewater investments increasingly focus on asset management to reduce operational risks
- **Recognize greater and more complex service needs.** York Region's population is changing to include a greater share of older people, more single-person and sole-parent households and more people facing language barriers. Housing affordability is another concern, as house prices have risen faster than incomes in recent years. Expectations about service levels and access to services are going up. The budget continues to deliver services that address these priorities, enhancing them where possible to meet specific community needs
- **Remain financially sustainable.** Although it has continuously gained population, the Region's history has been marked by cycles of faster and slower growth. This can create a mismatch between the spending on infrastructure needed to support growth and the receipt of development charges to help pay for it. The budget was guided by the Regional fiscal strategy, which strikes a prudent balance between investing in infrastructure now and saving for the future
- **Respond to the decisions of other levels of government.** These include changes at the federal and, in particular, provincial level of government that affect the level of funding, alter the Region's role in delivering services, and increase the complexity of regulatory and policy frameworks

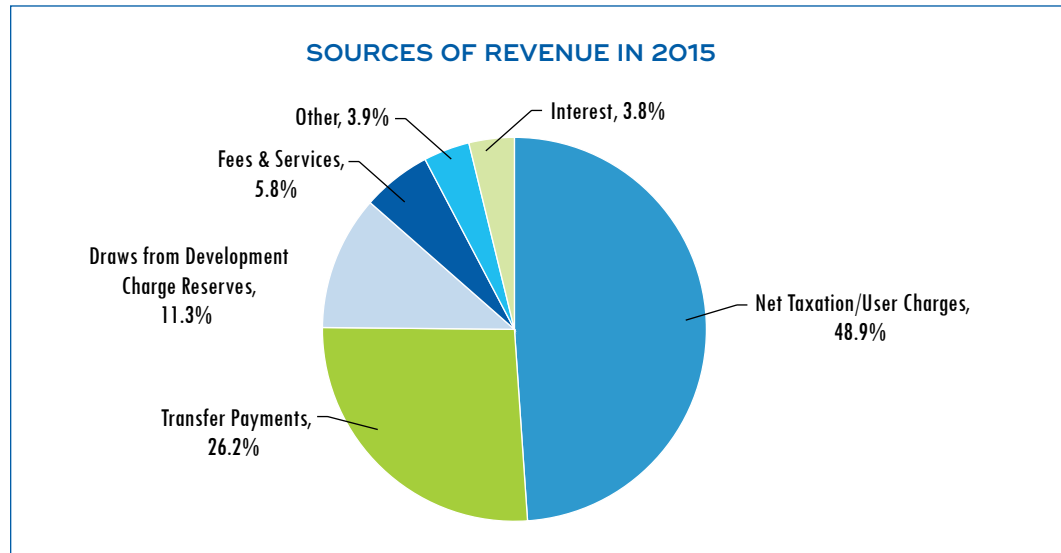
## Results for 2015: Progress on key priorities

### Year-over-year comparison

Operating results, year over year				
	(millions of dollars)	2015	2014	Change
<b>Revenues:</b>				
Taxation/user charges		\$1,214.4	\$1,137.5	\$76.9
Transfer payments		\$651.5	\$521.7	\$129.8
Development contributions		\$281.0	\$361.9	\$-80.9
Fees and services		\$144.7	\$134.3	\$10.4
Interest		\$94.8	\$81.0	\$13.8
Other		\$96.5	\$80.4	\$16.1
Total revenues		\$2,482.9	\$2,316.7	\$166.1
<b>Expenses:</b>				
Transportation services		\$371.6	\$683.6	\$-312.0
Environmental services		\$432.0	\$397.6	\$34.4
Community and Health services		\$470.3	\$451.8	\$18.4
York Regional Police		\$331.3	\$308.0	\$23.3
Other		\$163.4	\$158.7	\$4.7
Total expenses		\$1,768.5	\$1,999.7	\$-231.2
<b>Surplus</b>		<b>\$714.4</b>	<b>\$317.0</b>	<b>\$397.4</b>

Note: Numbers may not add due to rounding.

The reported surplus for the year was \$714.4 million, an increase of \$397.4 million from 2014. Revenues grew by \$166.1 million, with gains in every category except development contributions. Reported expenses were down by \$231.2 million, although spending increased year-over-year in every area except Transportation Services.



The 2015 results for both revenue and spending were affected by one-time events related to financial arrangements between York Region Rapid Transit Corporation, which is owned by the Region, and Metrolinx, the provincially-owned transit agency. Through York Region Rapid Transit, the Region builds assets on behalf of Metrolinx, for which Metrolinx provides reimbursement. The inflows of funding, when spent, are reported in the consolidated financial statements as transfer payments. The outflows are reported through the results for Transportation Services.

**Revenues up as transfer payments rise**

In 2015, transfer payment revenue increased by \$129.8 million. Major reasons were:

- A one-time recognition of \$79 million from Metrolinx as reimbursement for project spending in the two previous years
- An increase of \$25 million in federal funding for transit and other projects
- A \$14 million rise in provincial transfer payments for child care, reflecting a new funding formula

Among other sources of revenue, a \$76.9 million gain in taxation and user fee revenue was made up of a net increase of \$45 million in taxation revenue, reflecting the approved tax levy increase of 2.97 per cent and assessment growth of 2 per cent, and growth of \$32 million in water and wastewater user fees, reflecting approved rate increases.

The main reasons for an increase of \$13.8 million in interest earnings were a higher rate of return on investments and a larger portfolio of funds invested. Revenues from fees and services from such sources as transit fares, social housing rents and court administration fees rose by \$10.4 million, mainly because of increased volume of transactions.

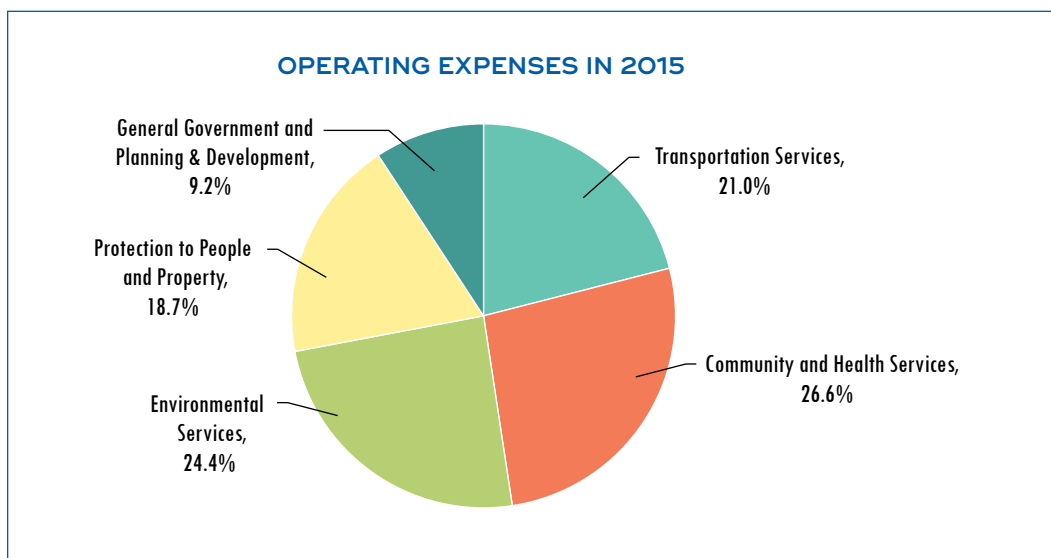
Development contributions fell by \$80.9 million, going from \$361.9 million in 2014 to \$281.0 million in 2015. (When development charges are drawn down from deferred revenues on the balance sheet, they are called “development contributions.”) These contributions are used for growth-related capital projects. A year-to-year drop was expected, given the recent completion of major elements of several projects.

## Most areas spend more to serve a larger population

On the expense side, spending fell by a reported \$231.2 million between 2014 and 2015.

With work on two major sections of the Viva bus system completed in 2015, the Region was able to determine the split between the share spent to build the rapidways themselves, which Metrolinx owns, and the share that went to improvements and additions to related assets such as roadways that the Region owns. Full accrual accounting treats these two types of spending differently: when used to build Metrolinx assets, it is expensed when spent; when used on Regional assets, it is reflected in the capital account on the statement of financial position and in annual amortization over several years.

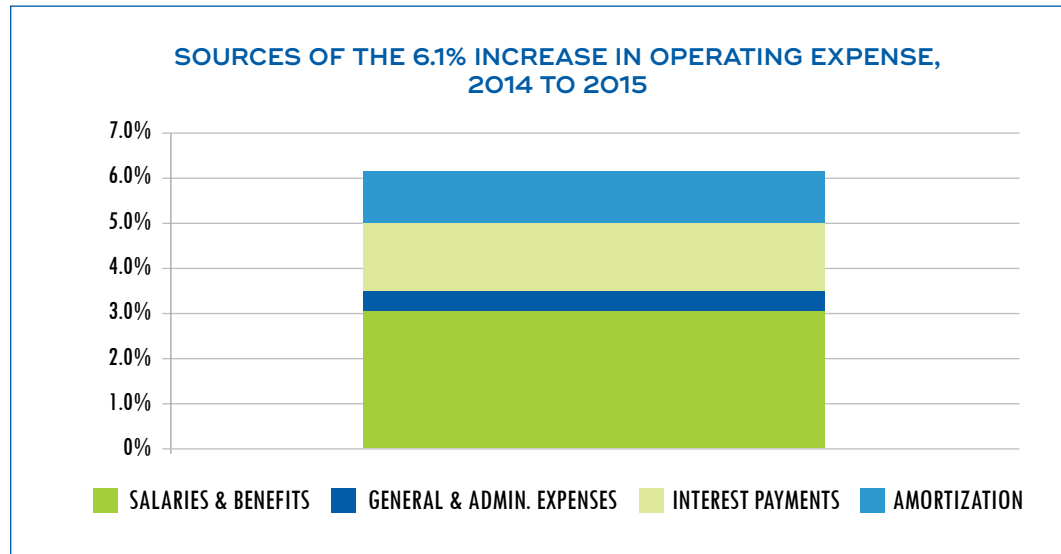
Largely as a result of the reclassification, 2015 expenses for Transportation Services in the statement of operations decreased by \$312 million year over year. Without this change, Transportation Services spending would still have fallen from the previous year, but only by \$21 million. This reflects a decrease of \$39 million in capital repair and maintenance costs, partially offset by higher salary, amortization and interest costs.



Operating expenses across all other departments rose by 6.1 per cent over all between 2014 and 2015:

- Environmental Services spending grew by \$34.3 million, reflecting higher amortization expense on a larger asset portfolio, higher spending on repairs, maintenance and salaries and increased interest costs
- Community and Health Services expense went up by \$18.4 million, reflecting additional spending of \$12 million on child care, which was fully funded by increased provincial transfers, and greater need for social programs and paramedic services
- York Regional Police spending grew by \$23.3 million, reflecting the hiring of new staff and other personnel-related costs
- Other expense, made up of general government and planning and development, increased by \$4.8 million due mainly to project management costs, new hires, tax write-offs, fuel hedging settlements, and computer-related expenses

The graph below shows the sources of increase in operating expense across these departments, using broad spending categories that apply to all departments:



Increased operating spending between 2014 and 2015 supported the Region’s priorities of serving a growing population and providing enhancements to services where possible.

#### Comparison of actual results to budget plan

Using the figures as reported in the financial statements in this annual report, the annual surplus was \$714.4 million, an improvement of \$290.9 million from the restated Budget plan surplus that appears on page 76.

Excluding the one-time recognition of an additional \$79 million in revenue from Metrolinx in 2015, revenues were up by \$49.9 million, or 2.1 per cent, from plan<sup>1</sup>. Much of the increase was due to \$94.8 million in interest and investment earnings on the Region’s investment portfolio, which was not included in the Budget. User fees and other revenues were slightly higher than expected.

These gains were partially offset by lower development contributions, which were \$15.7 million, or 5.3 per cent, below plan. As noted above, a decline from 2014 was expected as the pace of growth-related projects slowed. The actual decrease was slightly greater than planned.

On the expense side, overall spending in 2015 was \$62 million above the budgeted amount. Almost all of this variance was because capital spending outlined in the 2015 capital plan, for items such as repairs to capital assets, was reclassified to operating spending. The effect was to increase expenses reported in the statement of operations, and decrease expenditures on building/acquiring capital assets (which are not reported in the statement of operations). In total, the Region underspent the capital plan outlined in the budget, as discussed on page 49.

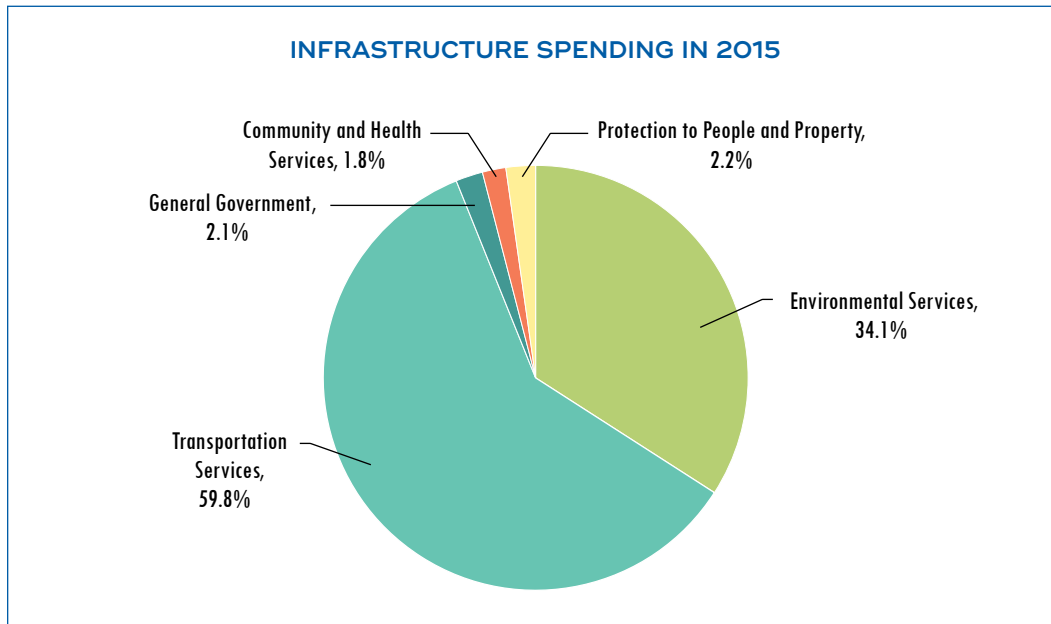
Other spending increases from budget reflected, for Environmental Services, increased waste management costs resulting from an arbitration decision, and higher-than-expected residual waste collection. As well, 2015 was the last year of a three-year window for York Regional Police employees to request payments from the accumulated sick leave bank, and the amount was higher than budgeted.

These and other increases were largely offset by savings from staffing vacancies, delays in a number of projects, and cost-saving changes to programs and contracts.

<sup>1</sup>For comparison purposes, the budget revenue figure has been increased to include \$224 million in ongoing Metrolinx transfer payments. These payments are not included in the budget as tabled.

## Major capital projects support growth and help manage congestion

The Region invested \$808.5 million in tangible capital assets in 2015, as shown below:



These investments included land purchases and improvement, and new or expanded buildings, equipment and vehicles, transit networks, road systems and water and wastewater infrastructure.

Environmental Services, which is responsible for water and wastewater infrastructure, accounted for \$275.7 million or about 34 per cent of the increase in capital assets.

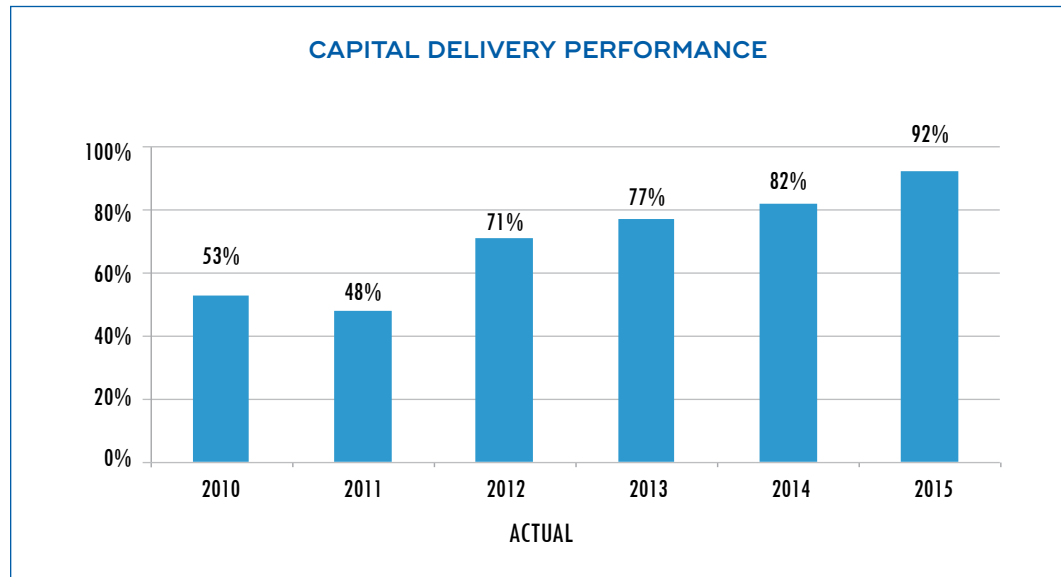
Transportation Services, with responsibility for road and transit networks, accounted for a further \$484 million, or about 60 per cent. Excluding the one-time addition of \$234 million in assets related to completed Metrolinx projects, Transportation Services' new investments totalled about \$250 million.

The spending on transportation projects reflects how the Region is addressing traffic congestion, the most frequently cited concern of residents. Between 2015 and 2018 the capital plan will see the largest four-year investment in transportation, including transit, in the Region's history.

Total tangible capital assets include assets under construction of \$2.1 billion at year-end. This reflected a decrease of \$400 million over the year, owing to the completion of several major multi-year projects. As projects are completed, the decrease in their value as assets under construction becomes an increase in the capital assets of the department responsible for them.

After taking into account amortization expense of \$207.7 million and the disposal of assets during the year, the net book value of the Region's assets rose by \$588.9 million, going from \$6.5 billion at 2014 year-end to \$7.1 billion at the end of 2015.

As the graph below shows, the Region has been steadily increasing the share of its capital plan completed within each fiscal year:



*Note: The graph reports on achievements of the capital plan as defined in the annual budget, which includes some capital-related items that are treated as expenses in the financial statements.*

The increase in plan completion reflects improvements to capital planning and budgeting. Capital budgeting now requires departments to develop and follow a multi-year plan that aligns with strategic corporate priorities and is guided by the Regional fiscal strategy. Unspent funds are no longer automatically available to the department for the following year. While departments were already focused on effective capital delivery, these measures have improved fiscal discipline.

### **Net debt falls, while accumulated surplus rises**

Public sector financial reporting in Canada focuses on “net debt,” which is the difference between financial assets, like cash, and liabilities, including debt.

In 2015, the Region’s net debt decreased by \$130.0 million, going from \$1.6 billion to \$1.5 billion. Financial assets, including cash and investments, increased by \$157.5 million, while liabilities grew by only \$27.5 million. Although the Region’s borrowings increased, other liabilities decreased. In particular, deferred revenue, which represents funds the Region has received in advance for specific purposes, fell by \$170.4 million. This mainly reflects a net decrease of \$158.2 million in deferred capital grants. Most of that change related to completion of Metrolinx projects.

The net cash inflow from financing activities of \$200.9 million represents a decrease of \$180.2 million from the \$381.1 million of the previous year. The figure also falls below the average of \$346.8 million a year for the past five years. The lower borrowing need reflects the strengthened financial position brought about by the Regional fiscal strategy.

The Region added to its holdings of cash and cash equivalents over the year. Cash from operations, which is the annual surplus adjusted for amortization, the drawdown of deferred revenues and other non-cash items, contributed \$714.3 million. New net borrowings amounted to \$200.9 million, while financial investments fell by \$101.4 million. These inflows of cash totalled \$1,106.6 million. Of that amount, \$804.6 million was used to invest in capital. The balance represents the increase of \$212.0 million in cash and its equivalents at year-end.

## Credit ratings

In 2015, two major rating agencies, Moody's Investor Service and Standard & Poor's Global Ratings, both reaffirmed their credit ratings for the Region. These ratings continue to provide the Region with excellent access to capital markets, which currently offer historically low rates.

Both rating agencies commented favourably on the Region's financial management and saw the Regional fiscal strategy as a positive step forward.

Moody's maintained its rating of Aaa/Stable, the highest rating it grants to debt issuers, because of York Region's:

- High level of cash and investments
- Prudent and far-sighted fiscal management
- Track record of positive operating outcomes
- Diversified and expanding economy

Moody's also viewed as positive the Region's focus, through the Regional fiscal strategy, on building reserves and avoiding future tax levy-supported debt. Strong governance and management characteristics that it noted included long-term planning for capital and operating budgets, a history of meeting fiscal targets and adherence to conservative debt and investment management policies.

In affirming its AA+/stable rating for York Region, Standard & Poor's cited the Region's strong and diversified economy and exceptional liquidity. The agency noted that strong financial management was having a positive impact on York's credit profile, mentioning in particular such changes as more rigorous long-term capital planning over the past several years, reflecting revised growth estimates and greater financial discipline.

Both agencies, however, noted that continuing financial discipline would be key to the Region's ratings. Commenting that the Region's debt projections are still relatively high for a borrower with its rating, Moody's cautioned against increases in debt beyond current projections or decreases in the Region's level of cash and investments, either of which could put downward pressure on the rating.

Standard & Poor's, which had reduced its rating of the Region to AA+/stable in 2014 because of concerns about debt, noted that high debt burden and average budgetary performance continue to constrain the rating.

While its current credit ratings are among the highest of all rapidly growing municipalities in Canada, the Region is focused on using its fiscal strategy to maintain its Aaa rating from Moody's and regain its AAA rating from Standard & Poor's.

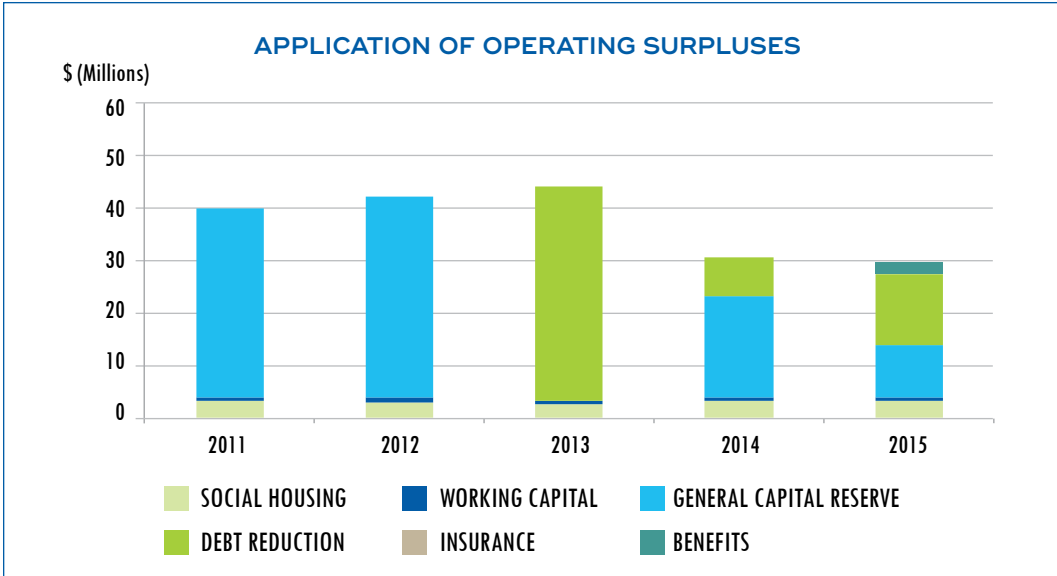


## Indicators of financial position

The Public Sector Accounting Board (PSAB) recommends that governments report each year on indicators of financial performance and show the trend in these indicators over time. The indicators in this section have been selected to align with the board’s ratios that reflect financial sustainability and flexibility and highlight potential vulnerability.

### How the surplus is used

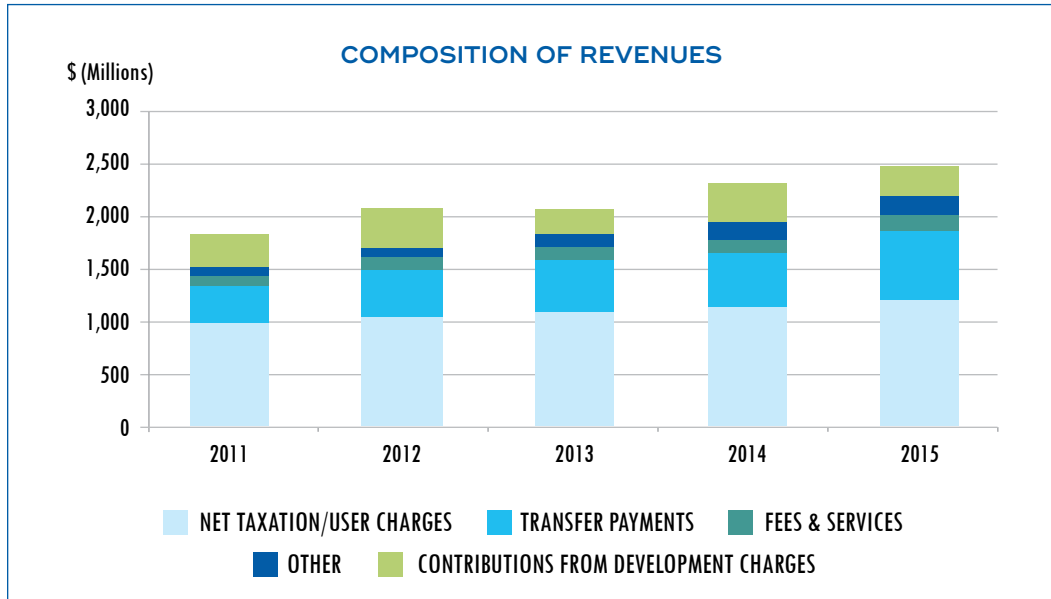
The graph below, outlining the use of the annual surplus, shows the continuing benefits of the Regional fiscal strategy:



In 2013, the first year of the strategy, the operating surplus (as determined by the budget method of calculation) went mainly to building up the newly created debt reduction reserve. In the following two years, the bulk of the surplus has been used to increase the debt reduction reserve and various capital reserves, in line with the fiscal strategy. The benefits reserve was increased in 2015 in response to an updated actuarial estimate of future needs.

## The make-up of revenues

The following graph shows the makeup of revenues for the past five years:



One trend that is evident is an increasing share of revenues provided by transfer payments. This reflects both the Metrolinx funding for transit-related assets that the Region builds on its behalf, and increases in transfer payments in such other areas as child care. The one-time recognition of additional transfer payment revenue somewhat overstates growth in 2015: without it, the share of revenues attributable to transfer payments would have been more uniform in the past three years. Such adjustments are not unusual at the end of major multi-year projects when final reconciliations of costs and funding are performed.

“Other” sources, which in the graph include interest earnings, have more than doubled over the past five years, going from 3.7 per cent to 7.7 per cent of revenues.

Development contributions vary as a share of revenues. They represented 18 per cent of all revenues in 2011 and 2012, fell to 11 per cent in 2013, rose to 16 per cent in 2014 and declined to 11 per cent again in 2015. This volatility reflects the use of this source of revenue to pay for growth-related investments, which also vary from year to year.

The Public Sector Accounting Board notes that dependence on sources of revenue over which a government has little or no control can signal vulnerability. York Region’s taxation and user-fee revenue account for just under 50 per cent of its revenues. Another 13 per cent, including fees, services and interest earnings, represents revenue sources that reflect its financial decisions and management.

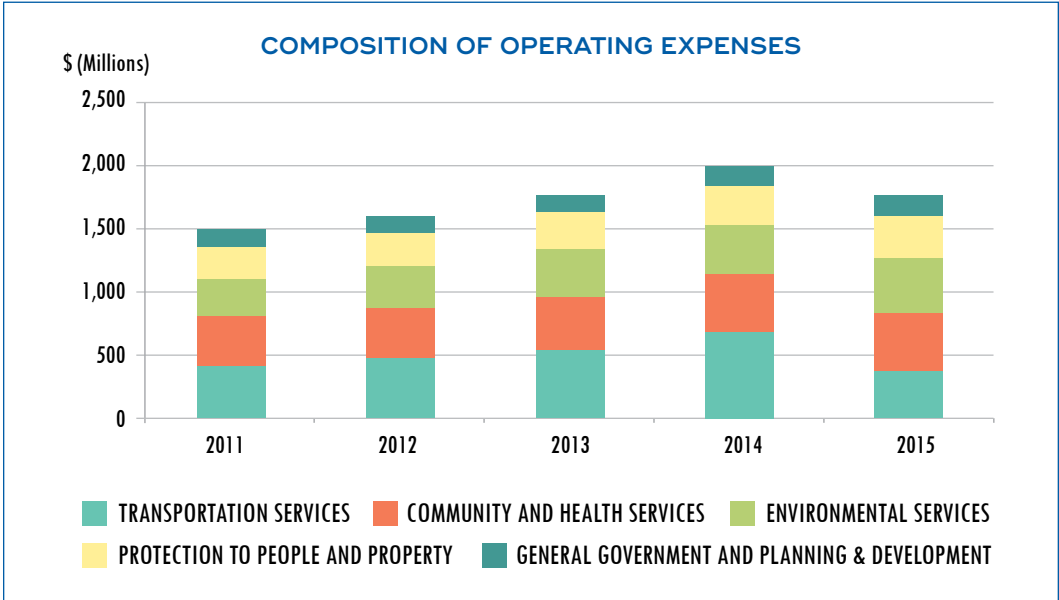
Among the sources of revenue over which the Region has limited or no control, transfer payments have been growing as a share of revenues in recent years, but for the most part this reflects specific, time-limited funding arrangements for capital transit investments and provincial government decisions that have benefited all municipalities. The Region is accustomed to managing the impact of changes in these payments.

The only remaining source of revenue over which the Region has limited control is development contributions. As noted, this revenue, which is drawn from a deferred revenue account, is tied to specific growth-related expenditures that naturally vary from year to year.

Over the longer term, the account must be replenished with development charge collections. These collections do not necessarily track year-to-year population growth, however, and can be highly volatile and challenging to forecast. Managing the capital plan as part of the Region’s fiscal strategy is the key to reducing the risks related to this uncertainty.

**The make-up of spending**

The graph below shows the composition of spending:

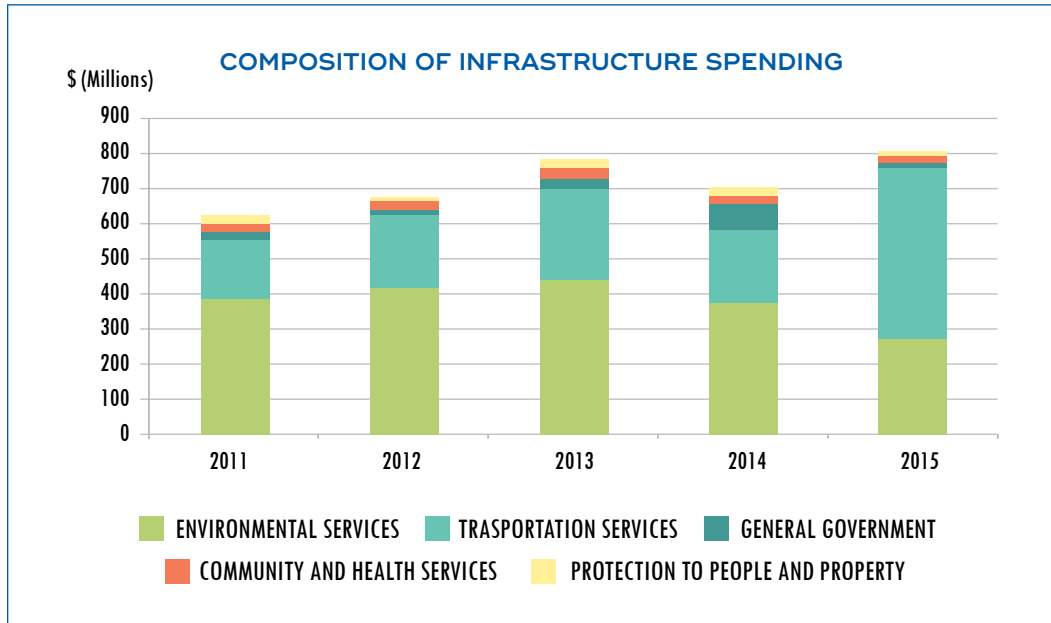


A major share of the increase in Transportation Services spending up to 2014 was related to the arrangement under which the Region builds assets on behalf of Metrolinx and is ultimately reimbursed. This arrangement will continue until all currently funded projects are completed. Largely because of the recognition in 2015 that several recently completed projects had improved or added to Regional assets, as discussed on page 46, Transportation Service expenses fell by \$321 million. Without this change, Transportation Services’ share of expenses would have declined less sharply, going from 34.5 per cent in 2014 to 32.1 per cent in 2015, and total spending would have been more in line with the historic pattern. Year-over-year, another source of the decrease in operating spending in Transportation Services was milder weather, which reduced spending on road and facility maintenance.

## Spending on capital

The need to build new infrastructure and spend on rehabilitation and replacement as existing assets age is a major driver of the Region's budgets.

The graph below shows the composition of infrastructure expenditure from 2011 to 2015:



The Region's asset portfolio increased by \$234 million on a one-time basis to reflect improvements and additions to Regionally owned assets. This boosted the share of capital additions attributable to Transportation Services in 2015. Even without this one-time increase, capital spending on roads and transit had been steadily increasing to help manage traffic congestion, growing at an average annual rate of 8 per cent between 2011 and 2014.

Environmental Services is the other Regional department with major ongoing spending needs to support a large physical network, in its case for delivery of water and wastewater services. Its capital expenditures fell from \$375 million to \$276 million between 2014 and 2015 as major parts of several multi-year projects, including work on the southeast collector wastewater conveyance system and upgrades to the Duffin Creek Water Pollution Control Plant, were completed. Between 2011 and 2014, capital spending on these and other water and wastewater projects averaged just over \$400 million a year.

The capital spending needs of other Regional departments tend to reflect specific projects as opposed to the ongoing building and renewal of large infrastructure networks. Capital spending for Community and Health Services, which develops, delivers and oversees health, housing and social services, decreased between 2014 and 2015. This reflected a slower construction pace for some housing projects and lower-than-planned spending on Paramedic Services, largely because of delays in acquiring property for paramedic response stations.

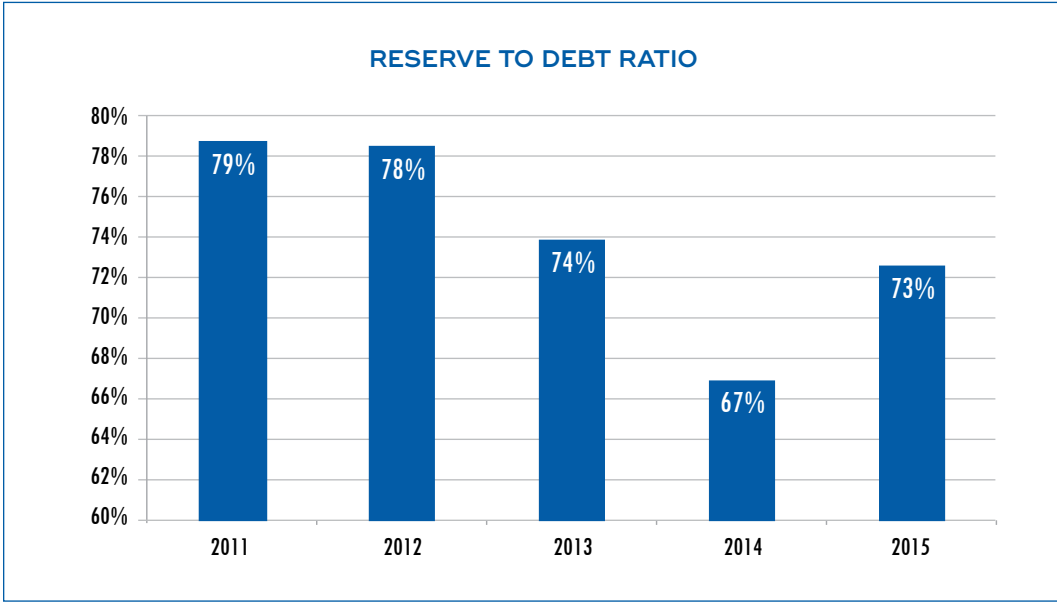
General government spending on capital fell from \$74 million in 2014 to \$17 million in 2015, which is more in line with historical levels, after the purchase and renovation in 2014 of a facility to house Regional programs.

Even with these declines, however, the Region's capital plan is among the largest in Ontario. Ongoing fiscal discipline and planning, in line with the Regional fiscal strategy, will be needed to ensure the plan continues to be achieved while maintaining fiscal sustainability.

**Ratio of reserves to debt trends upward**

This ratio is an important marker of fiscal sustainability and flexibility. A high ratio shows that if revenues decline, the Region has other resources to meet its obligations. Conversely, if the ratio is too low, it can indicate vulnerability to economic downturns.

The Regional fiscal strategy directly targets an improved ratio by reducing reliance on debt and building reserves. In 2015, the positive impacts of the strategy on the ratio became clear, with an improvement from 67 per cent to 73 per cent, as shown in the graph below:



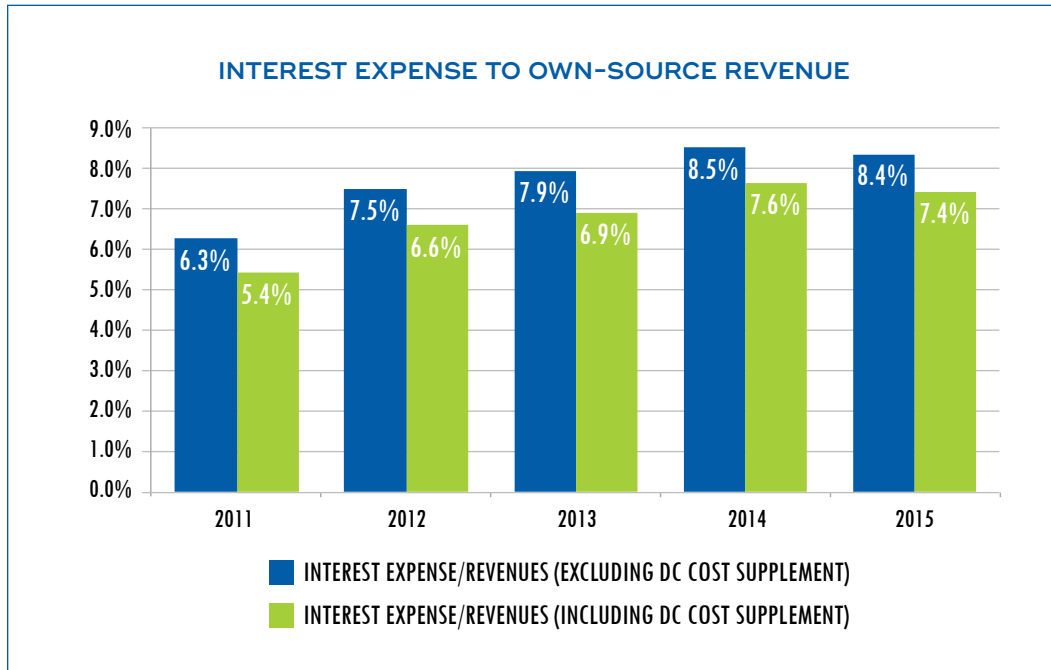
*Note: The reserve figure includes development charges and gas tax funding. It excludes the sinking fund reserve balance. The debt figure represents only the Region’s gross debt, net of sinking fund assets.*

As additions to debt moderate and reserves grow in line with the fiscal strategy, the ratio should continue to improve and is expected to pass 100 per cent by 2021.

**Regional revenues start to grow faster than interest expense**

The ratio of interest expense to own-source revenue is an indicator of fiscal flexibility. Rapid growth in interest expense when own-source revenues are growing more slowly increases the ratio. When the ratio becomes too high, a government may be forced to divert so much of its revenues to paying interest that it must constrain spending on other important priorities.

The graph below shows the improvement in the ratio in 2015, after steady growth in the preceding years:



Between 2011 and 2015, interest costs grew by more than 15 per cent a year on average, while the average annual growth in revenues was just over 7 per cent. Between 2014 and 2015, however, the growth rates flipped, with own-source revenues outgrowing interest costs for the first time. The respective year-over-year rates of growth were 9.5 per cent and 6.1 per cent.

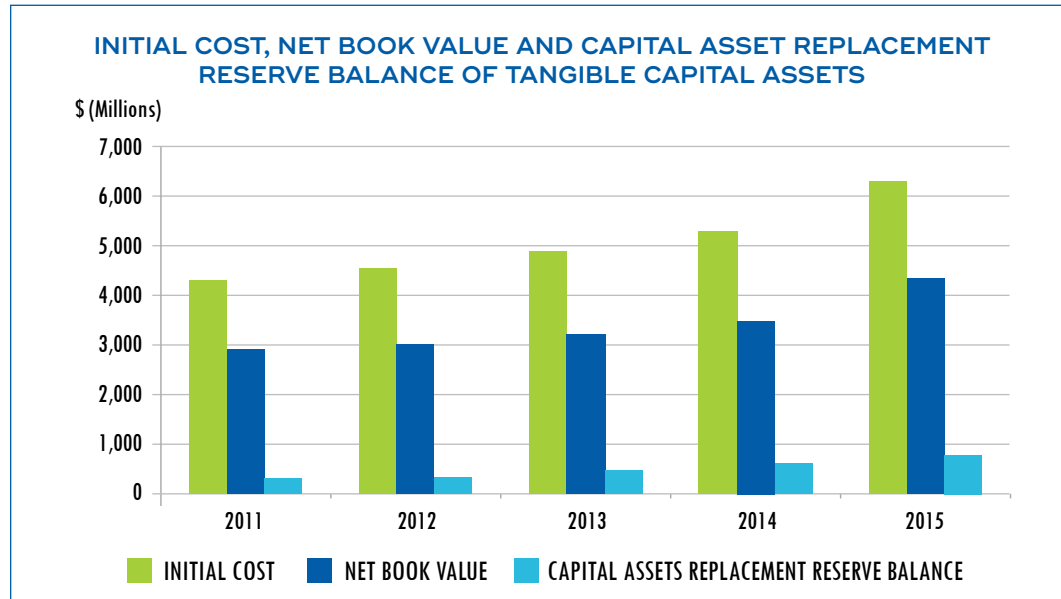
The graph shows two sets of bars because of the importance of development-related revenues to the Region’s financial picture. Development activity is an important source of debt service funding, one that is reflected in a “cost supplement” to Regional borrowings. This cost supplement was discussed in the section on the fiscal strategy, as was the Region’s policy of keeping it below the maximum allowed by provincial regulation for reasons of prudence. Including these revenues, which is appropriate because of their role in servicing debt, lowers the ratio slightly. Because the development cost supplement has been relatively flat over the past five years, however, it has had a relatively small impact on changes in the ratio.

### Reserves for capital replacement grow

The graph below includes information about assets, their age and the reserves available to replace them when needed.

Capital needs are a major element of governments’ planning and budgeting. Increasingly, the focus of government financial planning and management is expanding to recognize the need to cover the costs not just of buying or building new assets, but keeping them in good condition and rehabilitating and replacing them when needed. Because many assets are in service for decades, these activities need to take into account very long time lines; otherwise, a government can face very high costs without adequate resources to cover them.

One measure of a government’s vulnerability to this kind of fiscal shock is the relationship between the initial cost of assets and their current, amortized value (or net book value). The graph shows that both the net book value and initial cost of the Region’s assets are rising, and the rates of increase are very similar:



*Note: The Region’s asset replacement reserves exclude land and land improvements. For comparability, land and land improvements have also been excluded from capital assets in the chart above.*

The close tracking of the two items means the Region is adding new assets, which helps to offset the decline in the net book value of existing assets. In future years, if the pace of additions slows, the rate of increase in net book value will also slow. In the case of rapidly growing municipalities like the Region, a shift of this kind can be a signal that major projects that will support decades of future growth are being completed and put into service. This may be followed by several years of equally important but lower outlays for rehabilitation of those assets. During this period, net book value may stabilize or even decline slightly.

When the ratio of net book value to initial cost becomes very low, however, it indicates that the government has assets at or beyond their useful lives, has not invested in rehabilitation and is not replacing depleted assets. This can create risks for economic growth and public health and safety. The ratio is helpful in that it can signal an impending crisis, and it is easily determined because it uses information available in financial reports of most major organizations in the private and public sectors, including York Region. But it does not capture the full picture of asset-related vulnerability, because it does not take into account the normally higher cost of replacing assets, the impact of inflation and other asset management-related costs. Nor does it assess a government’s ability to pay for its capital needs.

### **Asset management practices**

Much more useful for determining a government’s asset position is whether it has detailed information about actual asset condition and a rigorous long-term plan for optimal asset management. York Region is constantly improving its understanding of asset condition to help determine the best timing for investments in rehabilitation and replacements.

Most critically, once this information is available, a government must have the fiscal capacity to make the needed investments. Municipalities are constrained in their ability to borrow, so they must build adequate reserves for these purposes. As the graph shows, the Regional fiscal strategy has accelerated the growth of asset replacement reserves, which have increased by about 25 per cent a year on average since 2011. As well, the Region regularly funds some rehabilitation projects from its annual Budget as “pay-as-you-go” spending, not out of the reserve, as an additional source for asset management investment.

## Outlook

Several factors could affect the long-term fiscal outlook for York Region, including:

- Growth trends
- Demographic shifts
- Infrastructure challenges
- Operational risks
- The policy environment
- Economic and financial market risks

The discussion below summarizes the nature of the risks related to these factors and how the Region is managing these.

### **Managing slower-than-expected growth and new provincial targets for 2041**

Since its formation in 1971, population and economic growth in York Region has largely determined its fiscal picture. Strong growth and high property values have helped to fund the building and maintenance of infrastructure, but the timing of funding inflows and capital needs have not always matched. This is a major reason behind the growth in Regional debt.

While York Region will continue to grow, the rate of population increase is currently slower than in the recent past and this trend may continue over the near term. Such alternating periods of higher and lower growth have characterized the Region since its formation.

These shifts in the rate of growth tend to have hard-to-predict impacts on actual development charge collections. The current cycle of underperformance in collections may be due to a number of factors, including not just slower-than-expected population growth but also changes in the rate of new household formation, availability of land for development, the outlook in the development industry, the mix of housing types being built and the structure of development charges for these housing types.

York Region is managing these risks through the Regional fiscal strategy, especially by putting in place a more rigorous capital planning framework and strengthening its debt management plan.

The capital plan was adjusted in 2013, 2014 and 2015 to better match outlays with expected development charge collections. Underlying these decisions, however, was a continuing commitment to providing infrastructure needed for safe, reliable public services for a growing population.

This exercise has also turned the Region's attention to providing services in ways that reduce dependence on major capital outlays by making better use of existing assets and making more efficient investments in new ones. These themes will inform how the Region implements the updates to the Regional Official Plan, the Transportation Master Plan and the Water and Wastewater Master Plan.

On debt management, as noted earlier, the Region uses a more prudent growth-related cost supplement than allowed by the Province to determine its annual debt repayment limit. In parallel, better fiscal discipline in the capital plan is reducing borrowing needs for growth-related projects. The fiscal strategy is also avoiding the use of tax-levy and user-rate debt to pay for asset renewal by creating and building reserves in advance of needs.

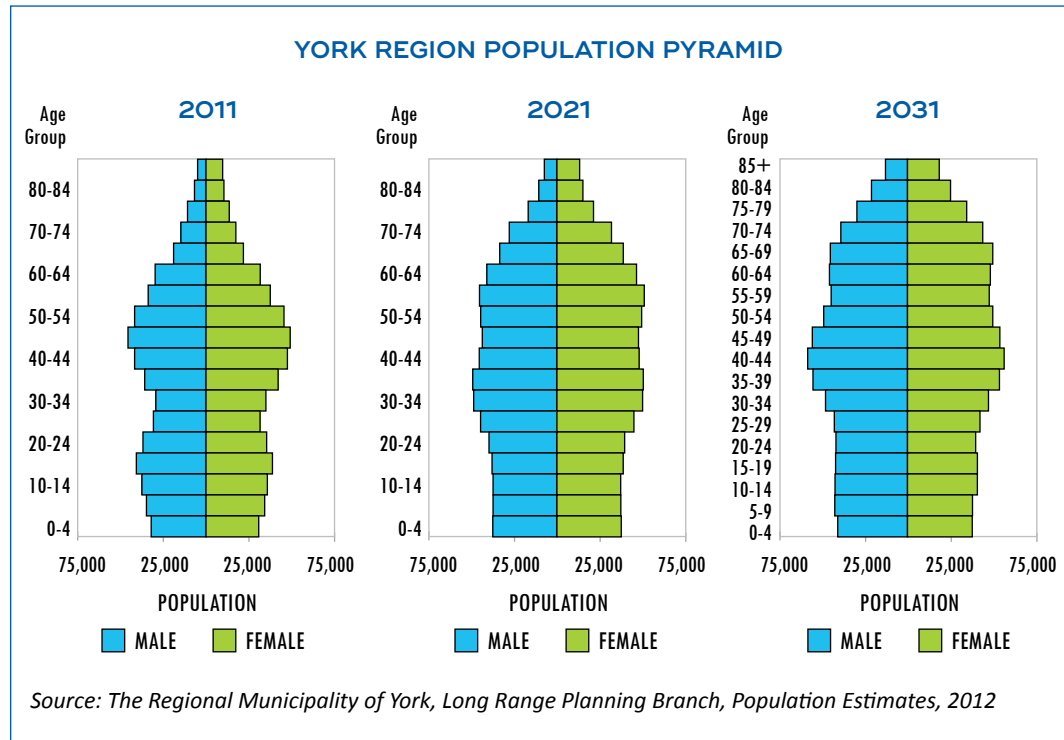
While the Region works to manage the current period of development charge underperformance, in the longer term it must address revised growth targets set by the provincial Growth Plan under the *Places to Grow Act*. These targets require the Region to be prepared for a population of close to 1.8 million by 2041, a significant increase from the current level of almost 1.2 million. The possibility that the amount and timing of actual growth may differ from the provincial forecast is a risk for the Region and adds a layer of complexity to long-term planning.



## New services and strategies for the needs of a changing population

The population of the Region is not just growing, it is changing. Regional forecasts suggest that:

- The strongest growth in the next several years will be among seniors, as the graph below shows, with the share of those 65 and older expected to be roughly one in five residents by 2031, almost double the 2011 share
- The share of children and youth in the population is unlikely to grow as in the past, reflecting the fact that young adults (those aged 25 to 44) are waiting longer to form families
- The Region will continue to become more urban as population is increasingly focused in built-up areas

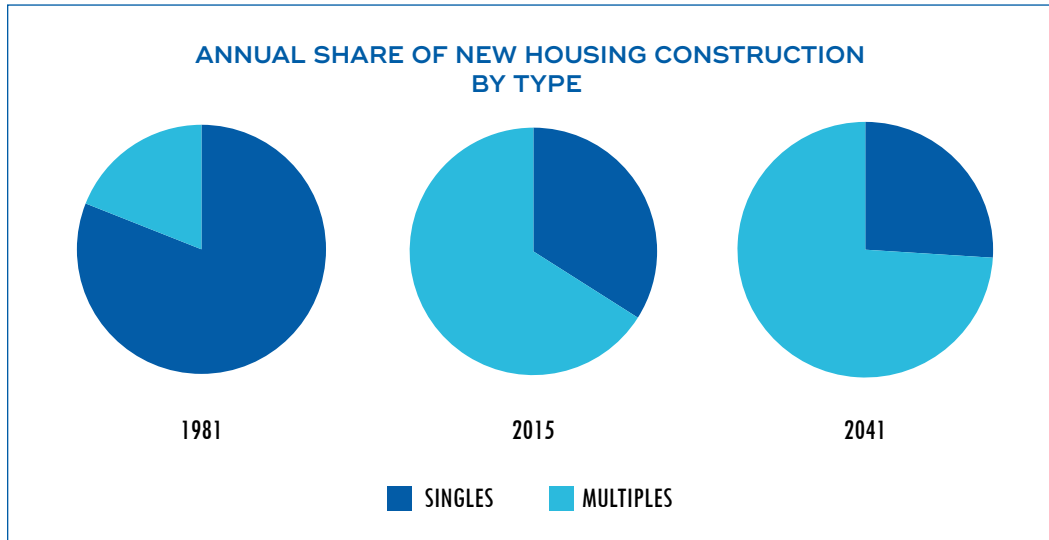


The first trend in particular is likely to have fiscal impacts. Because life expectancy is higher in York Region than Ontario or Canada as a whole, growth in the over-65 group will ultimately mean a significant share of residents over 75. This age group tends to rely more heavily on services, especially long-term care and paramedics. To help manage this risk and balance the demand for services across the entire spectrum, the Region is developing a seniors' strategy, as discussed earlier in the Good Government section. It will provide guidance in adjusting service levels and altering service delivery models as needed.

As the senior population grows, it may also affect the housing stock, with an increased preference for townhomes and bungalows. Other demographic trends, such as the increasing number of single-person and single-parent households, may also support that trend. Families may choose smaller properties closer to work locations to reduce commuting time, which could also favour more compact development. These choices are likely to have impacts on Regional revenues over the long term.

The Region is managing risks and opportunities that arise from shifts of this nature through more detailed analysis of population and demographic trends to better understand impacts on both revenues and community services. These shifts are also feeding into other areas where there may be fiscal impacts, such as the infrastructure needs associated with more compact land use.

More compact development and increasing urbanization tend to go hand-in-hand. While the single detached home will remain the predominant type of dwelling in the Region's housing stock, in recent years population growth, higher land costs and changing preferences – as well as demographic shifts – have resulted in the building of condominiums and other denser housing types, especially in the southern part of the Region.



*Note: The 1981 share and the 2015 actual population figures are based on CMHC Completion Data. The 2041 figures are Long Range Planning's forecast based on a 45 per cent intensification model.*

This trend, combined with a general increase in population across the Region, has shifted York Region from being a largely rural and suburban municipality to an increasingly urban one. This has a number of impacts that, if not properly managed, can create fiscal challenges. These include more complex and costly infrastructure networks, traffic congestion and demand for more services, including new ones that address the needs of a more urban population.

These impacts touch on almost all of the services the Region provides. Through the strategic planning and budgeting processes, each department determines how best to use its resources to address them.

Congestion presents a significant risk that requires major investments in roads and public transit, and these have become increasingly important to the capital plan. The next section discusses this challenge.

### Addressing the infrastructure needs of a more urban Region

To address congestion, a major risk as the Region grows and urbanizes, the capital plan in the 2015 to 2018 budget includes the largest four-year investment in transportation, including transit, in the Region's history.

The Region itself, however, does not have the resources to build the comprehensive rapid transit system needed to support higher population density. The current period of underperformance in development charge collections exacerbates this challenge.

This makes provincial and federal support for rapid transit essential. Such assistance is also logical, since a network involving better GO train service and an extended Yonge Street subway line, as well as purely Regional transit services, would support economic growth and provide benefits beyond the borders of the Region. It would also help the Region to better manage the infrastructure challenges associated with the revised provincial growth targets and the potentially higher intensification targets the province is currently proposing.

## **The impacts of a changing climate**

An additional infrastructure challenge arises from changes in the climate. There is growing evidence that extreme weather events such as blizzards, ice storms, flooding and tornados are happening more frequently than in the past. The consequences are hard to predict: while unexpected severe winter conditions in 2014, for example, resulted in higher-than-budgeted spending on road clearing, much milder winter weather in the year just ended reduced costs.

To better manage risk, departments are working to assess the likelihood of such events and the severity of their impacts. This has been an important theme for the update of the Water and Wastewater Master Plan, in particular, because these assets are more vulnerable to extreme weather. The update includes new design standards that better reflect the recent history of storms in the Region, and also calls for greater flexibility to change standards if weather becomes even more volatile.

## **Operating risks from a changing workforce and shifts in technology**

Day-to-day operations are subject to external risks that can increase costs. Examples include lower-than-expected revenue recoveries from outside parties, unexpected changes in commodity prices, and so on. Provincial regulation and policy changes can bring major changes on both the operating and capital side.

For the most part, departments identify and manage these risks as they develop and implement their budgets.

Some risks related to day-to-day operations have enterprise-wide impacts that can affect operations over the long term. The makeup of the workforce is an example. The Region, like many other organizations, is planning for the succession needs of an ageing workforce, to ensure that valuable institutional knowledge is preserved.

As more employees retire, as well, the Region faces increasing expense for post-employment benefits. In 2015, the amount was \$6.2 million. This is an expense that, under provincial guidance, municipalities do not need to include in their annual budgets, as long as they report on it to their elected councils. They must, however, include it in financial reporting. The Region follows these practices, but as the amount grows, including it in the Budget may provide greater transparency and comparability between the financial plan and actual results.

Changes in technology and its delivery are also having an impact on the Region's operating outlook. An important example is in the area of software, where subscription as opposed to purchase is becoming more common. This is creating cost pressures in operating budgets.

## **New policies and regulation can increase costs and complexity**

The provincial government has a central role in directing and regulating municipal activities and supporting municipalities in delivering important services. In such policy areas as growth planning and development charges, its decisions can have profound impacts on the Region and its fiscal capacity.

The Province recently updated both the Development Charges Act, 1997 and the Planning Act, 1990. The key principles underlying the changes to the Development Charges Act are cost recovery and transparency. With the changes, municipalities are able to recover a somewhat greater portion of growth-related transit infrastructure costs through development charges. In addition, the Province made waste diversion infrastructure eligible for development charge recovery.

The changes represent modest progress towards allowing municipalities to use development charges to cover the full costs of growth. However, the changes fall short in key areas, fail to provide clarity in some areas and also bring new administrative and reporting burdens.

The Region is currently preparing a background study for updating its development charge bylaw in 2017. This work will reflect the new legislation and the regulations associated with it.

As well as policy shifts, changes in provincial regulation have directly increased costs for the Region, particularly in the area of water and wastewater. One example is a plan released under the provincial Lake Simcoe Protection Act, 2008, that puts more stringent limits on discharges of wastewater into the lake's watershed. Other changes have affected such services as child care. While the Region fully supports provincial standards that safeguard residents, it also looks to regulation that is efficient and cost-effective.

As well, lack of clear direction where provincial interests intersect – for example, in accommodating growth while facing more stringent environmental standards – creates uncertainty for the Region. Considerable expenses on continuous updates to the Regional Official Plan, necessitated by conformity obligations to the Provincial Growth Plan, are becoming a burden. Provincial policy coordination that takes into account all provincial goals and priorities and recognizes municipal fiscal capacity would provide welcome relief.

### **Managing the risks of a changing economy**

In addition to the risks posed by population growth and demographic shifts, revenues are subject to risks arising from general economic conditions.

Economic growth in Ontario, including the Greater Toronto Area, is accelerating following steady but moderate growth after the 2008 global economic crisis. The province achieved gains in real gross domestic product of 2.6 per cent in 2015 and 2.7 per cent in 2014, compared to increases for Canada as a whole of 1.2 per cent and 2.5 per cent, respectively, for those years. Several external factors, including a more competitive Canadian dollar, strong growth in the United States, lower oil prices and continuing low interest rates, supported the stronger Ontario growth.

The structure of the Region's economy, however, is a potential risk factor, given its relatively high dependence on jobs in manufacturing, particularly vehicle part production. As noted earlier in the section on economic vitality, suppliers to the vehicle manufacturing industry face risks related to the move of jobs to other, lower-cost jurisdictions.

The Region's economic development plan is helping to manage that risk. It achieved a major goal with provincial approval of a new campus of York University in the Region, as discussed earlier. This will help support the shift already underway towards more service-oriented jobs, especially in technical and professional areas, and create more office-based employment.

From a fiscal perspective, a severe and prolonged economic downturn might affect development charge collections in the Region. If the downturn also made financial markets more risk-averse, the cost of debt servicing would increase. The Region's strong financial management capacity, noted by the rating agencies, is a key factor in managing these risks. The Regional fiscal strategy, which is resulting in improved financial condition, can be adjusted, if necessary, in response to changing circumstances.

Another means the Region uses to manage economic and market risks is maintaining a high level of reserves. The ratio of reserves to debt is improving and is expected to become greater than 100 per cent in 2021. Because reserves are generally held in the form of cash or investments relatively easily converted to cash, they provide liquidity in case of a sudden change in conditions. As well, York Region achieves strong returns from investing its reserves, which contribute to its revenues.

The shift to a multi-year budget planning framework is also helping the Region to better manage risks, by improving fiscal discipline, creating a longer planning horizon and forging stronger links between annual budgets and longer-term goals.



May 11, 2016

KPMG LLP  
Chartered Accountants  
Yonge Corporate Center  
4100 Yonge Street, Suite 200  
Toronto, Ontario M2P 2H3  
Attention: Mr. Kevin Travers, Partner

Dear Mr. Travers:

We are writing at your request to confirm our understanding that your audits was for the purpose of expressing an opinion on the consolidated financial statements (hereinafter referred to as “financial statements”) of The Regional Municipality of York (“the Region”) as at and for the period ended December 31, 2015.

We confirm that the representations we make in this letter are in accordance with the definitions as set out in **Attachment I** to this letter.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

**GENERAL:**

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated January 28, 2016, for:
  - a) the preparation and fair presentation of the financial statements and believe that these financial statements have been prepared and present fairly in accordance with the relevant financial reporting framework
  - b) providing you with all relevant information, such as all financial records and related data and complete minutes of meetings, or summaries of actions of recent meetings for which minutes have not yet been prepared, of shareholders, board of directors and committees of the board of directors that may affect the financial statements, and access to such relevant information
  - c) such internal control as management determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error
  - d) ensuring that all transactions have been recorded in the accounting records and are reflected in the financial statements

**INTERNAL CONTROL OVER FINANCIAL REPORTING:**

- 2) We have communicated to you all deficiencies in the design and implementation or maintenance of internal control over financial reporting of which management is aware.

**FRAUD & NON-COMPLIANCE WITH LAWS AND REGULATIONS:**

- 3) We have disclosed to you:
  - a) the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud
  - b) all information in relation to fraud or suspected fraud that we are aware of and that affects the Entity and involves: management, employees who have significant roles in internal control, or others, where the fraud could have a material effect on the financial statements
  - c) all information in relation to allegations of fraud, or suspected fraud, affecting the Entity's financial statements, communicated by employees, former employees, analysts, regulators, or others
  - d) all known instances of non-compliance or suspected non-compliance with laws and regulations, including all aspects of contractual agreements, whose effects should be considered when preparing financial statements
  - e) all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements

**COMMITMENTS & CONTINGENCIES:**

- 4) There are no:
  - a) other liabilities that are required to be recognized and no other contingent assets or contingent liabilities that are required to be disclosed in the financial statements in accordance with the relevant financial reporting framework, including liabilities or contingent liabilities arising from illegal acts or possible illegal acts, or possible violations of human rights legislation
  - b) other environmental matters that may have an impact on the financial statements
  - c) guarantees, whether written or oral, under which the Entity is contingently liable.

**SUBSEQUENT EVENTS:**

- 5) All events subsequent to the date of the financial statements and for which the relevant financial reporting framework requires adjustment or disclosure in the financial statements have been adjusted or disclosed.

**RELATED PARTIES:**

- 6) We have disclosed to you the identity of the Region's related parties.
- 7) We have disclosed to you all the related party relationships and transactions/balances of which we are aware.
- 8) All related party relationships and transactions/balances have been appropriately accounted for and disclosed in accordance with the relevant financial reporting framework.
- 9) We have no knowledge of any relationship or transaction with related parties that have not been properly accounted for, or adequately disclosed.

- 10) We have provided you with all information concerning related party transactions and amounts receivable from or payable to related parties, including support for any assertion that a transaction with a related party was conducted on terms equivalent to those prevailing in an arm's-length transaction.

**ESTIMATES:**

- 11) Measurement methods and significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

**NON-SEC REGISTRANTS OR NON-REPORTING ISSUERS:**

- 12) We confirm that the Entity is not a Canadian reporting issuer (as defined under any applicable Canadian securities act) and is not a United States Securities and Exchange Commission ("SEC") Issuer (as defined by the Sarbanes-Oxley Act of 2002). We also confirm that the financial statements of the Entity will not be included in the consolidated financial statements of a Canadian reporting issuer audited by KPMG or an SEC Issuer audited by any member of the KPMG organization.

Sincerely,  
THE REGIONAL MUNICIPALITY OF YORK



Bill Hughes  
Commissioner of Finance and Treasurer



Warren Marshall  
Director, Controllership Office and Deputy Treasurer

I have the recognized authority to take, and assert that I have taken, responsibility for the financial statement.



## Attachment I – Definitions

### **MATERIALITY**

Certain representations in this letter are described as being limited to matters that are material. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both.

### **FRAUD & ERROR**

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorization.

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

### **RELATED PARTIES**

In accordance with CPA Handbook Section 3840.04 (g) *related party* is defined as:

- Related parties exist when one party has the ability to exercise, directly or indirectly, control, joint control or significant influence over the other. Two or more parties are related when they are subject to common control, joint control or common significant influence. Related parties also include management and immediate family members (see paragraph 3840.04).

In accordance with CPA Handbook Section 3840.03 (h) a *related party transaction* is defined as:

- A related party transaction is a transfer of economic resources or obligations between related parties, or the provision of services by one party to a related party, regardless of whether any consideration is exchanged. The parties to the transaction are related prior to the transaction. When the relationship arises as a result of the transaction, the transaction is not one between related parties.



KPMG LLP  
Yonge Corporate Centre  
4100 Yonge Street, Suite 200  
Toronto ON M2P 2H3  
Canada  
Tel 416-228-7000  
Fax 416-228-7123

## INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of The Regional Municipality of York

We have audited the consolidated financial statements of The Regional Municipality of York, which comprise the statement of financial position as at December 31, 2015, the statements of operations and accumulated surplus, change in net debt, and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian public sector accounting standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Page 2

*Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of The Regional Municipality of York as at December 31, 2015, the results of its operations and accumulated surplus, change in net financial assets and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

*KPMG LLP*

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Chartered Professional Accountants, Licensed Public Accountants

May 11, 2016

Toronto, Canada

# FINANCIAL STATEMENTS

## THE REGIONAL MUNICIPALITY OF YORK

### Consolidated Statement of Financial Position

As at December 31, 2015

	2015 \$	2014 \$
<b>ASSETS</b>		
<b>Financial Assets</b>		
Cash and cash equivalents (Note 3)	492,937,560	280,975,026
Accounts receivable (Note 4)	313,134,867	257,577,671
Investments (Note 3)	2,318,411,139	2,419,858,853
Debt amounts recoverable from		
Area municipalities (Notes 5 and 9a)	211,070,743	219,604,937
<b>Total</b>	<b>3,335,554,309</b>	<b>3,178,016,487</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	821,969,382	808,698,725
Employee benefit obligations (Note 7)	161,363,047	146,442,242
Deferred revenue (Note 6)	64,776,623	235,221,334
Deferred revenue-obligatory reserve funds (Note 6)	281,560,316	304,130,696
Gross long-term liabilities (Note 5)	2,833,618,685	2,750,974,572
Sinking fund debenture debt (Note 5)	610,389,226	500,686,269
<b>Total</b>	<b>4,773,677,279</b>	<b>4,746,153,838</b>
<b>Net Debt</b>	<b>(1,438,122,970)</b>	<b>(1,568,137,351)</b>
<b>Non-Financial Assets</b>		
Tangible capital assets (Note 14)	7,116,050,341	6,527,121,503
Inventory	3,937,124	3,540,731
Prepaid expenses	10,476,477	15,433,900
<b>Accumulated Surplus (Note 12)</b>	<b>5,692,340,972</b>	<b>4,977,958,783</b>

The accompanying notes are an integral part of these Consolidated Financial Statements

## THE REGIONAL MUNICIPALITY OF YORK

### Consolidated Statement of Operations and Accumulated Surplus

For the year ended December 31, 2015

	Budget \$	2015 \$	2014 \$
<b>REVENUES</b>			
Net taxation/user charges	1,190,907,197	1,214,394,680	1,137,490,448
Transfer payments (Note 15)	422,341,994	651,485,254	521,667,972
Development contributions	296,742,718	281,033,242	361,870,502
Fees and services	134,878,104	144,695,693	134,292,830
Interest and investment (Note 18)	-	94,804,765	80,961,800
Other	85,137,447	96,473,554	80,366,412
<b>Total Revenues</b>	<b>2,130,007,460</b>	<b>2,482,887,188</b>	<b>2,316,649,964</b>
<b>EXPENSES</b>			
General government (Note 18)	129,347,496	154,797,376	150,549,362
Protection to persons and property	316,728,665	331,304,851	308,041,729
Transportation services	369,191,018	371,588,836	683,624,059
Environmental services	398,653,475	431,960,462	397,624,339
Health and emergency services	173,583,985	130,264,900	126,998,106
Community services	215,827,313	237,151,372	215,593,925
Social housing	94,487,213	102,864,804	109,252,817
Planning and development services	8,718,231	8,572,398	7,992,495
<b>Total Expenses</b>	<b>1,706,537,396</b>	<b>1,768,504,999</b>	<b>1,999,676,832</b>
<b>Annual Surplus</b>	<b>423,470,064</b>	<b>714,382,189</b>	<b>316,973,132</b>
Accumulated Surplus, Beginning of Year	4,977,958,783	4,977,958,783	4,660,985,651
<b>Accumulated Surplus, End of Year</b>	<b>5,401,428,847</b>	<b>5,692,340,972</b>	<b>4,977,958,783</b>

The accompanying notes are an integral part of these Consolidated Financial Statements.

## THE REGIONAL MUNICIPALITY OF YORK

### Consolidated Statement of Change in Net Debt

For the year ended December 31, 2015

	Budget	2015	2014
	\$	\$	\$
<b>ANNUAL SURPLUS</b>	423,470,064	714,382,189	316,973,132
Amortization of tangible capital assets	202,332,286	207,690,044	183,305,618
Proceeds on disposal of tangible capital assets	-	3,868,496	675,294
Change in inventory	-	(396,393)	(783,681)
Change in prepaid expenses	-	4,957,423	(3,842,970)
Loss on disposal of tangible capital assets	-	8,009,444	1,084,761
Acquisition of tangible capital assets	(779,396,000)	(808,496,822)	(701,279,211)
<b>Decrease/(Increase) in net debt</b>	<b>(153,593,650)</b>	<b>130,014,381</b>	<b>(203,867,057)</b>
Net debt, Beginning of year	(1,568,137,351)	(1,568,137,351)	(1,364,270,294)
<b>Net debt, End of year</b>	<b>(1,721,731,001)</b>	<b>(1,438,122,970)</b>	<b>(1,568,137,351)</b>

The accompanying notes are an integral part of these Consolidated Financial Statements.

# THE REGIONAL MUNICIPALITY OF YORK

## Consolidated Statement of Cash Flows

For the year ended December 31, 2015

	2015 \$	2014 \$
<b>OPERATING</b>		
Annual surplus	714,382,189	316,973,132
Items not involving cash:		
Amortization	207,690,044	183,305,618
Loss on disposal of tangible capital assets	8,009,444	1,084,761
Changes in non-cash assets and liabilities:		
Accounts receivable	(55,557,196)	(79,331,508)
Accounts payable and accrued liabilities	13,270,657	161,684,464
Employee benefit obligations	14,920,805	12,244,691
Deferred revenue	(170,444,711)	14,720,636
Deferred revenue-obligatory reserve funds	(22,570,380)	(82,639,917)
Inventory	(396,393)	(783,681)
Prepaid expenses	4,957,423	(3,842,970)
Net change in cash and cash equivalents from operations	714,261,882	523,415,226
<b>CAPITAL</b>		
Acquisition of tangible capital assets	(808,496,822)	(701,279,211)
Proceeds on disposal of tangible capital assets	3,868,496	675,294
Net change in cash and cash equivalents from capital	(804,628,326)	(700,603,917)
<b>INVESTING</b>		
Net change in investments	101,447,714	(305,664,786)
<b>FINANCING</b>		
Long-term debt issued	261,211,269	460,542,905
Long-term debt repaid	(47,794,753)	(68,916,474)
Interest earned on own sinking funds	(12,535,252)	(10,542,905)
Net change in cash and cash equivalents from financing	200,881,264	381,083,526
Net change in cash and cash equivalents	211,962,534	(101,769,951)
Opening cash and cash equivalents	280,975,026	382,744,977
Closing cash and cash equivalents	492,937,560	280,975,026

The accompanying notes are an integral part of these Consolidated Financial Statements.

# THE REGIONAL MUNICIPALITY OF YORK

## Notes to the Consolidated Financial Statements

December 31, 2015

The Corporation of the Regional Municipality of York (the “Region”) was incorporated as a municipality in 1971 by the Province of Ontario. The area municipalities within the regional boundaries include the towns of Aurora, East Gwillimbury, Georgina, Newmarket, Richmond Hill, Whitchurch-Stouffville, the Township of King, the City of Markham and the City of Vaughan.

### 1. ACCOUNTING POLICIES

The consolidated financial statements of the Regional Municipality of York are the representations of management prepared in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada (CPA Canada).

The focus of PSAB financial statements is on the financial position of the Region and the changes thereto. The Consolidated Statement of Financial Position reports the financial assets and liabilities, and the non-financial assets and liabilities of the Region. Financial assets are those assets which could provide resources to discharge existing liabilities or finance future operations. Accumulated surplus represents the amount by which all assets exceed all liabilities. An accumulated surplus indicates that the Region has net resources that can be used to provide future services and meet its obligations.

#### a) Basis of Consolidation

- i) These consolidated financial statements reflect the assets, liabilities, revenues and expenses in the Operating Fund of all entities which are accountable to and controlled by the Region. They include the activities of all committees of Council, York Region Police Services Board, Housing York Inc. and York Region Rapid Transit Corporation (Rapidco). Inter-unit balances and transactions are eliminated from the consolidated financial statements.
- ii) The financial activities of the sinking fund are disclosed separately in the sinking fund financial statements.
- iii) Funds held in trust by the Region for the residents of Newmarket Health Centre and Maple Health Centre and their related operations are not included in the consolidated financial statements. The financial activity and position of the trust funds and donations received on behalf of the Centres are reported separately in the Residents’ Trust Funds and Donation Account Statement of Financial Position, and Statement of Financial Activities.

#### b) Basis of Accounting

##### i) Full Accrual Basis of Accounting

The consolidated financial statements are prepared using the full accrual basis of accounting. The accrual basis of accounting records gross revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the creation of a legal obligation to pay.

The annual cost of owning and using a capital asset (estimated amortization) is deducted from annual results. That is, a part of the cost of the asset is recognized in annual results in each of the periods of its useful life.

##### ii) Cash and Cash Equivalents

Cash and cash equivalents include short-term, highly liquid investments with a term to maturity of 90 days or less after year end.

##### iii) Investments

Investment income earned on surplus current fund and reserve funds (other than development charges) are reported as revenue in the period earned. Investment income on the development charge reserve funds is added to the fund balance and form part of the respective deferred revenue balances.

Investments are carried at the lower of cost and amortized cost. Any discount or premium is amortized over the remaining term of the investments. When there has been a loss in value that is other than temporary decline in value, the respective investment is written down to recognize the loss.



# THE REGIONAL MUNICIPALITY OF YORK

## Notes to the Consolidated Financial Statements

December 31, 2015

iv) Tangible Capital Assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets is amortized on a straight line basis over their estimated useful lives in number of years as follows:

Land	Infinite
Land Improvements	20
Buildings	15-60
Leasehold Improvement	Lease Term
Water and Wastewater-Linear	60-100 by materials
Water and Wastewater-Discrete facilities	15-60 by asset components
Hardware and Software	3-7
Equipment and Machinery	3-30
Vehicles	3-18
Roads (Road surface/Structure)	15/45
Bridges (Deck/Understructure)	25/75
Culverts	60
Level Crossings	40
Intersections	15

There are no contributed tangible capital assets during the year.

The Region owns land that has been recorded at nominal value. The majority of this acreage is part of York Regional Forest.

v) Deferred Revenue-General

Funds received for specific purposes are accounted for as deferred revenue until the Region discharges the obligation which led to the receipt of the funds.

vi) Deferred Revenue-Obligatory Reserve Funds

Development Charges, collected under the authority of Sections 33 to 35 of the Development Charges Act 1997, are reported as Deferred Revenue in the Consolidated Statement of Financial Position in accordance with the recommendations of PSAB. Amounts applied to qualifying capital projects are recorded as revenues in the fiscal period in which the funds are expended on qualifying capital projects.

The Region receives gas tax revenues under municipal funding agreements for the transfer of the revenues. These funds, by their nature, are restricted in their use and until applied to applicable works are recorded as deferred revenue. Amounts applied to qualifying projects are recorded as revenue in the fiscal period they are expended.

vii) Pensions and Employee Benefits

The Region accounts for its participation in the Ontario Municipal Employee Retirement System (OMERS), a multi-employer public sector pension fund, as a defined benefit plan. Vacation entitlements are accrued for as entitlements are earned. Sick leave benefits are accrued where they are vested and subject to pay out when an employee leaves the Region's employ.

Other post-employment benefits are accrued in accordance with the projected benefit method prorated on service and management's best estimate of salary escalation and retirement ages of employees. Actuarial valuations, where necessary for accounting purposes, are performed triennially. The discount rate used to determine the accrued benefit obligation was determined by reference to market interest rates at the measurement date on high-quality debt instruments with cash flows that match the timing and amount of expected benefit payments. Unamortized actuarial gains or losses are amortized on a straight-line basis over the expected average remaining service life of the related employee groups. Unamortized actuarial gains/losses for event-triggered liabilities, such as those determined as claims related to Workers Safety and Insurance Board (WSIB) are amortized over the average expected period during which the benefits will be paid. The cost of plan amendments is accounted for in the period they are adopted.

Where applicable, the Region has set aside reserve funds intended to fund these obligations, either in full or in part. These reserve funds were created under municipal by-law and do not meet the definition of a plan asset under PSAB 3250 Retirement Benefits. Therefore, for the purpose of these financial statements, the plans are considered unfunded.

viii) Tax Revenue

Property tax revenue is recognized on an accrual basis using the approved tax rates and the anticipated assessment related to the current year.

ix) Government transfers

Government transfers are recognized in the period in which the events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made. They consist of grants and subsidies received for various operating and capital programs.

# THE REGIONAL MUNICIPALITY OF YORK

## Notes to the Consolidated Financial Statements

December 31, 2015

x) Segment Disclosure

A segment is defined as a distinguishable activity or group of activities of a government for which it is appropriate to separately report financial information to achieve the objectives of the standard. The segment information is provided by financial statement guideline per PSAB 2700. For additional information, see Note 13.

Certain allocation methodologies are employed in the preparation of the segmented financial information. Net taxation/user charges and other revenues have been allocated to the segment based upon the segments that generate the revenues. Transfer payments have been allocated to the segment based upon the purpose for which the transfers were made. Development contributions received were allocated to the segment for which the contribution was collected.

xi) Liabilities for Contaminated Sites

Effective January 1, 2015 the Region adopted the new Public Sector Accounting Standard PS 3260, Liability for Contaminated Sites. The standard requires the recognition of a liability for the remediation of contamination sites in the financial statements when the recognition criteria outlined in the standard are met. This change in accounting policy has been applied prospectively. The impact of adoption of this standard resulted in no increase in liability for 2015 as the recognition criteria for recording a liability for contaminated sites were not met.

xii) Budget Figures

The Regional Municipality of York's Council completes a review of its operating budget each year. The approved budget for 2014 is included in the budget figures presented in the Consolidated Statement of Operations. The budget as approved by Regional Council includes those expenses which are part of current tax levies and user charges.

	in \$ (000s)
<b>Revenues</b>	
Approved budget	2,712,241
Transfer from other funds	(254,957)
Proceeds of debt issued for Regional purpose	(357,759)
Other units	30,482
<b>Total revenues</b>	<b>2,130,007</b>
<b>Expenses</b>	
Approved budget	2,712,241
Transfer to other funds	(293,386)
Acquisition of tangible capital assets	(779,396)
Debt principal repayments	(172,751)
Amortization	204,846
Post employment benefits	6,944
Other units	28,039
<b>Total expenses</b>	<b>1,706,537</b>
<b>Annual surplus</b>	<b>423,470</b>

xiii) Use of Estimates

Since precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic financial statements necessarily involves the use of estimates and approximations.

### 2. TAX REVENUE

Tax revenue is comprised of \$935M (2014 - \$888M) general tax levy and \$22M (2014 - \$24M) other tax amounts.

### 3. INVESTMENTS

Included in cash and cash equivalents are short-term investments of \$316,000,359 (2014 - \$80,000,000) with a market value of \$315,979,059 (2014 - \$80,000,000).

Long-term investments of \$2,318,411,139 (2014 - \$2,419,858,853) have a market value of \$2,377,840,941 (2014 - \$2,492,415,532).

Cash and cash equivalents and long-term investments include \$281,560,316 (2014 - \$304,130,696) of restricted funds as required under legislation to fund obligatory reserve funds.

The yields on investments held range from 1.12% to 4.63% (1.52% to 4.46% in 2014).

## THE REGIONAL MUNICIPALITY OF YORK

### Notes to the Consolidated Financial Statements

December 31, 2015

#### 4. ACCOUNTS RECEIVABLE

This amount is comprised of the following:

	2015	2014
	\$	\$
Government of Canada	34,640,420	30,022,775
Government of Ontario	53,601,747	6,656,400
Other Municipalities	126,057,820	113,494,214
Others	98,834,880	108,649,952
	<u>313,134,867</u>	<u>258,823,341</u>
Less: Allowance for Doubtful Accounts	-	1,245,670
	<u>313,134,867</u>	<u>257,577,671</u>

#### 5. LONG-TERM LIABILITIES

- a) The balance for long-term liabilities reported on the Consolidated Statement of Financial Position is made up of the following items. Interest rates and maturity dates for the debts range from 2% to 8% and from January 2, 2016 to December 1, 2051.

The total gross amount of the long-term liabilities to be retired by sinking funds is \$2,514,610,834 (2014 - \$2,374,313,735). The amount of the sinking fund assets available to retire debt is \$610,389,226 (2014 - \$500,686,269).

	2015	2014
	\$	\$
Total long-term liabilities incurred by the Municipality including those incurred on behalf of area municipalities and outstanding at the end of the year	2,766,220,205	2,677,361,194
Mortgages payable by Housing York Inc.	67,398,480	73,613,378
	<u>2,833,618,685</u>	<u>2,750,974,572</u>
Sinking fund debenture debt	610,389,226	500,686,269
Less: Recoverable from area municipalities	211,070,743	219,604,937
Net long-term liabilities at the end of the year	<u>3,232,937,168</u>	<u>3,032,055,904</u>

- b) Net long-term liabilities are repayable as follows:

2016	167,716,988
2017	155,624,097
2018	121,980,304
2019	341,565,102
2020	229,147,477
Thereafter	1,793,113,761
Net sinking fund debt repayable according to actual recommendations	<u>423,789,439</u>
Total	<u>3,232,937,168</u>

Long-term liabilities are financed through a combination of development charges, water and sewer rates, and tax levy.

- c) Charges for Net Long-term Liabilities

Total interest charges for the year for net long-term liabilities which are included in the Consolidated Statement of Operations are \$129,551,761 (2014 - \$122,136,458).

## THE REGIONAL MUNICIPALITY OF YORK

### Notes to the Consolidated Financial Statements

December 31, 2015

#### 6. DEFERRED REVENUE

Deferred revenue set aside for specific purposes by legislation, regulation, or agreement as at December 31, composed of:

	Balance at December 31, 2014	Inflows	Transferred out	Balance at December 31, 2015
	\$	\$	\$	\$
Deferred capital grants	203,479,594	351,406,717	(509,621,503)	45,264,808
Security deposits and agreements	23,174,310	91,374,865	(103,781,587)	10,767,588
Other	8,567,430	7,359,803	(7,183,006)	8,744,227
<b>Total deferred revenue-general</b>	<b>235,221,334</b>	<b>450,141,385</b>	<b>(620,586,096)</b>	<b>64,776,623</b>
Development charges	230,601,836	258,138,250	(281,033,242)	207,706,844
Gas tax	73,528,860	46,046,551	(45,721,939)	73,853,472
<b>Total obligatory reserve funds</b>	<b>304,130,696</b>	<b>304,184,801</b>	<b>(326,755,181)</b>	<b>281,560,316</b>

#### 7. EMPLOYEE BENEFITS

The amounts represent liabilities established for accrual accounting purposes expected to be settled in future periods. In some cases, reserves have been established to fund these amounts. In other cases, the liabilities are to be funded from future years' budgetary allocations. Net increase in the total amount is \$14,920,805.

	2015	2014
	\$	\$
Post employment benefits (c)	67,125,398	60,855,827
Vested sick leave benefits (a)	29,854,530	26,644,100
Long-term disability claims (e)	29,286,607	25,736,060
Vacation payable	17,785,853	17,576,987
Workplace Safety and Insurance Board (WSIB) (d)	17,310,659	15,629,268
	<b>161,363,047</b>	<b>146,442,242</b>

Actuarial valuations:

The following table sets out the extrapolated results for each of the plans as at December 31, 2015.

	Post employment benefits	Vested sick leave benefits	Long term disability	WSIB	2015 total
	\$	\$	\$	\$	\$
Accrued benefit liability, beginning of year	60,855,827	26,644,100	25,736,060	15,629,268	128,865,255
Current service cost	4,173,387	3,047,192	6,162,416	2,972,312	16,355,307
Amortization of loss	901,197	1,895,696	1,463,876	485,702	4,746,471
Interest cost	3,466,742	2,281,965	1,647,624	858,829	8,255,160
Benefit payments	(2,271,755)	(4,014,423)	(5,723,369)	(2,635,452)	(14,644,999)
<b>Accrued benefit liability, end of year</b>	<b>67,125,398</b>	<b>29,854,530</b>	<b>29,286,607</b>	<b>17,310,659</b>	<b>143,577,194</b>

The actuarial valuations of the plans were based upon a number of assumptions about future events, which reflect management's best estimate. The following represents the more significant assumptions made:

	Post employment and sick leave	Long term disability	WSIB
Expected inflation rate	2.00%	2.00%	2.00%
Expected level of salary increases	3.00%	3.00%	3.00%
Interest discount rate	4.75%	4.25%	4.50%
Future health care cost rate	4.67%	N/A	6.00%

## THE REGIONAL MUNICIPALITY OF YORK

### Notes to the Consolidated Financial Statements

December 31, 2015

a) Liability for Vested Sick Leave Benefits

Regional Operations

Commencing in 2000, the accumulated sick leave plan was replaced by a Short-term Disability plan for employees in Regional Operations. Under the plan, employees with five or more years of service were given the option of receiving a cash payout of fifty percent of the balance in their sick leave bank as at December 31, 1999 or deferring payment until termination of employment with the Region. The estimated actuarial value of the liability of the accumulated days for employees who chose the deferral option is \$599,743 (2014 - \$951,475) at the end of the year. Employees who had less than five years of service at December 31, 1999 were given the option on the fifth anniversary of their hire date to either receive payment for the value of accumulated sick days as at December 31, 1999 or defer payment until termination of their employment with the Region. A reserve has been established for the past service liability and is reported in the Consolidated Statement of Financial Position. The reserve balance at December 31, 2015 is \$5,785,011 (2014 - \$4,715,905).

Police Services

For members hired before July 22, 2014, the sick leave benefit plan provides for an accumulative unused sick leave bank. After five years of service, members are entitled to a cash payment of one-half of the sick bank balance to a maximum of six months salary when they leave the municipality's employ. Members were also provided with an election to opt for a cash settlement of one-half of their sick banks hours up to a maximum of six months' salary, in one of three election windows on September 1, 2013, September 1, 2014 or September 1, 2015. Members hired after July 22, 2013 and members who have elected the cash settlement are enrolled in an accumulative unused sick leave plan without a cash payment.

The actuarial liability for the accumulated days to the extent that they have vested and could be taken in cash by an employee on termination amounted to \$29,254,787 (2014 - \$25,845,028). A reserve was established to provide for a portion of the Police Services past service liability and the balance at the end of the year is -\$4,798,991 (2014 - \$6,577,584) and is included in accumulated surplus in the Consolidated Statement of Financial Position.

According to an independent actuarial valuation report dated April 10, 2015 the total estimated liability for both regional operations and police services is \$29,854,530 (2014 - \$26,644,100).

b) Pension Agreement

The Region contributes to the Ontario Municipal Employees Retirement System (OMERS), a multi-employer plan on behalf of approximately 5,663 members of its staff. The plan is a defined benefit plan and specifies the amount of the retirement benefit to be received by the employees based on length of credited service and average earnings.

In 2015, employer contribution amounts to \$52,356,678 (2014 - \$49,829,950) and is included as an expense in the Consolidated Statement of Operations. Employee contributions also amount to \$52,356,678 (2014 - \$49,829,950).

The OMERS pension plan has a deficit of \$7 billion at December 31, 2015 based on an actuarial valuation of plan assets.

c) Post Employment Benefits

Employees who retire under the OMERS pension plan at age fifty or greater with a minimum of twenty years of service with the Region, are entitled to continued coverage for extended health and dental benefits. Those retirees from age 65 to age 75 are eligible to a health care spending account of \$2,000 per year.

According to an independent actuarial valuation report dated April 10, 2015 the total future cost associated with these benefits is \$67,125,398 (2014 - \$60,855,827) and is reported in the Consolidated Statement of Financial Position.

d) Workplace Safety and Insurance Board

Under the *Workplace Safety and Insurance Act*, the Region is a self-insured employer (Schedule II) for all of its employees.

According to an independent actuarial valuation dated February 5, 2014 the estimated liability for all claims incurred to December 31, 2015 is \$17,310,659 (2014 - \$15,629,268) and is reported in the Consolidated Statement of Financial Position. The unamortized actuarial loss as at December 31, 2015 is \$2,801,682 (2014 - \$3,287,384).

e) Long-Term Disability Self Funding Arrangement

In October 2002, the Region adopted a self-insured arrangement for its long-term disability benefit (LTD). Under this arrangement, the Region funds its own claims through a segregated reserve and contracts with an insurance carrier to adjudicate and administer all claims on an Administrative Services Only (ASO) basis. According to an independent actuarial valuation dated February 5, 2014 the estimated liability for claims incurred is \$29,286,607 (2014 - \$25,736,060) as at December 31, 2015 and is reported in the Consolidated Statement of Financial Position.

## 8. CONTRACTUAL OBLIGATIONS AND COMMITMENTS

a) York-Toronto Water Supply Agreements

Under the terms of agreements with the City of Toronto, the Region is entitled to purchase water at rates established every year. Payments in respect of these agreements amounted to \$22,615,008 (2014 - \$21,750,097). Payments under these agreements are financed by area municipalities based on water consumption.

# THE REGIONAL MUNICIPALITY OF YORK

## Notes to the Consolidated Financial Statements

December 31, 2015

b) York-Peel Water Supply Agreement

In 2001, the Region entered into an inter-regional water servicing agreement with the Regional Municipality of Peel. Under the terms of the agreement, the Region is entitled to purchase water from Peel at a negotiated rate. York Region began purchasing water from the Region of Peel in late 2005. The agreement provides for a buy-in payment of \$52.4 million, payable in three equal installments of \$17.46 million. The final installment was paid in 2012. York Region is required to pay operating costs to the Region of Peel for water consumption based on the York Wholesale Rate, commencing in 2005, through to 2031 and beyond. The York Wholesale Rate includes a component to be contributed to a Capital Repair and Replacement Reserve. Payments under this agreement form part of Region's operating expenses and will be financed by the area municipalities based on water consumption.

c) Operating Leases

Under the terms of various operating lease agreements, future minimum payments for the next 5 years are approximately as follows:

	\$
2016	8,506,000
2017	8,048,000
2018	7,463,000
2019	6,444,000
2020	4,865,000

d) York Rapid Transit Plan

In 2002, the Region entered into a public-private partnership with York Consortium 2002 to implement the York Rapid Transit Plan (YRTP). The YRTP was developed from the Region's Transportation Master Plan, which identified the need to implement a rapid network that would reduce the rate of traffic congestion and support economic and residential growth. The future works for the YRTP has been rebranded as VIVANext and includes the construction of the Yonge and Spadina Subway extensions, and also extension and conversion to Light Rail Transit. Implementation of the YRTP is estimated to cost \$21.2 billion to 2031 and is contingent upon future funding agreements with provincial and federal governments.

e) Toronto-York Subway Extension Project

In 2007, the Region signed an agreement with the City of Toronto and the Toronto Transit Commission to design and construct an extension of the Spadina subway line that will extend from Downsview Station in northwest Toronto into York Region. The subway extension is a part of the Region's Transportation Master Plan which will support economic and residential growth.

In 2016, the project cost has been revised to \$3.2 billion and will be funded by contributions from the Federal Government, the Province of Ontario, the City of Toronto and York Region. The Region's estimated contribution is \$606 million of which \$56 million has been paid to the project this year.

f) York Region Hospitals Capital Funding

In 2009, Regional Council approved a memorandum of understanding (MOU) between the Region and York regional hospitals which provides direction for capital funding of the four regional hospitals from 2009 to 2031. Under the MOU, the Region provides funding for approved projects and their associated approved eligible costs. Total capital distributions to Markham Stouffville Hospital, Southlake Regional Health Centre, Vaughan Health Campus of Care and Mackenzie Health amount to approximately \$342 million over the period of the MOU.

## 9. CONTINGENT LIABILITIES

a) Long-term Liabilities

The Region is contingently liable for long-term liabilities for which the responsibility for the payment of principal and interest is recoverable from other municipalities.

b) Public Liability Insurance

The Region's public liability insurance limits are set at \$50,000,000. Environmental impairment liability is fully self-insured by the Region with the exception of sudden and accidental pollution which is insured with a limit of \$5,000,000. The Region has increased its self-insured retention (SIR) effective July 1, 2014 to \$500,000 per occurrence for liability and automobile claims. Prior to July 1, 2014 the SIR was at the \$100,000 level for several years. The crime policy has a deductible of \$0 while the property and boiler policy each have a deductible of \$50,000 per occurrence.

The Region estimates that the liability as at December 31, 2015 for all outstanding public liability claims is, \$6,137,095 (2014 - \$6,671,467).

The total reserve available for public liability and environmental impairment is \$20,506,745 (2014 - \$20,953,377).

c) Other Contingencies

The Region, in the course of its operations, is subject to claims, lawsuits and other contingencies. Accruals have been made in specific instances where it is probable that liabilities will be incurred and where such liabilities can be reasonably estimated. Although it is possible that liabilities may arise in other instances for which no accruals have been made, the Region does not believe that such an outcome will significantly impair its operations or have a material adverse effect on its financial position.

# THE REGIONAL MUNICIPALITY OF YORK

## Notes to the Consolidated Financial Statements

December 31, 2015

### 10. PROVINCIAL OFFENCES ADMINISTRATION

The Region administers prosecutions and the collection of related fines and fees under the authority of the Provincial Offences Act (“POA”). The POA is a procedural law for administering and prosecuting provincial offences, including those committed under the *Highway Traffic Act*, *Compulsory Automobile Insurance Act*, *Trespass to Property Act*, *Liquor Licence Act*, Municipal By-laws and minor federal offences. Offenders may pay their fines at any court office in Ontario, at which time their receipt is recorded in the Integrated Courts Offences Network system (“ICON”). The Region recognizes fine revenue when the receipt of funds is recorded by ICON regardless of the location where payment is made.

The gross revenue is comprised primarily of fines levied under Part I, II and III (including delay penalties) for POA charges. The total revenue for 2015 amounts to \$18,646,456 (2014 - \$17,797,480) and the net revenue amounts to \$226,345 (2014 – (\$373,695)). Balances arising from operation of the POA offices are consolidated with these financial statements.

### 11. LIMITATION ON PROPERTY TAX INCREASES AND FUNDING FOR BUSINESS CLASSES UNDER THE MUNICIPAL ACT, 2001

*The Municipal Act, 2001* (the “Act”) has required that municipalities to limit (cap) any annual assessment related property tax increases on the Commercial, Industrial, and Multi-Residential property classes. The Act also enables municipalities to retain assessment related property decreases in order to fund the cost of capping.

Since 2005, York Region Council has approved the application of all municipal capping options available under section 329.1 of the Act to accelerate movement towards current value assessment (CVA) level taxes for affected properties. A summary of these options is presented below:

1. Assessment-related property tax increases for capped properties are limited to an amount that is the greater of 10 per cent of the previous year’s annualized capped taxes, or 5 per cent of the previous year’s annualized full CVA taxes.
2. Capped or clawed back properties that are within \$250 of their full CVA taxes are moved to the CVA tax level in the current taxation year and are kept there for subsequent taxation years.
3. Eligible new construction/new-to-class properties are taxed at 100 per cent of the property tax associated with their CVA for the 2009 and subsequent taxation years.
4. A property that reached its CVA tax level in the previous year is excluded from the capping program in the current and subsequent taxation years.
5. Properties that were in a capped or clawed back position in the previous year that, as a result of reassessment, cross over in the current year (i.e. move from clawed back to capped, or from capped to clawed back) would instead move to CVA tax levels in the current year and remain at CVA tax levels in subsequent taxation years.

The Act requires the Region to ensure that decreases and increases are equalized across the lower tier municipalities through a process called “banking”. The Region will only transfer funds between lower tier municipalities as part of the tax related adjustments and does not incur any direct financial costs to lower tier municipalities. However, if there is a shortfall in the amount of property tax decreases available to fund the cost of capping protection, the Region and the local municipalities share the cost of the shortfall in the same proportion that they receive taxes for the property class(es) in which the shortfall occurs.

## THE REGIONAL MUNICIPALITY OF YORK

### Notes to the Consolidated Financial Statements

December 31, 2015

#### 12. ACCUMULATED SURPLUS

Accumulated surplus consists of individual fund surplus and reserves and reserve funds as follows:

	2015 \$	2014 \$
Surplus		
Invested in tangible capital assets	3,476,884,943	3,112,888,174
Other	45,087,716	37,700,368
	<u>3,521,972,659</u>	<u>3,150,588,542</u>
Reserves		
Equipment/vehicle replacement	63,246,572	57,310,331
Working capital	44,106,688	43,304,809
Group benefits	2,549,373	2,351,952
Vacation pay	-	869,824
OMERS (Type 3)	-	94,604
Total Reserves	<u>109,902,633</u>	<u>103,931,520</u>
Reserve Funds		
Sinking fund	562,314,181	456,586,696
Roads infrastructure	391,755,197	333,929,782
Debt reduction	210,658,949	169,070,783
Capital reserve-water and sewer	140,352,814	85,177,595
Social housing development	92,976,218	91,061,893
Facilities rehabilitation and replacement	91,801,063	78,607,414
Regionally owned housing	65,333,682	52,684,261
Solid waste management	63,986,671	56,546,973
Capital reserve fund	51,644,552	50,546,126
Tax stabilization	51,519,492	49,319,515
Hospital financing	44,691,771	34,745,157
Fiscal stabilization	38,142,496	38,446,187
Transit vehicle replacement	34,341,028	22,930,031
Non-profit housing capital	31,575,748	24,721,073
Long-term disability	28,159,848	28,950,658
Move Ontario	27,922,989	17,798,462
Social assistance	23,362,282	22,079,099
Insurance	20,506,745	20,953,377
Workers' compensation schedule II	20,368,836	17,783,592
Roads capital	16,013,535	19,579,085
IT development	15,106,508	11,953,783
Land bank	11,245,484	10,627,338
Transit	7,532,857	7,550,505
Fuel cost stabilization	5,644,167	3,753,050
Innovation	4,897,954	4,572,528
Rates stabilization	4,300,000	-
University campus	1,000,000	-
Court services	1,000,000	-
Sick leave	986,020	11,293,489
Land securement	807,663	1,656,964
Alternative community living	256,060	241,985
Seized funds	248,610	259,734
Insurance claims and certificate system	12,260	11,586
Total Reserve Funds	<u>2,060,465,680</u>	<u>1,723,438,721</u>
Total	<u>5,692,340,972</u>	<u>4,977,958,783</u>



# THE REGIONAL MUNICIPALITY OF YORK

## Notes to the Consolidated Financial Statements

December 31, 2015

### 13. SEGMENT DISCLOSURE

The Region is a municipal government which provides a wide range of services to its residents that include general government, protection to persons and property, transportation, environmental, health and emergency services, community services, and planning and development services.

#### **General Government**

General government comprises of the Council, the Chair's Office, Office of the Chief Administrative Officer, Corporate Services and Finance Departments. These divisions and branches supply administrative and financial leadership for the Regional Corporation.

#### **Protection to persons and property**

Protection to persons and property consists of the activities of Police Services Board and York Regional Police. Their mandate is to ensure the safety of the lives and property of citizens; prevent crime from occurring; detect offenders; and enforce the law.

#### **Transportation services**

This division operates and delivers regional infrastructure involving roadways, public transit, traffic systems, and bridges and culverts.

York Region Rapid Transit Corporation's principal activity is the design and delivery of York Region's rapid transit systems.

#### **Environmental services**

The department is responsible for water treatment and distribution, wastewater collection and treatment, and solid waste disposal and diversion. It also delivers infrastructure projects, both for new and expanded assets and major rehabilitation of existing assets.

#### **Health and emergency services**

It provides a variety of health related programs and services that contribute to healthy communities through partnerships, promotion, prevention, protection and enforcement. Staff members render programs such as land ambulance service, immunization, nutrition, mental health and health inspection.

#### **Community services**

Children's Services plans, manages and coordinates a Region-wide child care services. Long Term Care operates long-term care facilities for seniors. The Ontario Works and Ontario Disability Support Programs deliver a range of programs providing employment and financial assistance to residents in need.

#### **Social housing**

Social housing is responsible for administrating social housing providers, the rent supplement programs and managing a social housing waiting list. Housing York Inc. is a non-profit housing corporation providing affordable rental units for its residents.

#### **Planning and development services**

This unit provides a long-term comprehensive approach to planning and development processes to ensure the efficient use of land and community infrastructure. Services include long-range capital planning, development review, building permits and inspection services.

# THE REGIONAL MUNICIPALITY OF YORK

## Notes to the Consolidated Financial Statements

December 31, 2015

	General government	Protection to persons and property	Transportation services	Environmental services	Health and emergency services
<b>REVENUES</b>					
Net taxation/user charges	956,736,989	-	-	257,657,691	-
Transfer payments	(124,835)	9,998,986	342,521,547	(766,013)	84,922,557
Development contributions	-	4,705,559	75,199,391	200,117,887	866,022
Fees and services	17,043,430	16,146,292	69,724,623	14,370,870	815,614
Interest and investment	49,160,335	419,282	24,527,903	8,960,666	459,828
Other	548,812	1,791,755	27,327,954	64,426,204	-
	1,023,364,731	33,061,874	539,301,418	544,767,305	87,064,021
<b>EXPENSES</b>					
Salaries and benefits	67,112,833	288,598,359	60,829,414	46,513,933	102,688,330
Interest payments	338,455	3,240,159	15,207,800	106,630,777	215,922
Operating expenses	65,844,572	27,149,719	202,890,969	201,148,439	17,721,882
Government transfers	5,903,133	-	41	3,465,161	4,980,666
Amortization	15,598,383	12,316,614	92,660,612	74,202,152	4,658,100
	154,797,376	331,304,851	371,588,836	431,960,462	130,264,900
Annual Surplus (Deficit)	868,567,355	(298,242,977)	167,712,582	112,806,843	(43,200,879)

# THE REGIONAL MUNICIPALITY OF YORK

## Notes to the Consolidated Financial Statements

December 31, 2015

	Community services	Social housing	Planning and development services	Total 2015	Total 2014
<b>REVENUES</b>					
Net taxation/user charges	-	-	-	1,214,394,680	1,137,490,448
Transfer payments	173,389,654	40,826,814	716,544	651,485,254	521,667,972
Development contributions	-	-	144,383	281,033,242	361,870,502
Fees and services	5,437,637	21,037,783	119,444	144,695,693	134,292,830
Interest and investment	1,297,258	9,979,493	-	94,804,765	80,961,800
Other	1,013,566	1,365,263	-	96,473,554	80,366,412
	181,138,115	73,209,353	980,371	2,482,887,188	2,316,649,964
<b>EXPENSES</b>					
Salaries and benefits	73,821,231	10,685,487	6,485,440	656,735,027	615,470,616
Interest payments	2,322	3,916,326	-	129,551,761	122,136,458
Operating expenses	102,418,439	81,619,672	2,079,532	700,873,224	1,004,966,712
Government transfers	59,305,942	-	-	73,654,943	73,797,428
Amortization	1,603,438	6,643,319	7,426	207,690,044	183,305,618
	237,151,372	102,864,804	8,572,398	1,768,504,999	1,999,676,832
Annual Surplus (Deficit)	(56,013,257)	(29,655,451)	(7,592,027)	714,382,189	316,973,132

## THE REGIONAL MUNICIPALITY OF YORK

### Notes to the Consolidated Financial Statements

December 31, 2015

#### 14. TANGIBLE CAPITAL ASSETS

COST	Balance at	Additions	Disposals	Balance at
	December 31			December 31
	2014			2015
	\$	\$	\$	\$
Land	414,735,823	42,514,164	(87,500)	457,162,487
Land improvements	186,975,028	97,925,729	(813,557)	284,087,200
Buildings	1,751,438,623	196,041,193	(2,851,079)	1,944,628,737
Equipment and machinery	634,901,183	108,249,763	(26,847,673)	716,303,273
Vehicles	334,277,930	28,085,839	(12,423,386)	349,940,383
Roads infrastructure	1,407,835,685	275,698,923	(22,512,508)	1,661,022,100
Water/sewer infrastructure	1,214,297,167	459,459,021	(745,494)	1,673,010,694
Assets under construction	2,494,204,727	(399,477,810)	-	2,094,726,917
<b>Total</b>	<b>8,438,666,166</b>	<b>808,496,822</b>	<b>(66,281,197)</b>	<b>9,180,881,791</b>

ACCUMULATED AMORTIZATION	Balance at	Disposals	Amortization	Balance at
	December 31			December 31
	2014		expenses	2015
	\$	\$	\$	\$
Land	-	-	-	-
Land improvements	79,164,759	(511,863)	10,723,748	89,376,644
Buildings	516,525,364	(2,147,278)	51,048,712	565,426,798
Equipment and machinery	330,989,040	(20,899,247)	49,280,525	359,370,318
Vehicles	142,064,009	(11,798,798)	28,468,558	158,733,769
Roads infrastructure	698,491,089	(18,919,337)	51,635,216	731,206,968
Water/sewer infrastructure	144,310,402	(126,734)	16,533,285	160,716,953
<b>Total</b>	<b>1,911,544,663</b>	<b>(54,403,257)</b>	<b>207,690,044</b>	<b>2,064,831,450</b>

	Net book value	Net book value
	December 31	December 31
	2014	2015
	\$	\$
Land	414,735,823	457,162,487
Land improvements	107,810,269	194,710,556
Buildings	1,234,913,259	1,379,201,939
Equipment and machinery	303,912,143	356,932,955
Vehicles	192,213,921	191,206,614
Roads infrastructure	709,344,596	929,815,132
Water/sewer infrastructure	1,069,986,765	1,512,293,741
Assets under construction	2,494,204,727	2,094,726,917
<b>Total</b>	<b>6,527,121,503</b>	<b>7,116,050,341</b>

## THE REGIONAL MUNICIPALITY OF YORK

### Notes to the Consolidated Financial Statements

December 31, 2015

#### 15. TRANSFER PAYMENT REVENUE

	2015	2014
	\$	\$
Provincial grants		
Transit	284,353,491	199,168,141
Child care	82,541,359	68,364,182
Social assistance	74,779,716	69,014,588
Public health	48,905,162	47,788,449
Ambulance	36,017,395	32,815,178
Housing	31,972,690	27,969,125
Services for seniors	15,768,844	20,489,016
Police	9,998,986	9,457,874
Other	611,203	2,285,327
Roadways	1,000	60,000
	<u>584,949,846</u>	<u>477,411,880</u>
Federal grants		
Gas tax	31,321,939	24,589,541
Transit	26,845,117	8,998,609
Housing	8,854,124	8,614,508
Other	257,436	278,289
Social assistance	22,805	19,461
Environmental services	(766,013)	1,755,684
	<u>66,535,408</u>	<u>44,256,092</u>
<b>Total transfer payments</b>	<u><b>651,485,254</b></u>	<u><b>521,667,972</b></u>

#### 16. METROLINX PROJECT

Under an agreement signed with Metrolinx, the Region receives funds from Metrolinx to build assets that upon completion will be transferred to Metrolinx. The following chart summarizes the amounts spent on the project which are treated as expenses.

The total commitment to this project over the life of the contract is \$1,755,000,000.

	\$
Spent prior to 2015	662,171,390
Spent in 2015	200,584,110
<b>Total spent</b>	<u><b>862,755,500</b></u>
<b>Total commitment</b>	<b>1,755,000,000</b>
<b>Balance to be spent</b>	<u><b>892,244,500</b></u>

Amounts in the table above are not budgeted.

#### 17. COST-SHARED CAPITAL PROJECTS

The Regional Municipality of York paid the Region of Peel and the City of Toronto \$40.2 million in 2015 (\$47.4 million in 2014) to cover the Region's portion of capital costs incurred to construct additional water and wastewater infrastructure. While the contributions were made under a cost-sharing arrangement, the Region believes that they possess the risks and rewards of ownership of these assets to the level of their contribution. These costs are recorded in Assets under Construction and are amortized over the period that the benefits are realized once the assets are in use.

#### 18. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the financial statements presentation adopted in the current year.



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## **INDEPENDENT AUDITORS' REPORT**

To the Members of Council, Inhabitants and Ratepayers of The Regional Municipality of York

We have audited the financial statements of the sinking funds of The Regional Municipality of York, which comprise the statement of financial position as at December 31, 2015, the statement of financial activities and change in fund balance for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



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*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of the sinking funds of The Regional Municipality of York as at December 31, 2015, the results of its operations and changes in its financial position for the year then ended in accordance with Canadian public sector accounting standards.

*KPMG LLP*

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Chartered Professional Accountants, Licensed Public Accountants

May 11, 2016

Toronto, Canada

## THE REGIONAL MUNICIPALITY OF YORK

### Sinking Fund Statement of Financial Position

As at December 31, 2015

	2015	2014
	\$	\$
<b>FINANCIAL ASSETS</b>		
Cash	39,301	32,559
Investments - at amortized cost (Note 1)	606,958,817	498,775,992
Interest receivable	3,391,108	1,877,718
<b>Total Assets</b>	<b>610,389,226</b>	<b>500,686,269</b>
<b>LIABILITIES</b>		
Actuarial requirement for retirement of the Sinking Fund (Note 2)	596,283,299	492,750,641
Fund balance	14,105,927	7,935,628
<b>Total Liabilities and Fund Position</b>	<b>610,389,226</b>	<b>500,686,269</b>

## THE REGIONAL MUNICIPALITY OF YORK

### Sinking Fund Statement of Financial Activities and Change in Fund Balance

For the year ended December 31, 2015

	Budget	2015	2014
	\$	\$	\$
<b>REVENUES</b>			
Contributions from:			
Area Municipalities	7,395,869	7,395,869	7,395,869
Regional Corporation	132,761,611	132,761,611	116,014,543
<b>Total contributions</b>	<b>140,157,480</b>	<b>140,157,480</b>	<b>123,410,412</b>
Interest and capital gains	13,369,055	19,590,872	17,126,856
<b>Total revenues</b>	<b>153,526,535</b>	<b>159,748,352</b>	<b>140,537,268</b>
<b>EXPENSES</b>			
Actuarial requirement for the year	(153,526,535)	(153,532,658)	(133,639,304)
Payments to Area Municipalities	(4,218)	(4,218)	-
Payments to Regional Corporation	(41,177)	(41,177)	-
<b>Change in Fund Balance</b>	<b>(45,395)</b>	<b>6,170,299</b>	<b>6,897,964</b>
<b>Opening Fund Balance</b>	<b>7,935,628</b>	<b>7,935,628</b>	<b>1,037,664</b>
<b>Closing Fund Balance</b>	<b>7,890,233</b>	<b>14,105,927</b>	<b>7,935,628</b>

The accompanying notes are an integral part of these Financial Statements.



# THE REGIONAL MUNICIPALITY OF YORK

## Notes to the Sinking Fund Financial Statements

December 31, 2015

The Regional Municipality of York's sinking fund is a separate fund maintained for the purpose of providing periodic repayments of all debts to be retired by means of sinking funds.

### 1. INVESTMENTS

All investments are purchased with the intention of holding them until maturity. They are recorded at cost, price adjusted annually for amortization of discount or premium on a present value basis as determined at the time of purchase with the amount of such amortization included in the interest earned on the Statement of Financial Activities and Change in Fund Balance. The investments have a market value of \$623,344,421 (2014 - \$512,257,546).

### 2. ACTUARIAL REQUIREMENTS

The actuarial requirements of the sinking fund represent the amounts levied during the year as set out in the sinking fund debenture by-law plus interest thereon capitalized at a rate of 2% or 3% per annum compounded annually. Any excess revenue over these requirements is included in the sinking fund balance.



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## **INDEPENDENT AUDITORS' REPORT**

To the Members of Council, Inhabitants and Ratepayers of The Regional Municipality of York

We have audited the financial statements of residents' trust funds and donation account of The Regional Municipality of York, which comprise the statement of financial position as at December 31, 2015 and the statement of financial activities for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian public sector accounting standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Page 2

*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of the funds held in trust and its donation account by The Regional Municipality of York as at December 31, 2015, the results of its operations and changes in its financial position for the year then ended in accordance with Canadian public sector accounting standards.

*KPMG LLP*

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Chartered Professional Accountants, Licensed Public Accountants

May 11, 2016

Toronto, Canada

## THE REGIONAL MUNICIPALITY OF YORK

### Residents' Trust Funds and Donation Account

#### Statement of Financial Position

As at December 31, 2015

	Trust	Donation	2015	2014
	\$	\$	\$	\$
<b>FINANCIAL ASSETS</b>				
Cash	171,165	50,862	222,027	209,916
Residents' petty cash	6,500	-	6,500	6,500
<b>Total Assets</b>	<b>177,665</b>	<b>50,862</b>	<b>228,527</b>	<b>216,416</b>
<b>Fund Balances</b>	<b>177,665</b>	<b>50,862</b>	<b>228,527</b>	<b>216,416</b>

## THE REGIONAL MUNICIPALITY OF YORK

### Residents' Trust Funds and Donation Account

#### Statement of Financial Activities

For the year ended December 31, 2015

	Trust	Donation	2015	2014
	\$	\$	\$	\$
<b>Fund balances, beginning of year</b>	<b>164,629</b>	<b>51,787</b>	<b>216,416</b>	<b>203,512</b>
<b>Source of funds:</b>				
Deposits on behalf of residents	388,995	14,832	403,827	403,680
Interest earned on deposits	-	608	608	730
	<b>388,995</b>	<b>15,440</b>	<b>404,435</b>	<b>404,410</b>
<b>Use of funds:</b>				
Withdrawals	(375,959)	(16,365)	(392,324)	(391,506)
<b>Net activity</b>	<b>13,036</b>	<b>(925)</b>	<b>12,111</b>	<b>12,904</b>
<b>Fund balances, end of year</b>	<b>177,665</b>	<b>50,862</b>	<b>228,527</b>	<b>216,416</b>

The accompanying notes are an integral part of these Financial Statements.

## THE REGIONAL MUNICIPALITY OF YORK

### Notes to the Residents' Trust Funds and Donation Account

#### Statement of Financial Position and Financial Activities

December 31, 2015

#### 1. ACCOUNTING POLICIES

- a) These financial statements reflect the financial activity and financial position of funds held in trust by the Regional Municipality of York (the "Region") for residents of Newmarket Health Centre and Maple Health Centre, and funds donated to the facilities.
- b) Funds held in trust and monies received by way of donation are invested by the Region on behalf of the residents. Interest is credited to the funds based on the average yield earned by the Region on its investments.

#### 2. BASIS OF ACCOUNTING

- a) Cash and investments are recorded at cost.
- b) Deposits on behalf of residents are reported upon receipt and interest income is reported on the accrual basis of accounting. Withdrawals are reported in the period in which they are made.

# STATISTICAL REVIEW

## THE REGIONAL MUNICIPALITY OF YORK

### Five Year Review (unaudited)

(in thousands of dollars)	2015	2014	2013	2012	2011
<b>CONSOLIDATED FINANCIAL ACTIVITIES</b>					
<b>Analysis of Revenues</b>					
Net taxation/user charges	1,214,395	1,137,490	1,089,936	1,045,034	1,000,023
Transfer payments	651,485	521,668	495,375	451,832	343,912
Development contributions	281,033	361,871	221,158	378,685	321,570
Fees and service charges	144,696	134,293	130,161	118,252	103,286
Other	191,278	161,328	121,131	84,146	68,596
	2,482,887	2,316,650	2,057,761	2,077,949	1,837,387
<b>Analysis of Expenses by Object</b>					
Salaries, wages and employee benefits	656,735	615,471	583,519	531,912	491,129
Debt servicing	129,552	122,136	106,567	93,370	73,503
Operating and general expenses	700,873	1,002,622	833,447	722,683	672,909
Amortization	207,690	183,306	168,019	152,111	142,874
Transfers to others	73,655	76,142	74,251	94,535	113,998
	1,768,505	1,999,677	1,765,803	1,594,611	1,494,413
<b>Analysis of Expenses by Function</b>					
General government	154,797	150,549	117,316	112,352	118,964
Protection to persons and property	331,305	308,042	298,548	272,853	256,123
Transportation services	371,589	683,624	541,097	482,142	410,993
Environmental services	431,960	397,624	384,249	328,017	293,076
Health and emergency services	130,265	126,998	119,476	110,466	117,294
Community services and housing	340,017	324,847	297,268	281,330	285,604
Planning and development services	8,572	7,993	7,849	7,451	12,359
	1,768,505	1,999,677	1,765,803	1,594,611	1,494,413
Annual Surplus	714,382	316,973	291,958	483,338	342,974
Accumulated Surplus	5,692,341	4,977,959	4,660,986	4,369,027	3,885,689
Net Debt	1,438,123	1,568,137	1,364,270	1,037,953	1,005,021

# THE REGIONAL MUNICIPALITY OF YORK

## Five Year Review (unaudited)

(in thousands of dollars)	2015	2014	2013	2012	2011
<b>OUTSTANDING OBLIGATIONS</b>					
<b>Debt Outstanding</b>					
Total Long Term Liabilities	2,833,617	2,750,975	2,508,945	2,187,287	2,034,440
Overlapping Debt*	(211,071)	(219,605)	(218,122)	(226,656)	(213,352)
Net Long Term Liabilities	2,622,546	2,531,370	2,290,823	1,960,631	1,821,088
Net Long Term Liabilities per capita	\$2,249	\$2,211	\$2,027	\$1,768	\$1,678
Sinking Fund	610,389	500,686	360,149	211,151	122,474
<b>Charges for Net Long Term Liabilities</b>					
Recovered from:					
General Tax Rates	259,315	254,686	238,268	213,834	187,754
User Rates	40,271	41,962	40,011	39,272	38,068
Total	299,586	296,648	278,279	253,106	225,822
Debt charges as a % of Total Expenses	16.9%	14.8%	15.8%	15.9%	15.1%
<b>Debt Limit Available for New Debt</b>	<b>145,826</b>	<b>133,448</b>	<b>109,204</b>	<b>105,257</b>	<b>103,154</b>

Note: Some comparative figures have been reclassified to conform with 2015 presentation.

\*Of area municipalities

# THE REGIONAL MUNICIPALITY OF YORK

## Five Year Review (unaudited)

	2015	2014	2013	2012	2011
<b>Miscellaneous Information</b>					
Full Time Equivalent Employees <sup>(1)</sup>	5,442	5,288	5,145	4,978	4,805
Number of Mental Health Crisis Calls to York Regional Police	3,818	3,812	3,504	3,429	3,161
Annual Building Permit Values (\$ 000s)	3,887,514	2,804,647	2,837,193	3,474,170	3,181,757
Percentage of Total Housing Stock Medium/High Density Residential Housing	25.6%	24.7%	23.8%	23.3%	23.0%
New Annual Residential Units/Building Permits	9,546	6,234	7,830	10,598	8,171
Total Area Land Base (Square Kilometres)	1,776	1,776	1,776	1,776	1,776
Number of Traffic Signals Reviewed and Optimized Annually	437	356	323	251	355
Total Kilometres of Roads in the Region <sup>(2)</sup>	4,158	4,128	4,093	3,523	3,472
Number of Road Lane Kilometres New and Rehabilitated	175	102	220	210	167
Annual Maintenance & Operating Costs per Lane Kilometres (Winter) <sup>(3)</sup>	\$5,336	\$4,637	\$5,244	\$3,443	\$4,465
Annual Maintenance & Operating Costs per Lane Kilometres (Non-Winter) <sup>(3)</sup>	\$5,216	\$5,982	\$6,109	\$5,327	\$4,665
Transit Ridership per Capita	21.4	22.4	21.5	20.0	18.2
Number of Rapidway Lane Kilometres	8.6	3.5	2.5	0	0
Percentage of Solid Waste Diverted from Landfill	87%	85%	87%	82%	78%
Number of Trees and Shrubs Planted Annually Through the Regional Greening Strategy Program	94,637	91,698	45,907	99,349	111,000
Annual Water Flows (Thousands of Cubic Metres)	122,437	118,385	120,485	125,644	122,685
Annual Wastewater Flows (Thousands of Cubic Metres)	120,194	116,483	118,796	123,343	120,481
Total Kilometres of Water Distribution/Transmission Pipe	338	338	337	335	328
Total Kilometres of Wastewater Mains	319	297	296	282	282
<b>Demographics</b>					
Population	1,166,321	1,144,760	1,130,386	1,108,600	1,085,588
Seniors Population <sup>(4)</sup>	136,605	134,070	131,379	128,866	126,223
Households	360,298	352,415	340,138	332,788	325,831
Unemployment Rate <sup>(5)</sup>	5.8%	6.2%	7.1%	7.1%	7.3%
Average Household Income	127,066	124,575	119,461	116,558	113,654

**Notes:**

- (1) As approved in the annual budget.
- (2) Methodology for calculating kilometres of roads changed in 2014. Restated figures are not available for years prior to 2013 and are not comparable.
- (3) Figures were restated for 2013 and 2014 due to the change in methodology for calculating kilometres of roads in 2014. Restated numbers are not available for years prior to 2013 and are not comparable.
- (4) Residents of York Region over the age of 65.
- (5) Based on Statistics Canada information
- \*\* 2015 data is currently not available

**Sources for the 5 Year Review include:**

- Financial Statements, Reports and Financial Information Returns of The Regional Municipality of York, its Agencies and Boards, and Area Municipalities of York Region
- Ministry of Municipal Affairs
- Canada Mortgage and Housing Corporation
- Statistics Canada

### TOP 10 CORPORATE RATE PAYERS IN YORK REGION

Rank	Business Name
1	Ivanhoe Cambridge II Inc.
2	CPPIB Upper Canada Mall Inc.
3	ONTREA Inc.
4	Canadian National Railway Co.
5	Montez Hillcrest Inc.
6	Canada's Wonderland Company
7	IBM Canada Limited
8	BCIMC Realty Corporation
9	CANADIAN BINARY OPTIONS
10	2748355 CANADA INC.



#### HOW TO CONTACT US

For information on York Region services and programs,  
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Accessible formats or communication supports  
are available upon request.

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