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The Regional Municipality of Durham Report

To: Finance and Administration Committee
From: Commissioner of Finance
Report: #2020-F-17
Date: September 15, 2020

Subject:

2021 Regional Business Plans and Property Tax Supported Budget Guideline

Recommendations:

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

- A) The following detailed direction and guidelines for the 2021 Business Plans and Budgets for the Durham Regional Police Services Board, Conservation Authorities, Regional Operations and other Outside Agencies be approved:
 - i. The 2021 Property Tax Guideline not exceed an overall tax impact of 2.0 per cent compared to the 2020 approved budget;
 - ii. The 2021 Business Plans and Budget for the Durham Regional Police Services Board not exceed \$221.16 million, an increase of approximately 3.0 per cent compared to the 2020 approved budget; and
 - iii. The 2021 Operating Budget for each Conservation Authority not exceed an increase of 2.5 per cent, plus or minus any current value assessment adjustments, and the 2021 Special Benefitting Programs Budget for each Conservation Authority not exceed an increase of 1.5 per cent, plus or minus any current value assessment adjustments, compared to the 2020 approved budget;
- B) The preliminary timetable for the 2021 Regional Business Plans and Budgets be approved, as outlined in Attachment #2 to this report, which includes the following key dates:
 - i. December 16, 2020 – final Regional Council approval of the 2021 Water Supply and Sanitary Sewerage Business Plans and Budgets;
 - ii. January 27, 2021 – final Regional Council approval of all 2021 Property Tax Supported Business Plans and Budgets; and

- C) Copies of this report be forwarded to the Durham Regional Police Services Board, Durham Region Transit Commission, Conservation Authorities, Durham Regional Local Housing Corporation and other Outside Agencies to guide the development of detailed 2021 Business Plans and Budgets.
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Report:

1. Overview

- 1.1 This report provides an overview of the current economic climate and Regional priorities and initiatives for 2021 and the four-year forecast period (2022 to 2025). The report also identifies pressures and risks facing the Region that need to be considered in establishing the 2021 Regional Business Plans and Budget guidelines including the estimated 2021 costs of responding to the COVID-19 pandemic, the associated recovery plan and potential provincial funding impacts for the 2021 budget.
- 1.2 Further, this report provides an update on the Region's multi-year business planning and budget process review and modernization project including the proposed modernization initiatives which will support the development of the 2021 Business Plans and Budgets.
- 1.3 Lastly this report outlines the proposed timetable and public engagement strategy for the 2021 Business Plans and Budgets.

2. Purpose and Use of the Recommended Guideline

- 2.1 The overall 2021 property tax guideline provides a capped tax impact for the 2021 Regional Property Tax Supported Business Plans and Budgets. This guideline is an overall impact which is then allocated across all Departments, Durham Regional Police Service (DRPS), Durham Region Transit (DRT), Conservation Authorities and Durham Regional Local Housing Corporation (DRLHC).
- 2.2 The establishment of specific property tax guidelines at this time provides direction and assists staff with finalizing the 2021 budget submission for presentation to Regional Council in January 2021.
- 2.3 In establishing the 2021 Property tax guidelines, the Region took into consideration the increased demands and pressures the COVID-19 pandemic has placed on many Regional programs and services as well as the financial pressures the pandemic has placed on Regional property taxpayers.
- 2.4 Regional staff will continue to review priorities and pressures with a goal of delivering the annual Property Tax Supported Business Plans and Budgets within the guideline. Historically, depending on the final growth in assessment, the actual increase has been delivered below the guideline set by Council.

3. 2021 Property Tax Guideline Overview

- 3.1 Through this report staff are seeking Regional Council approval for an overall 2021 property tax guideline not to exceed a tax impact of 2.0 per cent (after net weighted assessment growth). The following specific guidelines for the Durham Regional Police Services Board and Conservation Authorities are also recommended and will need to be accommodated within the overall 2021 property tax guideline of 2.0 per cent:
- The 2021 Business Plans and Budget for Durham Regional Police Services Board not exceed \$221.16 million, an increase of approximately 3.0 per cent compared to the 2020 approved budget; and
 - The 2021 Operating Budget for each Conservation Authority not exceed an increase of 2.5 per cent, plus or minus any current value assessment adjustments, and the 2021 Special Benefiting Programs Budget for each Conservation Authority not exceed an increase of 1.5 per cent, plus or minus any current value assessment adjustments, compared to the 2020 approved budget.
- 3.2 Through discussions with the Municipal Property Assessment Corporation (MPAC), net weighted assessment growth is estimated at between approximately 1.00 per cent and 1.25 per cent (excluding net assessment growth in Seaton). This is significantly lower than the net weighted assessment growth of 1.78 per cent (excluding net assessment growth in Seaton) realized for the 2020 Budget. Net assessment growth has been impacted by COVID-19 and this is only a preliminary estimate and should be used with caution as the actual assessment growth could vary significantly, either higher or lower, than the estimate.
- 3.3 The overall property tax guideline of 2.0 per cent will result in an annual budgetary increase of \$56 for an average residential property owner in Durham Region with a current estimated 2021 current value assessment of \$483,100.
- 3.4 The setting of the recommended guidelines was achieved in consultation with the CAO, Regional departments, DRPS and DRT and through detailed review of 2021 to 2025 operating pressures and 2021 to 2030 capital priorities. In addition, this guideline contemplates changes in the local and broader economic, political and social environments (Attachment #1) and associated risks and uncertainties facing the Region in the delivery of its programs and services.
- 3.5 The development of the recommended guideline considered the sustainable use of Development Charges, Federal and Provincial Gas Tax Funds and the Region's Reserves and Reserve Funds to fund one-time operating and capital investments. As staff continue to develop the 2021 Business Plans and Budget submissions, all opportunities to sustainably use the Region's Reserve and Reserve Funds to finance 2021 budget pressures will be pursued in accordance with the Long-Term Financial Planning Framework adopted by Regional Council.

- 3.6 To achieve the guideline recommended in this report Regional departments, boards, commissions and outside agencies will continue to review their operating and capital business plans and budgets looking for efficiencies, prioritizing and pursuing the necessary significant adjustments to balance competing priorities, capital requirements and operating pressures.

4. Projected 2021 Base Pressures and Non-Discretionary Items

- 4.1 Preliminary 2021 budget analysis indicates a number of base pressures and non-discretionary items that are required to continue to deliver the Region's existing programs and services including:

- The annualization of 2020 budget decisions and adjustments for one-time items included in the 2020 budget;
- Contractual and inflationary increases;
- Economic increases (salary/benefit contracts); and
- Items that have been given 2021 prebudget approval by Regional Council including a number of initiatives under the Region's COVID-19 Recovery Plan.

- 4.2 In total these base pressures result in a preliminary budgetary pressure of approximately 3.5 per cent. Staff continue to review these base submissions to look for efficiencies and savings to mitigate the impacts of these items to achieve the recommended 2021 property tax guideline of 2.0 per cent.

5. 2021 Strategic Investment Pressures

- 5.1 In addition to addressing the non-discretionary pressures, the guideline provides for limited strategic investments to support key priorities while balancing the need for taxpayer affordability and competitive property taxes recognizing the increased demands and pressures the COVID-19 pandemic has placed on many Regional programs and services as well as the financial pressures the pandemic has placed on property taxpayers.

- 5.2 The identified 2021 strategic investments are aligned with the following five goals of the Region's Strategic Plan:

- Environmental Sustainability;
- Community Vitality;
- Economic Prosperity;
- Social Investment; and
- Service Excellence.

- 5.3 The following five sections highlight potential 2021 initiatives organized under each of the five goals of the Durham Region Strategic Plan. Many of these initiatives are multi-year initiatives and will have impacts on the 2022 budget and beyond. Given the base budget pressures (identified in Section 4) and the numerous 2020 strategic investments, significant prioritization and refinement of these strategic initiatives will be required to achieve the 2.0 per cent overall property tax guideline recommended in this report.

Environmental Sustainability

- 5.4 Under the Environmental Sustainability goal, the Region is focused on protecting the environment for the future by demonstrating leadership in sustainability and addressing climate change. The following are the potential 2021 initiatives that support this Regional goal.
- Continue to develop and implement a Corporate Climate Change Master Plan (2020 – 2030) including the advancement of capital initiatives and operating enhancements to achieve GHG reduction targets.
 - Advance the renewable and district energy mapping program including an analysis of opportunities for development.
 - Develop “Durham Building Standards” for the construction, renovation and operation of facilities, including measures to advance the Region’s climate change and energy conservation initiatives.
 - Develop and implement the Region’s low carbon fleet strategy including analyzing existing patterns of fleet use and age, equipment replacement schedules, technology advancements and opportunities against fueling and facility needs.
 - Develop the Durham Home Energy Savings Program, in partnership with local electricity distribution companies, to deliver a region-wide home energy literacy campaign supported by an interactive website.
 - Build on the early success of the LEAF backyard tree planning program to develop a complementary tree planting program for rural landowners with larger tracts of land available for planting.
 - Complete climate adaptation vulnerability and risk assessments (including urban flooding, water/wastewater and public health) to identify and prioritize Regional infrastructure and services that are susceptible to risks associated with a changing climate, and to outline recommended changes.
 - Meet requirements articulated in the Ontario Public Health Standards; Requirements for Programs, Services and Accountability related to climate change and healthy built environments.
 - Increase waste diversion through the advancement of the Region’s pre-sort and anaerobic digestion facility.
 - Respond to provincial legislative changes on extended producer responsibility in waste management.
 - Implement a landfill bio cover pilot project at the Oshawa landfill site.

Community Vitality

- 5.5 Under the Community Vitality goal, the Region is focused on fostering an exceptional quality of life with services that contribute to strong neighbourhoods, vibrant and diverse communities, and influence our safety and well-being. The following are the potential 2021 initiatives that support this Regional goal.
- Continue to advance and expand the Region's diversity, equity and inclusion program including working with community stakeholders to develop and implement a diversity, equity, and inclusion community development strategy and action plan.
 - Implement Regional Council's July 29, 2020 direction to work with the Durham Regional Police Services Board and community partners to investigate a 24/7 mobile crisis response program and other possible mental health investments including providing funding for three additional nurses for a mental health support unit.
 - Enhance the Region's Primary Care Outreach Program to respond to the evolving needs of the Region's vulnerable populations.
 - Provide advanced care paramedic training to enhance care provided to community.
 - Orient public health programs and services to address the needs of priority populations.
 - Enhance the level of care and supports for residents of the Region's long-term care homes by increasing front-line resources in response to the increasing complexity of care of the home's residents.
 - Continue to implement the actions under the Age-Friendly Durham Strategy in collaboration with community partners and the Durham Council on Aging.
 - Continue to implement the Ontario Seniors Dental Care Program including the relocation and expansion of the Region's Oral Health Clinic to 200 John Street in Oshawa.
 - Adopt a Community Investment Framework that provides an outcome-based, transparent and accountable allocation model for Regional investments in community non-profits supporting the delivery of Regional programs and services.
 - Continue to implement Vision Zero counter measures as outlined in the Region's Road Safety Action Plan.
 - Continue to advance the Farm 9-1-1 Program to improve emergency response times through 9-1-1 sign coverage and documentation of property access points including education and outreach to promote maintenance of the signs in the rural areas of the Region.
 - Ongoing system enhancements for Emergency 9-1-1.

Economic Prosperity

5.6 Under the Economic Prosperity Goal, the Region is building a strong and resilient economy that maximizes opportunities for business and employment growth, innovation and partnership. The following are the potential 2021 initiatives that support this Regional goal.

- Through the recently initiated Transit Oriented Development Office, continue to advance transit-oriented development opportunities on key transit corridors, including the GO East extension to Bowmanville.
- Leverage Investing in Canada Infrastructure Program (ICIP) funding opportunities for eligible projects including bus rapid transit expansion projects on Highway 2 and Simcoe Street. Regional financing is required for the Region's share of eligible costs as well as ineligible costs (e.g. land).
- Ensure the necessary human resources are available to manage and administer large special infrastructure projects and grant programs including the ICIP.
- Replace existing PRESTO devices with new devices that provide more reliable and up-to date technology for DRT Presto riders as required by Metrolinx.
- Continue to advance the development of the new Regional Official Plan as part of Envision Durham.
- Continue to invest in new Regional assets in response to growth pressures across all Regional departments including the DRPS Clarington Phase 2 facility.
- Advance the servicing of employment lands to increase Regional investment readiness.
- Respond to applications received under the Regional Revitalization Program.
- Continue the implementation of the Region's Broadband Strategy including supporting the deployment of broadband infrastructure to under-served areas.
- Advance investment attraction efforts for the Region-owned land in the Clarington Energy Park.
- Support the development of a Regional Nuclear Sector Strategy by participating in an economic impact study on the decommissioning of the Pickering Nuclear Generating Station in collaboration with the City of Pickering and OPG and hosting a "Durham's Nuclear Future" workshop to focus on nuclear sustainability.
- Continue to provide financial support to 1855 Whitby for their 1855 MASTERCLASS series which features industry leaders who provide the Region's business community with tools to achieve and drive growth.
- Work with community partners to continue to investigate and complete the business case for an Agri-Food Hub and Innovation Centre.

- Continue to identify and implement smart cities solutions to address economic, social and environmental challenges.
- Provide financial and in-kind services to support the Oshawa Generals' bid for the 2021 Memorial Cup.

Social Investments

5.7 Under the Social Investments Goal, the Region is striving to ensure a range of programs, services and supports are available and accessible to those in need, so that no individual is left behind. The following are the potential 2021 initiatives that support this Regional goal.

- Continue to advance the At Home in Durham, the Durham Housing Plan 2014 – 2024 and the achievement of Regional Council's goal of initiating the development of 1,000 new affordable housing units during the next five years, with development completed and ready for occupancy over the following five years and an end to chronic homelessness in Durham by 2024. Actions include the development of 50 modular affordable supportive housing rental units in Beaverton and the provision of temporary supportive housing units under the Region's Microhome Pilot project.
- Increase the number of Childcare Fee Subsidy Spaces to address the Region's growing waitlist for subsidized childcare spaces.
- Pilot a flexible childcare program at one of the Region's directly operated childcare centres to meet the community's demand for childcare services on evenings and weekends by working collaboratively to achieve this.
- Review the development of a Regional Community Improvement Plan (CIP) to enable the Region to offer development incentives for targeted initiatives related to affordable housing and transit-oriented development.

Service Excellence

5.8 Under the Service Excellence Goal, the Region is working to provide exceptional value to Durham taxpayers through responsive, effective and fiscally sustainable service delivery. The following are the potential 2021 initiatives that support this Regional goal.

- Implement the multi-year enterprise myDurham 311 project that will introduce a new customer experience program at the Region that is designed to facilitate, streamline and integrate service delivery from a customer perspective.
- Continue to advance various Regional review and improvement initiatives including the enterprise information management strategy and associated enterprise content management system, business planning and budget process review and modernization project, workforce scheduling system, enterprise maintenance management system, development tracking system, modernized Housing Services waitlist software system and advancing the digitization of Regional records.
- Increase investment in technology infrastructure and applications including continuing to implement the Region's Digital Durham Strategy.

- Build and further expand on the advancements achieved in response to the COVID-19 pandemic in the virtual delivery of Public Health Services, Social Assistance Programs, Family Services, POA Court Services, DRPS freedom of information requests and online records checks, and e-learning opportunities for staff.
- Continue implementation of the CADLINK software to reduce paramedic response times and enhance care by improving the information available to paramedics responding to calls.
- Build on the early success of City Studio Durham to facilitate improved collaboration with Durham's post secondary institutions.
- Provide for the ongoing maintenance and renewal of the Region's assets (including buildings, furniture and fixtures, vehicles, machinery and equipment, and IT infrastructure) in alignment with the Region's Asset Management Plan and prudent asset management practices to maximize the value of the Region's assets over their life cycle.
- Continue the optimization and modernization of Regional Headquarters.
- Capital investments in DRLHC's aging social housing portfolio.
- Advance site improvements at the Oshawa Waste Management Facility (WMF) to improve site efficiency and navigation.
- Manage the increased workload for Region prosecutors resulting from the anticipated transfer of responsibility for the prosecution of Part III offences from the Province to the Region.

6. Projected COVID-19 Fiscal Impacts on the 2021 Budget

- 6.1 The COVID-19 pandemic continues to have a significant and evolving impact on the Region through increased demands on a number of critical Regional programs and services and changes to how Regional programs and services are delivered. The Region has been very nimble and responsive in adapting to these evolving demands and requirements.
- 6.2 It is anticipated that the Region will continue to face significant financial pressures in 2021 in continuing to respond to the COVID-19 pandemic and advance the Region's recovery plan.
- 6.3 Regional staff will continue to review, monitor and update these projections over the balance of the year in advance of finalizing the 2021 Business Plan and Budget submission to Council in January. The 2021 budget will also need to provide for flexibility to respond should subsequent COVID-19 waves occur.
- 6.4 As outlined in Section 7 of this report, staff will provide Committee and Council with further updates as additional information from the Province is provided on the availability of federal and provincial funding to help mitigate the projected 2021 financial pressures the Region faces in continuing to respond to the COVID-19 pandemic.

6.5 While the fiscal impacts of the COVID-19 pandemic continue to evolve, the balance of this section provides a summary of the current projected financial impacts where available for 2021. It is important to note that these preliminary estimates will continue to be refined and do not contemplate subsequent waves of COVID-19 in 2021:

- Durham Regional Police Service – reduced recoveries for pay duty (vehicle and administration component) (\$0.1 million); and personal protective equipment (PPE) (\$0.1 million).
- Transit – additional cleaning supplies (\$0.8 million); staffing costs to meet additional cleaning requirements of the fleet (\$1.2 million); and reduced transit and program revenues.
- Public Health – additional public health nurses for the Region’s schools which the Province has indicated it will fund; temporary case and contact management resources (\$0.3 million); temporary public health inspectors (\$0.6 million); and PPE (\$0.2 million). Additional public health inspectors and public health nurses are required as a result of new requirements and increased workload due to COVID-19 which are expected to continue in future years. Temporary funding will be used for COVID-19 response activities such as: responding to public and community partners inquiries; case and contact management; outbreak support; surveillance testing; guidance and support to long-term care homes, retirement homes, childcare settings, post-secondary institutions, workplaces and other congregate living settings; and compliance, and enforcement with the *Reopening Ontario (A Flexible Response to COVID-19) Act, 2020* until such time that additional staff can address these and other program needs.
- Long-Term Care – temporary resources to complete required screening (\$0.6 million); additional infection control practitioners (\$0.1 million) and infection control products (\$0.3 million); and cleaning supplies (\$0.2 million).
- Social Assistance – potential impacts on discretionary benefits.
- Economic Development – recovery-based programs to support local businesses (\$0.2 million).
- Corporate Communications – communications and advertising (\$0.1 million).
- Information Technology – technology and security investments to facilitate teleworking and protection of Regional data.
- Region wide – increased cleaning materials, janitorial services, PPE, and security costs. Staff are currently developing 2021 projections for these costs.

7. Provincial Funding and Provincial Legislation Impacts

- 7.1 In 2020, the Region is budgeted to receive approximately 21.4 per cent of its annual revenues through provincial subsidies and grants.
- 7.2 The provincial government, as part of their 2019 - 2020 Budget, introduced several funding reductions, changes to provincial funding formulas and potential downloading of provincial services to the Region impacting various social services, public health, paramedic services, Transit and Conservation Authorities. It is important to note that in response to municipal advocacy and the additional financial pressures facing the municipal sector in the delivery of programs and services impacted by the COVID pandemic (e.g. public health, paramedic services and various social services), the province has temporarily paused or deferred some of the previously announced funding reductions and changes to the provincial funding formulas.
- 7.3 While the Province has provided 2020 funding letters for many of the Regional program areas that are provincially funded, there is still significant uncertainty and associated risk related to provincial funding levels for 2021. The following is a summary of the known and estimated impacts to the 2021 budget resulting from adjustments in provincial funding and changes in the provincial funding formulas:
- Paramedic Services – The 2020 Regional Business Plans and Budgets assumed 2020 provincial funding of paramedic services would be consistent with the level of funding provided in 2019. In August 2020, the provincial government confirmed the Region's 2020 funding for paramedic services was \$25,674,516, \$1,031,985 (4.2%) more than the 2019 approved provincial funding of \$24,642,531. This increase provides for the provincial portion of the inflationary pressures and service enhancements. While the 2021 funding has not yet been confirmed it is anticipated to be in-line with the 2020 actual funding which is \$1,031,985 more than what was included in the Region's 2020 Business Plan and Budget.
 - Public Health – The Province previously announced changes to the cost sharing arrangement with municipalities. For 2020, the provincial funding of mandatory programs declined from 75 per cent to 70 per cent while the funding of 100 per cent provincial funded programs dropped to 70 per cent provincial funding (with the exception of the Ontario Seniors Dental Care Program, which the Province has indicated they will fund at 100 per cent). Based on the Region's current base funding level the impact of the change in the provincial funding formula was \$45,600. On August 21, 2020, the Province confirmed one-time mitigation funding to ensure that municipalities are not negatively impacted in 2020 by the changes to provincial cost-sharing formula considering the significant funding and resource pressure facing public health departments from the COVID-19 pandemic. This one-time funding will also be available to the Region for the period April 1, 2021 to March 31, 2022.

- Childcare – While the Region has not received its 2021 funding confirmation for Children’s Services, the Province has announced changes in the provincial funding model. Effective January 1, 2021 all administration costs will shift to 50 per cent provincial funding and 50 per cent Regional funding with administration costs limited to 10 per cent of program delivery costs. In 2022, the administration costs will be limited to 5 per cent of program delivery costs. This change in the provincial funding model is estimated to have a \$0.8 million impact on the 2021 budget and a further \$0.4 million impact on the 2022 budget.
- Social Assistance – The 2019 – 2020 Ontario Works provincial funding was \$0.6 million less than planned. While the Province has not yet confirmed 2020 – 2021 funding, staff’s initial projections reflect a further \$0.6 million reduction in provincial funding for administrative costs. The Province has announced further modernization efforts impacting the Region’s Social Assistance program in 2022 and beyond. It is not clear what additional impacts these changes will have on provincial funding, cost sharing formulas and service delivery.
- Social Housing – Preliminary planning information from the Province projects a 2021 Community Homelessness Prevention Initiative (CHPI) funding increase of \$264,033 over the approved 2020 funding level. The federal government has indicated a 2021 funding increase of \$182,031 under the Federal Reaching Home Program compared to the 2020 approved funding. It is anticipated that the additional CHPI and Federal Reaching Home funding will be used to provide enhanced housing supports to Durham residents.
- Police – On April 18, 2019, the Province announced that five provincial police grants will be replaced with the Community Safety and Policing (CSP) grant. DRPS was successful in receiving provincial funding under this program for the initial three-year term (2019/2020 to 2021/2022) providing the Region with provincial funding certainty and sustainability. On August 10, 2020, the Province announced a review of their Court Security and Prisoner Transportation Program. It is unclear at this time what impact this review may have on 2021 provincial funding under this program. In 2020, under this Program the Region of Durham will receive \$4,065,641 in provincial funding.
- Transit – Under the previous provincial government’s plan, provincial gas tax was to increase from 2 cents per litre to 4 cents per litre by 2021 to 2022. These increases were proposed to support DRT service improvements and other capital priorities. The Province has indicated that they will not be moving forward with the previous government’s proposed increase to the municipal share of provincial gas tax funding. During the COVID pandemic, early reports indicate a reduction in the amount of provincial gas tax funds being collected by the Province. It is not clear what, if any, impact this reduced funding will have on the future allocation of provincial gas tax by the Province to municipalities. The Province continues its review of the current program and there remains significant uncertainty about potential changes that may reduce the funding Durham Region receives through the Provincial Gas Tax Program.

- Provincial Safe Restart Fund (SRF) – On August 12, 2020, the provincial government announced \$22,956,596 in funding for Durham Region under phase one of the provincial and federal Safe Restart Fund. Of the \$22,956,596 approved, \$8,405,396 is dedicated to mitigating the impacts of the COVID-19 pandemic on the Region’s transit system. The Region is awaiting additional information from the Province on the program design, eligible uses of this funding and additional details on the process for applying for SRF phase two funding. Staff will provide Committee and Council with further updates as additional information is provided including the availability of federal and provincial funding to help mitigate the projected 2021 financial pressures the Region faces in continuing to respond to the COVID-19 pandemic (see Section 6.0 of this report) and the ongoing implementation of the Region’s recovery plan.

7.4 Together these known and anticipated provincial funding adjustments, changes in provincial funding formulas and potential provincial downloading result in a net property tax increase of approximately \$0.4 million for the 2021 Business Plans and Budgets.

7.5 Regional staff will continue to advocate for sustained provincial funding and will work with the Province to understand any further financial impacts on the 2021 Business Plans and Budgets and beyond.

8. 2022 – 2025 Forecast Highlights

8.1 Many of the 2021 strategic investment pressures identified in Section 5.0 of this report are multi-year initiatives and will continue throughout the 2022 to 2025 forecast period. This section provides highlights of the additional significant strategic investment pressures currently projected over the 2022 to 2025 forecast period.

Environmental Sustainability

8.2 Finalize the Region’s Long-Term Waste Management Plan and associated five-year action plan (2022) and advance the implementation of the action plan and public communication (2022 – 2025). The proposed vision for the Plan is for the Region to manage solid waste as a resource through innovation and adaptability to enhance environmental sustainability.

8.3 Ongoing implementation of the Durham Community Energy Plan and the Durham Community Climate Adaptation Plan.

8.4 Advance implementation of the Corporate Climate Change Master Plan with a focus on deep energy retrofits in the Region’s social housing portfolio while leveraging available federal funding opportunities.

8.5 Expand the residential energy retrofit program into other building sectors, including multi-unit residential buildings and small commercial buildings. Over the forecast period, further expansion opportunities may include institutional buildings (e.g. schools) and larger commercial buildings.

- 8.6 Build on the climate risk and vulnerability analysis that is underway and planned for 2021 by advancing priority infrastructure upgrades and other proactive initiatives.

Community Vitality

- 8.7 Increase paramedic resources and replacement of the Clarington Paramedic Station to respond to increasing response times resulting from continued offload delay challenges and additional call preparation and clean up time required for improved staff safety. This will be further reviewed pending the results and recommendations of the Paramedic Services Master Plan currently under development.
- 8.8 Increase police resources, including front line constables and investigative staff, to respond to more complex calls and, pending the results of the pilot, the potential roll-out of body-worn cameras.
- 8.9 Potential new Regional long-term care home in North Pickering subject to Ministry approval of the Region's application.
- 8.10 Respond to increased demand for a variety of public health services as a result of population growth, local epidemiology and an aging and more diverse community.
- 8.11 Continued need to address wait lists in several social service program areas including childcare fee subsidy, individual, couple or family counselling services, behaviour management and affordable housing.

Economic Prosperity

- 8.12 Additional investment in resources to accelerate the growth of the Region's priority economic development clusters and advance Economic Development's workforce talent attraction program.
- 8.13 Continue to invest in Regional assets in response to growth pressures across all Regional departments including the construction of a new transit bus storage and servicing facility.
- 8.14 Over the forecast period it is anticipated that a number of the planned Regional facilities in Seaton will be designed, constructed and in some limited cases begin providing programs and services to the community. These include a DRPS facility; Paramedic Station; Social Assistance and Family Services facility; Public Health facility; Waste Management facility; and Transit facility. To help mitigate the financial impact of the operating costs of these facilities, the timing of the incremental property tax revenue is being aligned with the additional operating costs for these facilities and the Regional programs and services being delivered from these facilities as approved by Regional Council in the 2018 Regional Business Plans and Budget.
- 8.15 Optimize DRT services to serve new growth areas, including Seaton, and improve the high frequency network and existing connections.

- 8.16 Respond to increased demands on Regional transit, police and paramedic services resulting from the Durham Live development.

Social Investments

- 8.17 Implement the recommendations coming forward from the Region's comprehensive Master Housing Strategy that is currently under development. This strategy will operationalize and support the goals of At Home in Durham, including a fulsome review of the current housing system and revitalization of the Regionally owned DRLHC portfolio.
- 8.18 Pending the successful outcome of the flexible childcare program pilot, advance the implementation of permanent flexible childcare services on evenings and weekends.
- 8.19 Open a new North Durham directly operated childcare centre to address the increasing need for childcare services in this area of the Region.

Service Excellence

- 8.20 Provide for the ongoing maintenance and renewal of the Region's assets in alignment with the Region's Asset Management Plan.
- 8.21 Plan for the implementation of the findings from the Depot Rationalization study being completed as part of the development of the overall Facility Master Accommodation Plan.
- 8.22 Review and refresh the Region's Strategic Plan.
- 8.23 Work with local municipalities to review and explore opportunities for efficiencies in the delivery of municipal POA prosecutions.

9. Update on the Business Planning and Budget Process Review and Modernization Project

- 9.1 The multi-year business planning and budget process review and modernization project presents a structured opportunity to collaboratively reflect on and provide input into our business processes and systems to ensure:
- A streamlined, efficient, consistent, transparent and modernized business planning and budget process that meets the needs of the Region's various stakeholders including the public, businesses, investors and credit rating agencies and that advances the long-term financial strength of the Region;
 - Efficient and sustainable allocation of the Region's resources in alignment with the Region's Strategic Plan;
 - Accurate and timely information is available for sound evidence-based decision making;
 - Transparent and user focused business planning and budget documents;

- Integrated business planning, budget and forecast system with robust financial reporting that will support and automate the Region's renewed business planning and budget process;
 - Increased public engagement in business planning and budget processes;
 - Concurrent approval of user rate and property tax supported budgets; and
 - Position the Region as an industry leader in business planning and budgets.
- 9.2 The Project takes a collaborative approach that proactively engages stakeholders across the corporation and agencies to better understand organizational requirements and seeks input on the development and deployment of transformations that align broader policy and fiscal priorities.
- 9.3 As part of the Business Planning and Budget Process Review and Modernization Project, the format of the 2021 Business Plans and Budget document will be updated and modernized based on the following guiding principles:
- Transparent and user-focused document with information provided consistently across departments;
 - Provide a clear and immediate connection between the program and services being provided to residents and businesses and the financial and human resources required to provide these programs and services;
 - Provide financial and qualitative information that is clear, transparent, consistent and at a level of detail that enables strategic investment decision-making by Committee and Council; and
 - Provide a consolidated, comprehensive current year capital budget and nine-year capital forecast schedules that reflect enhanced long-term capital planning, asset management requirements and current growth projections.
- 9.4 To achieve the above guiding principles, the 2021 Business Plans and Budget document will continue to provide program-based business plans and budgets that will include the following components and changes:
- High-level qualitative summary of each of the programs and services provided by the Department;
 - Planned activities for the current budget year which will contribute to the achievement of the Region's priorities outlined in the Region's Strategic Plan;
 - Key performance targets for 2021 to demonstrate projected outcomes for residents, businesses and stakeholders;
 - Pivot the description of key budgetary changes to provide a consolidated schedule of all budget changes that delineates base budget changes from strategic investment decisions;
 - High-level overview by Department of underlying trends and forecasted impacts that will affect the way programs and services are delivered over the next five years.

- The inclusion of the following two financial schedules for each Department:
 - Departmental Summary by Account – this schedule will profile the Departments gross expenditures (including both operating and capital expenses) by object of expenditure and revenues by revenue categories including the net property tax/user rate requirement.
 - Program Summary – this schedule will provide the total operating expense, capital expense, subsidy, other revenue and non-user rate/property tax financing by each program within the Department.
- The inclusion of the following three capital budget schedules:
 - Consolidated Corporate Capital Summary – this schedule provides a corporate level summary by department of the current year capital budget and nine-year capital forecast including proposed financing.
 - Department Capital Summary – this department schedule provides current year capital budget, nine-year capital forecast and proposed financing summarized by division and project category (e.g. building and structures, land and improvements, information technology, furniture and fixtures, machinery and equipment, and vehicles).
 - Department Capital Project Schedule – this department schedule provides project specific details and financing for projects proposed in the current year capital budget.

10. 2021 Regional Business Plans and Budgets Timetable

- 10.1 The Region's business planning and budget process includes strategic planning, risk assessment, economic and financial forecasting, property tax guidelines, detailed business plans and budgets, and performance measurement. Fiscal accountability is strengthened by the multi-year planning of expenditures, financing and risk mitigation that are imbedded in the Region's Business Planning and Budget process and highlighted each year by the Region's bond raters.
- 10.2 The timetable for the 2021 Business Plans and Budgets recommends the advancement of the Committee and Council review of the 2021 Property Tax Supported Business Plans and Budgets from February to January. This represents important progress towards achieving the goal of concurrent approval of user rate and property tax supported business plans and budgets in December of each year as identified in the business planning and budget process review and modernization project. Given the uncertainty with the ongoing COVID-19 pandemic, there may be a need to adjust the projected dates for the 2021 Business Plans and Budgets timetable. Staff will continue to monitor and will advise Regional Council of any changes. The key dates of the preliminary 2021 Regional Business Plans and Budgets timetable are outlined below and are detailed in Attachment #2:
- 2020 Corporate Asset Management Update Report
 - Committee of the Whole – September 16, 2020
 - Regional Council – September 30, 2020

- Water and Sanitary Sewer User Rates
 - Finance and Administration Committee – December 8, 2020
 - Regional Council – December 16, 2020
 - Water Supply and Sanitary Sewerage Business Plans and Budgets
 - Works Committee – December 2, 2020
 - Finance and Administration Committee – December 8, 2020
 - Regional Council – December 16, 2020
 - Property Tax Supported Business Plans and Budgets
 - Standing Committees – week of January 4, 2021
 - Finance and Administration Committee – January 12, 2021 and January 13, 2021 (if required)
 - Regional Council – January 27, 2021
 - Property Tax Strategy
 - Finance and Administration Committee – January 12, 2021 and January 13, 2021 (if required)
 - Regional Council – January 27, 2021
- 10.3 The 2021 proposed timetable establishes December 16, 2020 as the target date for Regional Council approval of the 2021 Water Supply and Sanitary Sewerage Business Plans and Budgets and January 27, 2021 as the target date for Regional Council approval of all 2021 Property Tax Supported Business Plans and Budgets.
- 11. Public Engagement Strategy for the 2021 Business Plans and Budgets**
- 11.1 Transparency and education are key components of building successful public engagement on the Region’s business plans and budgets with residents, businesses and stakeholders.
- 11.2 Building upon the success of the 2020 Business Plans and Budget public engagement initiatives and recognizing the limitations the COVID-19 pandemic places on in-person meetings, the Region is developing and deploying tools and complementary engagement activities which focus on increasing opportunities for sharing information and engaging residents, businesses and stakeholders in the development of the 2021 Business Plans and Budget.
- 11.3 To support the 2021 Business Plans and Budget these tools and activities will ensure information that is focused on outcomes for residents, businesses and stakeholders is shared in plain language and through a variety of formats that are accessible and interactive (where possible). The public engagement approach focuses on engaging with more residents and businesses in new and different ways to encourage their feedback and will include:

- Hosting a Virtual Town Hall tentatively planned for Wednesday October 21, 2020 to share information about the key priorities being considered as part of the development of the 2021 Business Plans and Budget and provide an opportunity for the public to provide input;
- Refreshing the Region's Business Plans and Budget online presence including an updated webpage and use of the Region's Your Voice Durham website to allow residents to ask questions and provide comments online;
- Developing a series of videos to educate the public on how the budget process works. The videos will feature educational, engaging content that breaks down messaging in a digestible, easy-to-understand way;
- Providing ongoing social media engagement aligned with the progression of the business planning and budget process to support wider understanding of the process and seek engagement throughout the process; and
- Providing traditional engagement initiatives consistent with prior year activities including the utilization of print media.

11.4 It is contemplated that those proposed engagement activities which are not time-limited, once they are made available, will remain available through the year and not be limited to the time period leading up to the annual Business Plans and Budget.

11.5 As part of the multi-year business planning and budget process review and modernization project, an interdepartmental team is working to evaluate standards and best practices, and to incorporate feedback and expertise to better understand when and how to use public engagement tools. This work will help inform the public engagement strategy for future Business Plans and Budgets.

12. Next Steps

12.1 In the next phase of the business planning and budget process, all program areas will review their operating and capital plans to achieve the recommended property tax guideline including:

- Completing a line-by-line review wherein Regional Departments review three years of historical actuals to identify 2021 base budget reductions that would not impact service levels;
- Refining budget estimates and priorities;
- Exploring alternative funding strategies including the sustainable use of reserve and reserve funds, development charges and provincial and federal gas tax;
- Working with the provincial and federal government to understand 2021 funding impacts including any potential Phase 2 provincial and/or federal COVID funding;
- Ongoing monitoring of the Region's weighted net assessment growth; and

- Carefully reviewing and prioritizing 2021 staffing requests, budget pressures and priorities and looking for efficiencies and opportunities to minimize the 2021 budget impact.

13. Conclusion

- 13.1 The recommended overall 2021 property tax guideline for Regional Departments, the Durham Regional Police Services Board, Durham Region Transit Commission, DRLHC and funded Outside Agencies will result in:
- A Region-wide property tax rate impact not to exceed 2.0 per cent, after an estimated 1.00 per cent to 1.25 per cent net weighted assessment growth; and
 - An annual \$56 budgetary increase for an average residential home in Durham Region with an estimated 2021 current value assessment of \$483,100.
- 13.2 Regional departments, boards, commissions and outside agencies will continue to review their operating and capital business plans and budgets looking for efficiencies, prioritizing and making the necessary adjustments to balance competing priorities, capital requirements, and operating pressures to achieve Regional Council's approved property tax guideline. It is important to note that significant reductions will need to be made to achieve the recommended 2.0 per cent property tax guideline and as such not all requests identified will be achieved within this guideline and some will need to be considered in future budget years.
- 13.3 The detailed 2021 Property Tax Supported Business Plans and Budgets are scheduled to be presented to the appropriate Standing Committee or Transit Executive Committee during the week of January 4, 2021, Finance and Administration Committee on January 12, 2021 and January 13, 2021 (if required) and Regional Council on January 27, 2021.

14. Attachments

- 14.1 Attachment #1: Current Economic Analysis
- 14.2 Attachment #2: Preliminary Timetable for the 2021 Regional Business Plans and Budgets

Respectfully submitted,

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Commissioner of Finance

Recommended for Presentation to Committee

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