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The Regional Municipality of Durham Report

To: Finance and Administration Committee
From: Commissioner of Finance
Report: #2021-F-20
Date: September 14, 2021

Subject:

2022 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 2022 Business Plans and Budgets for the Durham Regional Police Services Board, Conservation Authorities, Regional Operations and other Outside Agencies be approved:
- i. The 2022 Property Tax Guideline not exceed an overall tax impact of 2.0 per cent compared to the 2021 approved budget with an additional 0.25 per cent dedicated to the Durham Regional Police Services Board to fund the incremental costs for year two of the body worn camera implementation and other strategic priorities of the Durham Regional Police Services Board and a further 0.25 per cent dedicated to fund future healthcare investments under the Region's Community Investment Grant Policy;
 - ii. The 2022 Business Plans and Budget for the Durham Regional Police Services Board not exceed \$230.67 million, an increase of 3.35 per cent compared to the 2021 approved budget plus an additional \$1.81 million to fund the incremental costs for year two of the body worn camera implementation (\$531,860) and other strategic priorities of the Durham Regional Police Services Board (\$1.28 million); and
 - iii. The 2022 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 2022 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 2021 approved budget;

- B) The preliminary timetable for the 2022 Regional Business Plans and Budgets be approved, as outlined in Attachment #2 to this report, which includes the following key dates:
- i. December 22, 2021 – final Regional Council approval of the 2022 Water Supply and Sanitary Sewerage Business Plans and Budgets;
 - ii. February 23, 2022 – final Regional Council approval of all 2022 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 2022 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 2022 and the four-year forecast period (2023 to 2026). The report also identifies pressures and risks facing the Region that need to be considered in establishing the 2022 Regional Business Plans and Budget guidelines including the ongoing costs to the Region resulting from the COVID-19 pandemic, vaccine rollout and recovery plan; provincial funding impacts for the 2022 budget; and approved or anticipated legislative and regulatory changes impacting the Region's programs and services.
- 1.2 This report also outlines the proposed timetable and public engagement strategy for the 2022 Business Plans and Budgets.

2. Purpose and Use of the Recommended Guideline

- 2.1 The overall 2022 property tax guideline provides a capped tax impact for the 2022 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 2022 budget submission for presentation to Regional Council in February 2022.
- 2.3 In establishing the 2022 Property tax guidelines, the Region took into consideration the anticipated ongoing demands and pressures the COVID-19 pandemic continues to place 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. 2022 Property Tax Guideline Overview

3.1 Through this report staff are seeking Regional Council approval for an overall 2022 property tax guideline not to exceed a tax impact of 2.0 per cent (after net weighted assessment growth) with an additional 0.25 per cent over the 2021 approved budget dedicated to the Durham Regional Police Services Board to fund the incremental costs for year two of the body worn camera implementation and other strategic priorities of the Durham Regional Police Services Board and a further 0.25 per cent over the 2021 approved budget to fund future healthcare investments under the Region's Community Investment Grant Policy. The following specific guidelines for the Durham Regional Police Services Board and Conservation Authorities are also recommended and will need to be accommodated within this overall 2022 property tax guideline.

- The 2022 Business Plans and Budget for Durham Regional Police Services Board not exceed \$230.67 million, an increase of approximately 3.35 per cent compared to the 2021 approved budget plus an additional \$1.81 million to fund the incremental costs for year two of the body worn camera implementation (\$531,860) and other strategic priorities of the Durham Regional Police Services Board (\$1.28 million); and
- The 2022 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 2022 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 2021 approved budget.

3.2 Based on 2021 year-to-date assessment growth and through discussions with the Municipal Property Assessment Corporation (MPAC), net weighted assessment growth is estimated at between 1.25 per cent and 1.40 per cent (excluding net assessment growth in Seaton). This is slightly lower than the net weighted assessment growth of 1.76 per cent (excluding net assessment growth in Seaton) realized for the 2021 Budget. Due to the COVID-19 pandemic, MPAC extended the deadlines for capturing net assessment for the 2021 property tax year. This resulted in additional assessment being captured for the 2021 property tax year that would have otherwise been captured for the 2022 property tax year. MPAC has indicated that they don't anticipate extending the deadlines for the 2022 property tax year. The current 2022 net weighted assessment growth 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 plus an additional 0.25 per cent for the Durham Regional Police Services and a further 0.25 per cent to funding healthcare investments will result in an annual budgetary increase of approximately \$71 for an average residential property owner in Durham Region with a current estimated 2022 current value assessment of \$483,100.
- 3.4 The setting of the recommended guidelines was achieved in consultation with the CAO, Regional departments, Durham Regional Police Service and Durham Region Transit and through detailed review of 2022 to 2026 operating pressures and 2022 to 2031 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 considers 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 2022 Business Plans and Budget submissions, all opportunities to sustainably use the Region's Reserve and Reserve Funds to finance 2022 budget pressures will be pursued in accordance with the Long-Term Financial Planning Framework adopted by Regional Council. The 2022 Regional Business Plans and Budget, which includes a nine-year capital forecast, will provide additional details on the utilization of alternative revenue sources including reserve and reserve funds for operating and capital expenditures as well as debenture financing, where appropriate, for significant priority capital projects that are projected in 2022 and the nine-year forecast.
- 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 2022 Base Pressures and Non-Discretionary Items

- 4.1 Preliminary 2022 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 2021 budget decisions and adjustments for one-time items included in the 2021 budget;
 - Contractual and inflationary increases;
 - Economic increases (salary/benefit contracts); and
 - Items that have been received pre-budget approval by Regional Council.

4.2 Staff continue to review these base submissions to look for efficiencies and savings to mitigate the impacts of these items to achieve the recommended 2022 property tax guideline.

5. 2022 Strategic Investment Pressures

5.1 In addition to addressing the non-discretionary pressures and the financial impacts of the COVID-19 pandemic and recovery, the guideline provides for very limited strategic investments to support key priorities while balancing the need for taxpayer affordability and competitive property taxes.

5.2 Following sound business planning and budget practice, departments have identified strategic investments that are aligned with and support 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 2022 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) not all the identified strategic investments will be able to be accommodated within the recommended 2022 guideline. Significant prioritization and refinement of these strategic initiatives will be required to achieve the 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 2022 initiatives that support this Regional goal.

- Through implementation of the Council-approved Corporate Climate Master Plan, demonstrate corporate leadership on the path to net zero by advancing low carbon initiatives in corporate fleets, facilities, and waste services.
- With the assistance of senior government funding, implement the Durham Home Energy Savings program to provide residents with wrap-around support services, including access to an energy retrofit coach, financial incentives, and skilled trades to facilitate deep energy retrofits in existing single-family homes across the Region.
- Advance a flood risk management strategy for Durham Region in partnership with local area municipalities and conservation authorities.

- Continue to advance nature-based solutions to the climate emergency.
- Accelerate implementation of the Durham Community Energy Plan.
- Advance the implementation of the Carruther's Creek Watershed Plan through prioritized wetland restoration and sustainable community retrofits.
- Finalize and implement the "Durham Building Standard" for the construction, renovation and operation of Regional facilities, including measures to advance the Region's climate change and energy conservation initiatives.
- Implement the Region's low carbon fleet initiative including analyzing existing patterns of fleet use and age, equipment replacement schedules, technology advancements and opportunities against fueling and facility needs.
- Shift the Durham Region Transit fleet to zero and/or low emission alternatives over the next decade in support of climate change objectives through an electrification pilot.
- 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.

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 2022 initiatives that support this Regional goal.

- Continue to advance and expand the Region's diversity, equity and inclusion program including development of a new Regional Diversity, Equity and Inclusion Strategy, development of an Indigenization Plan, undertake an employment systems review, launch and support the work of the Region's Anti-Racism Taskforce, complete an employee census and finalize and begin implementation of the Region's Community Safety and Wellbeing Plan.
- 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 homes' residents.
- Relaunch enhanced volunteer programs across all Regional long-term care homes to assist in achieving recreational programming recommendations of the Long-term Care COVID-19 Commission of one hour per resident per day.

- Orient public health programs and services to address the needs of priority populations.
- Provide paramedic services out of the new paramedic response station in Seaton.
- Expand paramedic services addressing population growth and the needs of vulnerable populations supported by the upcoming Master Plan.
- Continue the Community Paramedicine Program so seniors on long-term care waitlists can stay safe while living in the comfort of their own homes for a longer period of time.
- Undertake a Paramedic Services South Whitby feasibility study.
- Provide advanced care paramedic training to enhance care provided to the community.
- Continued improvements to road safety through the implementation of various Vision Zero initiatives including the expansion of the Region's automated speed enforcement program.
- Respond to growth through increased investment in Works operations to maintain ongoing compliance with service delivery standards and legislation.
- Implement the Regional Cycling Plan Update.
- Continue ongoing system enhancements to Emergency 9-1-1.

Economic Prosperity

5.6 Under the Economic Prosperity Goal, the Region is supporting the building a strong and resilient economy that maximizes opportunities for business and employment growth, innovation and partnership. The following are the potential 2022 initiatives that support this Regional goal.

- Continue to advance transit-oriented development opportunities on key transit corridors, including the GO East extension to Bowmanville.
- Maximize the economic and community building benefits associated with rapid transit investments by continuing to ramp up the Rapid Transit and Transit Oriented Development Office.
- 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 direct service delivery and support staff resources are available to manage and administer large special infrastructure projects and grant programs.
- 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.
- 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 through a potential Municipal Services Corporation.
- Advance investment attraction efforts for the Region-owned land in the Clarrington Energy Park including work underway for Project "Woodward".
- Advance transit service recovery with planned service enhancements, enhanced demand responsive services, and a revenue recovery plan.
- Respond to the ongoing impact the pandemic has on transit such as enhanced cleaning measures and washroom rentals.
- Implement Durham Region Transit Ambassadors to support customers new to the service in navigating the system and wayfinding.
- Deliver on Durham Region Transit capital requirements including the new Harmony Terminal (initial phase).
- Deliver on the Region's Community Improvement Plan with a focus on increasing affordable housing units and promoting transit oriented development.
- Increase economic development outreach through marketing and investment promotion including quality of place and cultural industries programming.

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 2022 initiatives that support this Regional goal.

- Continue to advance 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.
- Provide for the operating impacts of the microhomes and supportive housing projects.
- Increase the regional contribution to the rent supplement program and expand End of Agreement rent supplement from expiring mortgages.

- Continue ongoing efforts to address the Durham Regional Local Housing Corporation systemic budget deficit in building and grounds operations to ensure a livable environment.
- Review the Durham Regional Local Housing Corporation's capital program to address housing needs in conjunction with necessary resources to implement the capital program.
- Partner with Grandview Children's Centre on the new Ontario Autism Program to help young children learn new skills and meet individualized goals in the areas of social communication and play and build the capacity of caregivers to support their children.
- Modernize the way that Ontario Works paper records are handled, transmitted and retained by Durham Region.

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 2022 initiatives that support this Regional goal.

- Implement the multi-year enterprise-wide myDurham311 project that will introduce a new customer experience program at the Region (Service Durham) 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, health and safety software, e-agenda implementation and advancing the digitization of Regional records.
- Present and implement the Region's new Long-term Waste Management Plan to chart a response to some of the significant challenges ahead which include: leading infrastructure renewal, preparing for projected Regional growth and new development which will increase demands for Regional services, and large critical infrastructure projects.
- 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.
- Continuation and expansion of asset management efforts, including increased attention to corridor control, specifically traffic control and restoration requirements for utility companies and others occupying Regional Right of Ways under road occupancy permits.
- Advance the Workplace Modernization efforts which include providing a variety of workspaces to offer a modern and collaborative space that supports how Regional staff need to work and how community members access services in our facilities.

- Drive innovation through continued implementation and leveraging the functionality of the Enterprise Maintenance Management System for a coordinated complaints log and tool for public requests for maintenance and repairs of Regional infrastructure.
- Provide enhanced health, safety and wellness (including mental health) supports for staff.
- Address information technology pressures including increasing costs for software/hardware licensing, additional resources to support the Enterprise Maintenance Management System post implementation, security, GIS, and technology refresh, and ongoing infrastructure replacement needs.

6. Projected COVID-19 Fiscal Impacts on the 2022 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 continues to be nimble and responsive in adapting to changing demands and requirements.
- 6.2 It is anticipated that the Region will continue to face significant financial impacts in 2022 in continuing to respond to the COVID-19 pandemic and advancing the Regional Recovery Framework and Action Plan.
- 6.3 The federal and provincial governments provided significant funding to the Region under a number of COVID-19 specific funding streams in late 2020 and 2021 to assist with mitigating the significant financial impact of the COVID-19 pandemic. The majority of these funding streams end in 2021 and the Region continues to advocate to the federal and provincial governments for continued COVID-19 funding in 2022 to assist with mitigating the continuing financial pressures the Region faces in responding to the COVID-19 pandemic and recovery efforts.
- 6.4 While the projected 2022 fiscal impacts of the COVID-19 pandemic continue to evolve, the balance of this section provides a summary of the projected 2022 financial impacts based on current available information. Similar to the 2021 budget, the 2022 budget will need to provide for flexibility to respond to the changing environment in which staff continue to provide critical, quality programs and services to our community. It is important to note that these financial impacts will continue to be refined in advance of submitting the 2022 Business Plans and Budget:
- Durham Regional Police Service – reduced revenue from false alarm fees and increased janitorial costs.
 - Transit – additional cleaning supplies; staffing costs to meet additional cleaning requirements of the fleet; and reduced transit and program revenues.

- Public Health – additional PPE costs and ongoing temporary resources for case and contact management, continued vaccine rollout, public health inspections, dental screenings and addressing the back-log in many critical program areas and the longer term impacts on public health (e.g. mental health, substance abuse) as a result of the pandemic.
- Long-Term Care – temporary resources to complete required screening; additional infection control products; and cleaning supplies.
- Social Assistance – potential impacts on discretionary benefits.
- Children’s Services – ongoing costs for infection protection programs, PPE, additional staffing for cohorting, screening and cleaning.
- Economic Development – recovery-based programs to support local businesses.
- Information Technology – technology and security investments to continue to support a mobile workforce and the protection of Regional data.
- Region wide – increased cleaning materials, janitorial services, PPE, and security costs.

7. Provincial Funding Impacts

7.1 In 2021, the Region is budgeted to receive approximately 23.1 per cent of its annual revenues through provincial subsidies and grants.

7.2 While the province has provided 2021 funding letters for a number of Regional program areas that are provincially funded, there is still significant uncertainty and associated risk related to provincial funding levels for 2022. The following is a summary of the known and estimated impacts to the 2022 budget resulting from adjustments in provincial funding and changes in the provincial funding formulas:

- Paramedic Services – The 2021 Regional Business Plans and Budgets assumed 2021 provincial funding of paramedic services would be consistent with the level of funding provided in 2020. In July 2021, the provincial government confirmed the Region’s 2021 funding for paramedic services was \$27,178,306, \$1,503,790 (4.2%) more than the 2020 approved provincial funding of \$25,674,516. This increase provides for the provincial portion of the inflationary pressures and service enhancements. While the 2022 funding has not yet been confirmed it is anticipated to be in-line with the 2021 actual funding which is \$1,503,790 more than what was included in the Region’s 2021 Business Plan and Budget. Paramedic Services also received provincial funding for a Community Paramedicine Program in 2021. The Region is awaiting confirmation from the Province on whether they will continue to provide funding in 2022 to ensure this important community program is able to continue in 2022.

- 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. For 2020 and 2021, the Province confirmed one-time mitigation funding to ensure that municipalities were not negatively impacted by the changes to provincial cost-sharing formula considering the significant funding and resource pressure facing public health departments from the COVID-19 pandemic. The province has not confirmed whether this funding will be available beyond March 31, 2022. The province has also not indicated what, if any, funding it will provide to Health Departments in 2022 to assist with the ongoing significant financial impact of the COVID pandemic.
- Childcare – Effective January 1, 2021 the province changed the funding formula for administration costs, shifting from 100 per cent provincially funded to 50 per cent provincial funding and 50 per cent Regional funding. Due to the financial pressures of COVID-19 on the childcare services, the province provided one-time transitional funding of \$1.9 million to help mitigate the impact of this methodology change. The Region utilized this transitional funding for one-time expenses so as not to create additional budget pressure in 2022. For 2022, the province has indicated that they will further adjust the funding formula for administrative costs by lowering the cap on administrative costs to 5 per cent of program delivery costs from a previous 10 per cent in 2021. This change in the provincial funding model is estimated to have a \$1.4 million impact on the 2022 budget.
- Social Assistance – The province has indicated that 2022 funding will be consistent with the 2021 funding provided. The Province has announced further modernization efforts significantly impacting the Region's Social Assistance program in 2023 and beyond. It is not clear what additional impacts these changes will have on provincial funding, cost sharing formulas and service delivery.
- Social Housing – In 2020 and 2021 the Region received additional provincial funding to support the Region's vulnerable population during the pandemic. This funding was used to develop additional housing capacity within the Region as well provide operating supports. It is not anticipated that this funding will continue in 2022 which will have an impact on the Region's vulnerable residents who continue to need the supports this funding provided. In addition, there is an increasing need for operating funding to support the additional housing capacity created with this pandemic funding.

- Long Term Care – On August 27, 2021, the Ministry of Long-Term Care announced a 1.5 per cent increase in the level-of care base funding effective April 1, 2021. Staff continue to review the specifics of the announcement to understand the potential impacts this additional funding will have on the Region’s ability to increase the hours of direct care provided by nurses and personal support workers to an average of four hours per day per resident as committed to by the Province in its Long-Term Care Staffing Plan (2021 – 2025).
- Police – On August 10, 2020, the Province announced a review of their Court Security and Prisoner Transportation Program. The Region’s current funding agreement provided \$4.20 million in funding in 2021 and expires on December 31, 2021. It is unclear at this time what impact this review may have on 2022 and future funding. Durham Regional Police Service also receives \$3.17 million in funding annually under the Community Safety and Policing grant program. The initial three-year term of this application-based funding agreement expires on March 31, 2022 and it is uncertain what funding Durham Regional Police Service will receive post March 31, 2022.

7.3 Regional staff continue to advocate for sustained provincial funding and will work with the Province to understand any further financial impacts on the 2022 Business Plans and Budgets and beyond.

8. Impacts of Legislative and Regulatory Changes

8.1 The Region delivers a number of programs and services that are legislated or regulated by the provincial government and - to a lesser extent - the federal government. Legislative and regulatory changes often have a direct financial impact to the Region in delivering these valued and critical programs and services. The following is a list of current or potential legislative and regulatory changes that may have fiscal impacts for the Region.

- On June 14, 2021, the Ministry of the Solicitor General released five draft Regulations under the *Community Safety and Policing Act, 2019* for comment. It is expected that there will be upwards of 80 Regulations in support of this legislation. The initial five draft Regulations cover investigations, active attacker incidents, alternative provision of policing functions, the Ontario Police Arbitration and Adjudication Commission and codes of conduct for police officers, municipal police service board members and members of the Ontario Provincial Police Governance Advisory Council. The Durham Regional Police Service and the Durham Regional Police Services Board have provided comments on these draft regulations and are reviewing potential fiscal impacts to Durham Regional Police Service.

- The provincial government recently increased the income threshold for the provincially funded Ontario Seniors Dental Program that is delivered by Health Departments. Durham's Health Department is experiencing a significant increase in the demand for services under this program as a result of the increase in the income threshold. To date, the province has not announced any additional funding to Health Departments to respond to this increased demand.
- The current federal government has been discussing the possibility of a federal childcare program but has not currently established a program with the Province of Ontario. The introduction of a federal program would have impacts on the programs and services provided by Children's Services. Staff continue to monitor this item.
- The provincial government is currently considering regulations under the *Provincial Offences Act* which will allow for administrative monetary penalties (AMP) for automatic speed enforcement and red light camera offences. While the introduction of an AMP system for these offences will have increased administrative and program costs for the Region it will reduce the cost to the Region for Justices of the Peace and other court costs.
- The province also recently amended the *Provincial Offences Act* to allow the Clerk of the Court to perform additional duties. While it is anticipated that this change will increase the workload for the Region's POA staff, the change will result in improved customer service and an overall reduction in court time.
- The province has indicated they will be transferring responsibility for the prosecution of Part II offences from the Province to the Region. While the timing of this transfer is not known it is anticipated that additional Regional resources will be required to manage this significant increase in workload.
- On January 1, 2021, Phase One of Ontario's new *On-Site and Excess Soil Management* Regulation, O. Reg 406/19 took effect under the province's *Environmental Protection Act*. The Regulation introduces a new framework for the excavation, removal and transport of "excess soils" between two or more sites and is expected to result in increased costs for a significant number of Regional road, water and sewer construction projects.
- The Region is currently awaiting provincial regulations under the *Housing Services Act* that will provide greater clarity around Part VII housing providers and the costs and funding available support these providers.
- On May 13, 2021, the Ministry of Environment, Conservation and Parks released proposed new regulations under the *Conservation Authorities Act* for comment. The proposed new regulations outline mandatory programs and services to be delivered by conservation authorities, the need for agreements between participating municipalities and conservation authorities to fund non-mandatory programs and services through a municipal levy and the requirement of conservation authorities to establish a community advisory board. The Ministry has indicated that in the coming

months, additional proposed regulations will be released for comment. These regulations will address municipal levies for the apportionment of conservation authority capital and operating expenses for mandatory and non-mandatory programs and services. These proposed changes by the province are anticipated to impact the Region's funding of conservation authorities. Staff continue to work with the province and our five partner conservation authorities to understand the full impacts resulting from these proposed regulations.

9. Durham Regional Police Service

9.1 On July 20, 2021, Durham Regional Police Service provided a presentation on their 2022 Draft Budget to the Durham Regional Police Services Board Finance Committee.

9.2 As part of this presentation Durham Regional Police Service staff identified the following base pressures for 2022 totaling \$8.5 million, an increase of 3.8 per cent over the 2021 approved budget. Regional staff continue to work with Durham Regional Police Service Staff to find creative solutions to reduce these operating pressures without impacting service levels:

- Contractual increases
- Potential increase in debt servicing costs to support the Clarington Police Complex Phase 2 project
- Increased contributions to support areas which have historically been underfunded including:
 - WSIB costs
 - Legal expenses
 - Building maintenance and repair fund
- Various other minor adjustment to operating and capital expenses and revenues/recoveries

The approved 2021 Durham Regional Police Service Business Plans and Budget included year one of the three-year implementation of the body worn camera program. The following tables outline the projected costs and staff for this new program. The amounts included for each year are the total costs for that particular year. As illustrated in the following table the incremental 2022 costs for the year two implementation is \$531,860 and includes the addition of three new positions.

	2021	2022	2023
Axon (Hardware and Software)	\$800,000	\$900,000	\$1,000,000
Staffing	1,232,542	1,664,402	1,935,343
Total Cost	\$2,032,542	\$2,564,402	\$2,935,943

The following table outlines the incremental new positions required for the body worn camera program. The cost for these new positions is included in the program costs outlined above.

	2021	2022	2023	Total
SSGT	1	-	-	1
SGT	1	-	-	1
PC	3	-	-	3
Video Management Technician	7	3	2	12
Total New Positions	12	3	2	17

9.3 In addition, Durham Regional Police Service staff identified the following requests for increased investments in various strategic initiatives totaling \$4.1 million which include a total of 53 new positions (excluding the three new positions required for year two of the body worn camera program implementation referenced above):

- Mental health response officers
- Cellular analysis advanced software
- Additional Communications 911 staffing
- Establishment of a permanent Cybercrimes Unit
- 20 new frontline officers
- Complex case management support programs to provide for complex disability claims
- Communications Crisis Call Diversion Program
- Additional psychological support services for staff
- TSU Night Vision and IR Laser Equipment
- New permanent Help Desk Analyst (conversion of a part-time resource)
- Additional CCTV Booking Technicians
- Event data recorder system for traffic operations
- Hike boat camera system (night vision)
- Additional remote piloted aerial system (drone) for traffic operations

- 9.4 Based on preliminary budget information available, staff are recommending a 2022 guideline for the Durham Regional Police Services Board not to exceed \$231.67 million, an increase of 3.35 per cent compared to their 2021 approved budget plus an additional \$1.81 million to fund the incremental costs for year two of the body worn camera implementation (\$531,860) and other strategic priorities of the Durham Regional Police Services Board (\$1.28 million). This totals an approximate 4.16 per cent increase on the Durham Regional Police Service Budget or a 1.28 per cent overall increase to the Regional levy.
- 9.5 Consistent with the other Regional Departments, Durham Regional Police Service will need to continue to review 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 the recommended property tax guideline. Durham Region Staff will continue to work with the staff of the Durham Regional Police Service to finalize their 2022 Business Plans and Budget submission.
- 10. Funding Requests under the Durham Region Community Investment Grant Policy**
- 10.1 In October 2019, Regional Council approved the Durham Region Community Investment Grant Policy. Under this policy, local healthcare and post secondary education institutions can apply for funding to assist with the community fundraising requirements for capital infrastructure projects in the Region.
- 10.2 There are a number of organizations that have approached the Region of Durham for funding under this program including:
- Lakeridge Health - Bowmanville Hospital redevelopment project
 - Lakeridge Health - for various capital infrastructure projects in their 10 Year Master Plan including a new greenfield hospital and the redevelopment of the Ajax Pickering Hospital.
 - Uxbridge Hospital
 - Ontario Shores Centre for Mental Health Sciences
 - Charles Best Diabetes Centre
 - Sloan's House
- 10.3 The most significant of these requests is from Lakeridge Health. On December 8, 2020, representatives for Lakeridge Health appeared as a delegation at the Finance and Administration Committee meeting to request \$37.5 million in funding for the Bowmanville Hospital redevelopment project. This funding request represents 7.5 per cent of the estimated \$500 million total project cost for the project and complies with the Durham Region Community Investment Grant Policy. At the December 8, 2020 meeting, Lakeridge Health also presented their ten-year master plan, which, in addition to the Bowmanville Hospital redevelopment project, included developing a new greenfield hospital and redeveloping the Ajax Pickering Hospital. Excluding the Bowmanville Hospital expansion, the ten-year master plan would have an estimated cost of \$2.6 billion based on an order of magnitude estimate from similar projects completed in the past.

- 10.4 Staff continues to work with the above organizations to understand their needs, determine eligibility and potential timing should Regional funding be approved by Council for their capital builds.
- 10.5 To support the funding requests received under the Community Investment Grant Policy, the Region's annual business plans and budget includes an annual contribution to this program. The 2021 contribution was \$3.27 million. While this annual contribution is projected to increase to \$4.41 million in 2023 once the approved funding commitments to Trent University Durham and Durham College (Whitby Campus) have been met, it, along with the Healthcare Institution Reserve Fund, is not sufficient to address the significant requests for funding outlined above. In response, staff are recommending that the 2022 property tax guideline include an additional 0.25 per cent (approximately \$1.8 million) dedicated to fund future healthcare investments under the Region's Community Investment Grant Policy.
- 10.6 Regional staff will provide an update on the various funding requests and funding strategy as part of the 2022 Regional Business Plans and Budget.

11. 2023 – 2026 Forecast Highlights

- 11.1 Many of the 2022 strategic investment pressures identified in Section 5.0 of this report are multi-year initiatives and will continue throughout the 2023 to 2026 forecast period. This section provides highlights of the additional significant strategic investment pressures currently projected over the 2023 to 2026 forecast period.

Environmental Sustainability

- 11.2 Ongoing implementation of the Durham Community Energy Plan and the Durham Community Climate Adaptation Plan.
- 11.3 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.
- 11.4 Ongoing implementation of Regional fleet and facility climate change initiatives.
- 11.5 Continued investment in state of good repair and lifecycle asset management incorporating emission reductions and energy efficiency measures as assets and components are replaced or refurbished.

Community Vitality

- 11.6 Increase paramedic resources and replace the leased Paramedic Station in Bowmanville, to respond to increasing response times resulting from continued hospital offload delay challenges and additional call preparation and clean up time required for improved staff safety. These initiatives will be further reviewed pending the results and recommendations of the Paramedic Services Master Plan.
- 11.7 Build and operate a new Regional long-term care home in North Pickering, subject to Ministry final approval of the Region's application.
- 11.8 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.
- 11.9 Continued need to address wait lists in several social service program areas including individual, couple or family counselling services, behaviour management and affordable housing as well as provide the necessary supports to tenants with increasingly complex needs.
- 11.10 Design and construct expansion projects in the Regional Works Depots to maintain growing Regional infrastructure and achieve service delivery objectives.
- 11.11 Continued investment and strategies to successfully recover transit service delivery to residents following the pandemic.
- 11.12 Continue to build the Region's rapid transit deployment plan to ensure future projects are identified and scoped to meet the future needs of the Region's residents.

Economic Prosperity

- 11.13 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.
- 11.14 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 in North Oshawa.
- 11.15 Over the forecast period it is anticipated that a number of the planned Regional facilities in Seaton will be designed, constructed and in some cases begin providing programs and services to the community. These include a Paramedic Station (2022); 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.

- 11.16 Optimize DRT services to serve new growth areas, including Seaton, and improve the high frequency network and existing connections.
- 11.17 Respond to increased demands on Regional police and paramedic services resulting from the Durham Live development.

Social Investments

- 11.18 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 Durham Regional Local Housing Corporation portfolio.
- 11.19 Work with community providers to implement a flexible childcare program to meet the community's demand for childcare services on evenings and weekends.
- 11.20 Support the opening of a new childcare centre in North Durham to address the increasing need for childcare services in this area of the Region.
- 11.21 Respond to the impacts of provincial employment services transformation on Social Assistance program delivery including life stabilization programming.

Service Excellence

- 11.22 Implement the findings from the Depot Rationalization study being completed as part of the development of the overall Facility Master Accommodation Plan.
- 11.23 Review and refresh the Region's Strategic Plan for 2025 - 2030.

12. 2022 Regional Business Plans and Budgets Timetable

- 12.1 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.
- 12.2 Building on the success achieved in improving the transparency, consistency and utility of the Region's 2021 Business Plans and Budget documents, staff continue to advance the multi-year business planning and budget process review and modernization project to further enhance and strengthen our existing policies, processes, and systems.
- 12.3 The key dates of the preliminary 2022 Regional Business Plans and Budgets timetable are outlined below and are detailed in Attachment #2 and are consistent with the final 2021 Business Plans and Budgets timelines:

- Water and Sanitary Sewer User Rates
 - Finance and Administration Committee – December 14, 2021
 - Regional Council – December 22, 2021
 - Water Supply and Sanitary Sewerage Business Plans and Budgets
 - Works Committee – December 8, 2021
 - Finance and Administration Committee – December 14, 2021
 - Regional Council – December 22, 2021
 - Property Tax Supported Business Plans and Budgets
 - Standing Committees – week of January 31, 2022
 - Finance and Administration Committee – February 8, 2022 and February 9, 2022 (if required)
 - Regional Council – February 23, 2022
 - Property Tax Strategy
 - Finance and Administration Committee – February 8, 2022 and February 9, 2022 (if required)
 - Regional Council – February 23, 2022
- 12.4 The 2022 proposed timetable establishes December 22, 2021 as the target date for Regional Council approval of the 2022 Water Supply and Sanitary Sewerage Business Plans and Budgets and February 23, 2022 as the target date for Regional Council approval of all 2022 Property Tax Supported Business Plans and Budgets.
- 13. Public Engagement Strategy for the 2022 Business Plans and Budgets**
- 13.1 Transparency and education are key components of building successful public engagement on the Region's business plans and budgets with residents, businesses and stakeholders.
- 13.2 Building upon the success of the public engagement initiatives for the 2021 Business Plans and Budget process, including the significant increase in public participation and engagement received as part of the Region's first virtual Budget Town Hall, as well as the anticipated ongoing limitations for in-person meetings due to the pandemic, the Region is continuing to develop and deploy tools and complementary engagement activities which will provide increased opportunities for sharing information and engaging residents, businesses and stakeholders in the development of the 2022 Business Plans and Budget.

13.3 Where possible, the Region's public engagement initiatives will be designed and structured to ensure that information is shared in plain language and through a variety of formats that are accessible and interactive and are focused on outcomes for residents, businesses, and stakeholders. The public engagement approaches for the 2022 Business Plans and Budget aim to engage 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 20, 2021 to share information about the key priorities being considered as part of the development of the 2022 Business Plans and Budget and provide an opportunity for the public to provide input;
- Further refreshing of the Region's Business Plans and Budget online presence including an updated webpage that provides information about the annual business planning and budget process in a clear and easy to understand manner and an updated Your Voice Durham website to allow residents to ask questions and provide comments online;
- Adding an additional video to educate the public on the Region's Business Plans and Budget. The video will feature informative, engaging content that breaks down messaging in a digestible, easy-to-understand way;
- Developing an infographic document to visually capture and communicate the outcomes for residents, business and stakeholders resulting from the investments provided for in the 2022 Business Plans and Budget;
- 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.

14. Next Steps

14.1 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 historical actuals to identify 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, provincial and federal gas tax and debentures;
- Working with the provincial and federal government to understand 2022 funding impacts including any potential for continued financial support to mitigate the continued fiscal impacts of the pandemic and recovery;
- Ongoing monitoring of the Region's weighted net assessment growth; and

- Carefully reviewing and prioritizing 2022 staffing requests, budget pressures and priorities and looking for efficiencies and opportunities to minimize the 2022 budget impact.

15. Conclusion

- 15.1 The recommended overall 2022 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 net weighted assessment growth) with an additional 0.25 per cent over the 2021 approved budget dedicated to the Durham Regional Police Services Board to fund the incremental costs for year two of the body worn camera implementation (\$531,860) and other strategic priorities of the Durham Regional Police Services Board (\$1.28 million) and a further 0.25 per cent over the 2021 approved budget to fund future healthcare investments under the Region's Community Investment Grant Policy;
 - An annual \$71 budgetary increase for an average residential home in Durham Region with an estimated 2022 current value assessment of \$483,100.
- 15.2 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 property tax guideline and, as such, not all requests identified in this report will be able to be accommodated within 2022 Business Plans and Budget and will need to be considered in future budget years.
- 15.3 The detailed 2022 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 31, 2022, Finance and Administration Committee on February 8, 2022 and February 9, 2022 (if required) and Regional Council on February 23, 2022.

16. Attachments

- 16.1 Attachment #1: Current Economic Analysis
- 16.2 Attachment #2: Preliminary Timetable for the 2022 Regional Business Plans and Budgets

Respectfully submitted,

Original Signed By

Nancy Taylor, BBA, CPA, CA
Commissioner of Finance

Recommended for Presentation to Committee

Original Signed By

Elaine C. Baxter-Trahair
Chief Administrative Officer

Current Economic Analysis

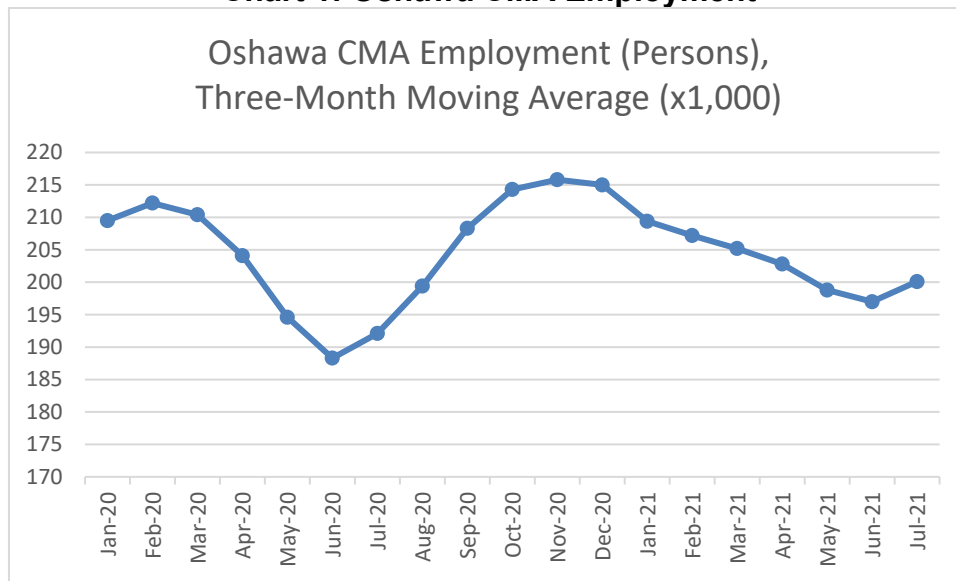
The Region of Durham Finance Department continuously monitors national, provincial, and global economic activity for any local economic implications. Changes in economic conditions can potentially impact Regional service delivery, as well as Regional expenditures and revenues. While the global economy continues to contend with the COVID-19 pandemic, economic activity is beginning to show resilience as economies gradually adapt to containment measures. The ability of the economy to adapt to the pandemic has led to a significant recovery in many key indicators that measure the health of our economy at the local, provincial, and national level.

Local Economy

Although the local economy, as measured by the Oshawa Census Metropolitan Area (CMA), has experienced significant improvement since the onset of the pandemic, the persistence of the pandemic remains a constraint to economic growth. The local labour market demonstrated incredible resiliency by recovering all pandemic-induced employment losses by the end of 2020. The months of October, November, and December 2020 all recorded higher employment levels than the pre-pandemic month of February. However, as a resurgent pandemic was met with increased restrictions and containment measures during the first half of 2021, employment has once again fallen below pre-pandemic levels. As of July 2021, the three-month moving average level of employment in the Oshawa CMA was 5.7 per cent below pre-pandemic February 2020 levels, and 6.9 per cent below December 2020 levels.

The following chart illustrates the three-month moving average level of employment for the Oshawa CMA from January 2020 to July 2021. The chart suggests that the employment declines associated with the second and third wave of the pandemic (January to May 2021) have been more gradual and less severe than the employment losses associated with the first wave. During the first wave, employment declined 11.3 per cent between February and June 2020. During the second and third wave, employment declined by only 8.4 per cent between December 2020 and June 2021. This may suggest that the labour market is becoming more resilient to pandemic related restrictions.

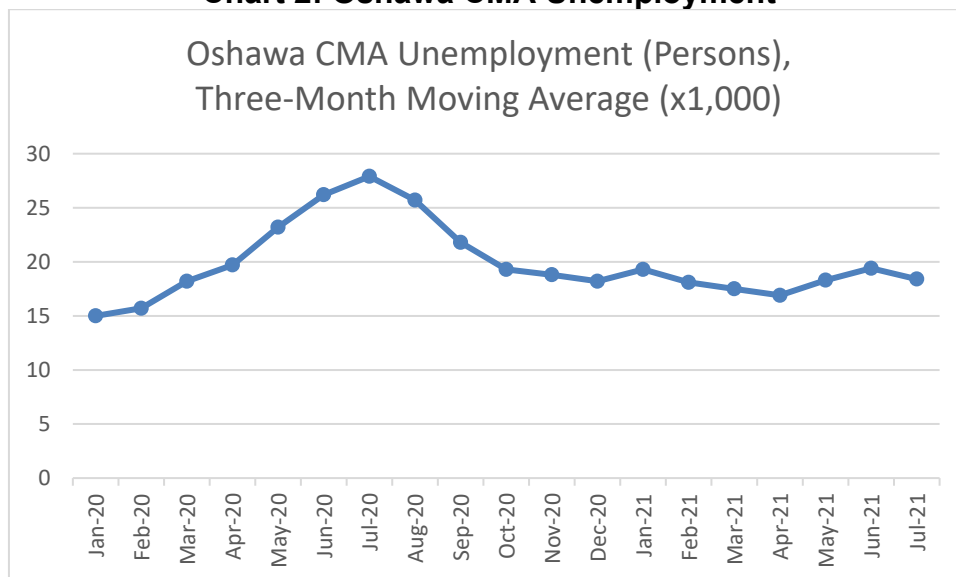
Chart 1: Oshawa CMA Employment



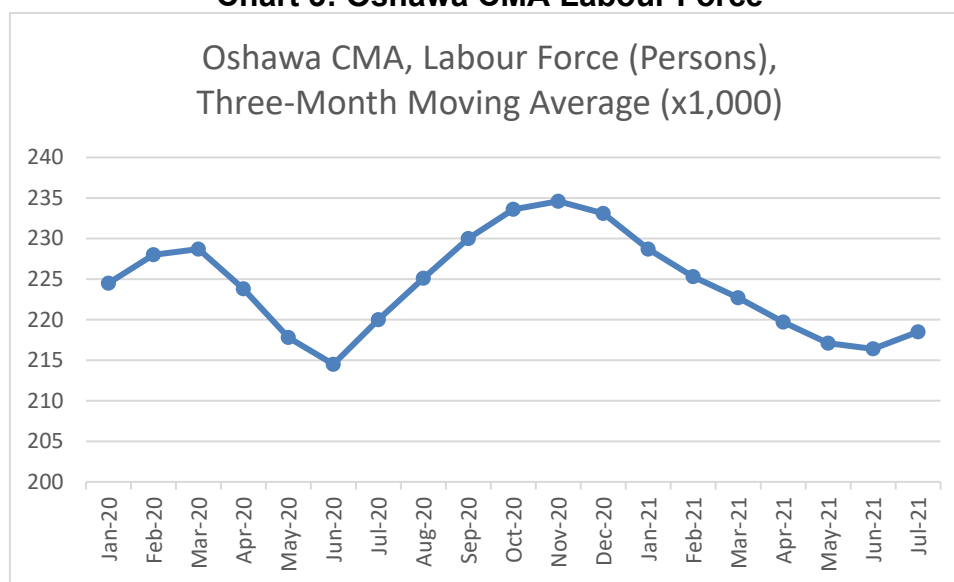
Source: Statistics Canada

Despite the employment declines during the first half of 2021, the number of unemployed persons in the Oshawa CMA has remained relatively steady (Chart 2). After rising significantly during the onset of the pandemic, unemployment began to decline as the labour market recovered into the later part of 2020. Since the start of 2021, unemployment has remained steady despite declines in employment, with the three-month moving average unemployment rate ranging from 7.7 to 9.0 per cent, and currently sitting at 8.4 per cent. This may be a function of a declining labour force (Chart 3) as some job seekers may have decided to leave the labour force entirely. Unemployment figures only include those participating in the labour force by actively seeking work. A declining labour force can also result from other factors, including retirements.

Chart 2: Oshawa CMA Unemployment



Source: Statistics Canada

Chart 3: Oshawa CMA Labour Force

Source: Statistics Canada

Employment outcomes also vary depending on the sector. Certain sectors of the economy have increased employment levels throughout the pandemic, while other sectors, particularly those that are dependent on social interactions, have remained well below pre-pandemic levels.

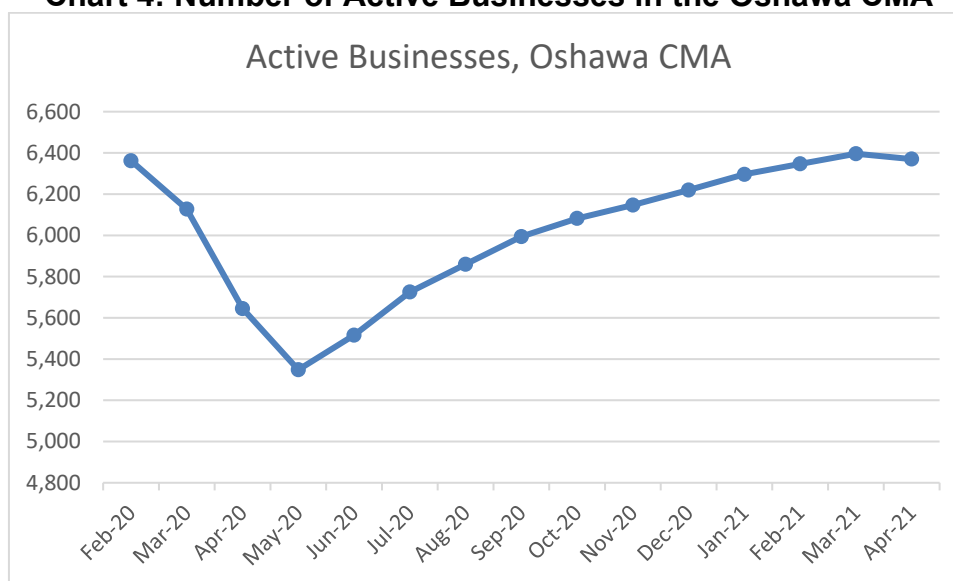
Table 1: Employment by Industry, Oshawa CMA (February 2020 – July 2021)

	Employment (x1000)			Percent Change	
	Feb-20	Feb-21	Jul-21	Feb-20-Feb-21	Feb-20-Jul-21
Total employed, all industries	209.2	203.6	207.4	-2.7%	-0.9%
Goods-producing sector	42.9	40.5	41.8	-5.6%	-2.6%
Services-producing sector	166.3	163.2	165.6	-1.9%	-0.4%
Utilities	5.4	5.4	5.7	0.0%	5.6%
Construction	18.2	21.5	19.9	18.1%	9.3%
Manufacturing	17.1	12.7	14.4	-25.7%	-15.8%
Wholesale and retail trade	34	34.7	33.2	2.1%	-2.4%
Transportation and warehousing	9.3	10	9.2	7.5%	-1.1%
Finance, insurance, real estate, rental/leasing	13.2	20.5	19.7	55.3%	49.2%
Professional, scientific and technical services	15.4	12.6	15.7	-18.2%	1.9%
Business, building and other support services	9.4	10.1	9.8	7.4%	4.3%
Educational services	16.3	17.2	17.2	5.5%	5.5%
Health care and social assistance	25.4	26.5	26.4	4.3%	3.9%
Information, culture and recreation	11.7	6.8	9.9	-41.9%	-15.4%
Accommodation and food services	13	8.4	10.1	-35.4%	-22.3%
Other services (except public admin)	8.8	6.5	6	-26.1%	-31.8%
Public administration	9.8	9.8	8.5	0.0%	-13.3%

Source: Statistics Canada

The strength of the labour market is dependent on the strength of business activity. According to Statistics Canada, the number of active businesses, or the number of businesses reporting to have at least one employee in a given month, in the Oshawa CMA has fully recovered from the declines during the onset of the pandemic. After falling 16 per cent below pre-pandemic levels in May 2020, the number of active businesses returned to pre-pandemic levels by March 2021.

Chart 4: Number of Active Businesses in the Oshawa CMA



Source: Statistics Canada

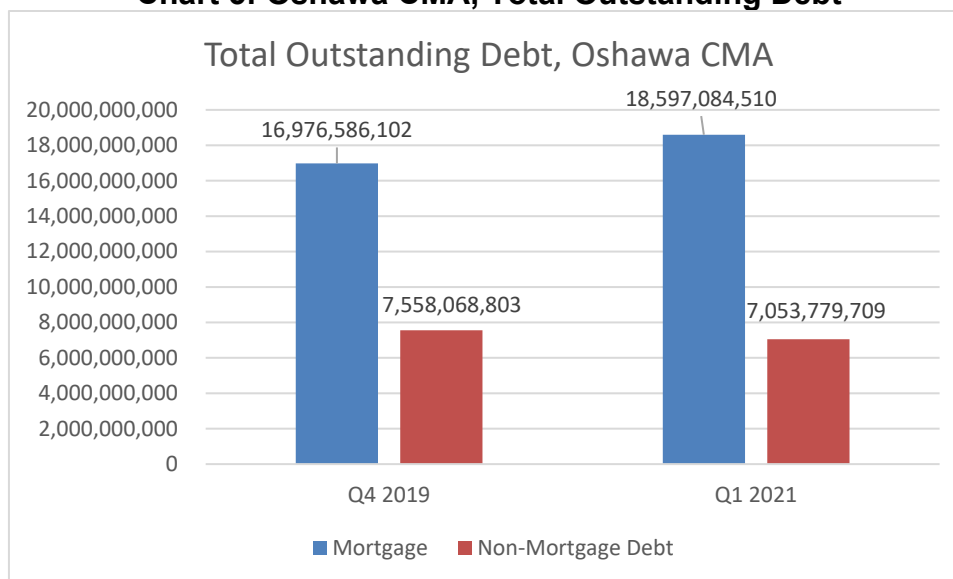
Despite the number of active businesses falling significantly during the onset of the pandemic and only recently returning to pre-pandemic levels, the number of business bankruptcies has remained well below 2019 levels. According to the Office of the Superintendent of Bankruptcy Canada, the Oshawa CMA recorded 17 business bankruptcies in 2019 and only three for all of 2020. Over the first two quarters of 2021, only one business bankruptcy has been recorded in the Oshawa CMA. One business bankruptcy was also recorded over the first two quarters of 2020, compared to nine over the same period in 2019. These low bankruptcy rates may be a result of the numerous pandemic support programs implemented by the Federal and Provincial Governments.

Although many aspects of the economy have been slow to recover from the pandemic, the housing market has seen record highs in terms of sales and prices. According to the Toronto Region Real Estate Board, home sales in Durham Region rose 245.2 and 104.4 per cent respectively on a year-over-year basis in April and May 2021. Although these large gains were partially attributed to the significant sales declines seen in the same months of 2020, sales were still up 65 and 34 per cent compared to April and May of 2019. This surge in activity has led to strong price growth, with the average selling price of all home types combined in Durham Region hitting \$910,197 in July 2021. This marks a 38.4 per cent increase from February 2020.

Rising home prices are contributing to higher levels of mortgage debt. According to the Canada Mortgage and Housing Corporation (CMHC), the average value of a new

mortgage loan in the Oshawa CMA was \$404,377 in the first quarter of 2021. This represents an 18.2 per cent increase over the fourth quarter of 2019. Total outstanding mortgage debt has also increased 9.5 per cent from the fourth quarter of 2019 to the first quarter 2021. This compares to a 6.7 per cent decline in non-mortgage debt over the same period (e.g. credit card debt, lines of credit, auto loans, etc).

Chart 5: Oshawa CMA, Total Outstanding Debt



Source: Canada Mortgage and Housing Corporation

Provincial Economy

According to the Ontario government's latest Economic Accounts, the first quarter of 2021 saw real provincial Gross Domestic Product (GDP) growth of 1.2 per cent. This represents the third consecutive quarter of economic growth since the contractions caused by pandemic restrictions over the first half of 2020. Residential investments have been the greatest contributor to Ontario GDP growth, primarily investments related to new residential construction and housing resale ownership transfer costs. Between January and May 2021, the province reported a 35.4 per cent increase in urban area housing starts, compared to the same period in 2020. New single-detached housing accounted for a majority of the increase.

Private sector economists see the province continuing to improve economic indicators over 2021, with full-year 2021 forecasted GDP growth anticipated to land between 5.4 per cent (TD Economics Group) and 6.3 per cent (RBC Economics Group). While housing is expected to continue to drive growth, GDP will also be boosted by significant economic stimulus from the provincial and federal government and the re-opening of domestic and international travel, which will also alleviate supply chain issues which have affected cross-border trade during the pandemic. Ontario consumers are also anticipated to spend their way out of the pandemic, despite higher consumer prices, with retail sales anticipated to increase by over 10 per cent compared to 2020 according to RBC's June 2021 Provincial Outlook.

The province notes that the provincial unemployment rate fell from its high of 13.5 per cent in May 2020 to 8.4 per cent in June 2021, boosted by approximately 750,000 new service sector positions, a segment of the economy that was hit particularly hard by pandemic restrictions. Most private sector forecasts see this key indicator coming down even further, with RBC and TD bank forecasting the unemployment rate to fall to 7.6 per cent and 7.8 per cent respectively in 2021.

Canadian Economy

The Canadian economy, as measured by GDP, has rebounded considerably from the onset of the pandemic. The severe lockdowns and economic restrictions implemented during the second quarter of 2020 led to a record 11.5 per cent quarterly GDP contraction, which left GDP down 13 per cent compared to the fourth quarter of 2019 (pre-pandemic). The Canadian economy has subsequently experienced three successive quarters of GDP growth, which, as of the first quarter of 2021, has brought the economy within 1.7 per cent of pre-pandemic levels.

Chart 6: Canadian Real GDP Growth



Source: Statistics Canada

The Bank of Canada is forecasting the Canadian economy to grow at an average annual rate of 6 per cent in 2021, followed by growth of 4.6 and 3.3 per cent in 2022 and 2023. Most private sector forecasts are generally in line with the Bank of Canada.

Economic output is a product of many components, however the most influential components are household consumption and business investment. Each of these components are influenced by several factors.

1. Household Consumption

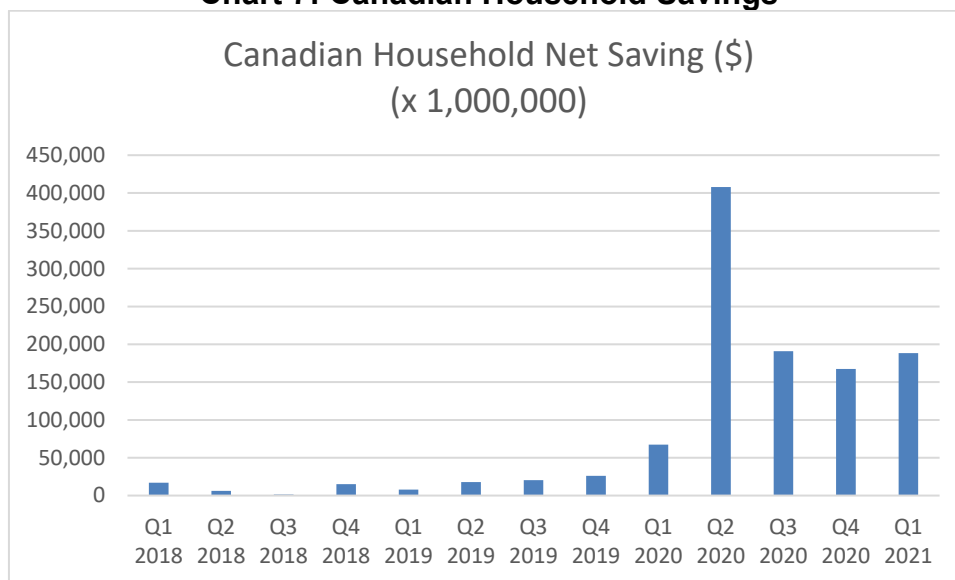
After declining 15.9 per cent between the fourth quarter of 2019 and the second quarter of 2020, household consumption (consumer spending) has risen over 14 per cent over the past three quarters. As of the end of the first quarter of 2021, household spending

had recovered to roughly 96 per cent of pre-pandemic levels. Despite the reinstatement of virus containment measures across the country during the first half of 2021, Canadian retail sales remained 3.5 per cent above pre-pandemic levels as of May 2021.

The sharp rebound in household spending can be partially attributed to the rise in household disposable income. Despite the economic disruptions resulting from the pandemic, household disposable income has never fallen below pre-pandemic levels. As of the first quarter of 2021, household disposable income was 10.6 per cent higher than the fourth quarter of 2019.

Household disposable incomes have remained elevated in part because of significant government support. As of the first quarter of 2021, government transfers to households were up 36 per cent from pre-pandemic levels, with employment insurance benefit payments up 169 per cent. Employment compensation has risen at a much slower pace with the first quarter of 2021 being the first quarter in which compensation exceeded pre-pandemic levels (+2.0 per cent). As disposable incomes are rising faster than spending, households are significantly increasing their savings. As of the first quarter of 2021, the household savings rate was 13.1 per cent, which is well above the long run average of 2 per cent. Household net savings in the first quarter of 2021 was up over 620 per cent compared to the fourth quarter of 2019.

Chart 7: Canadian Household Savings



Source: Statistics Canada

2. Business Investment

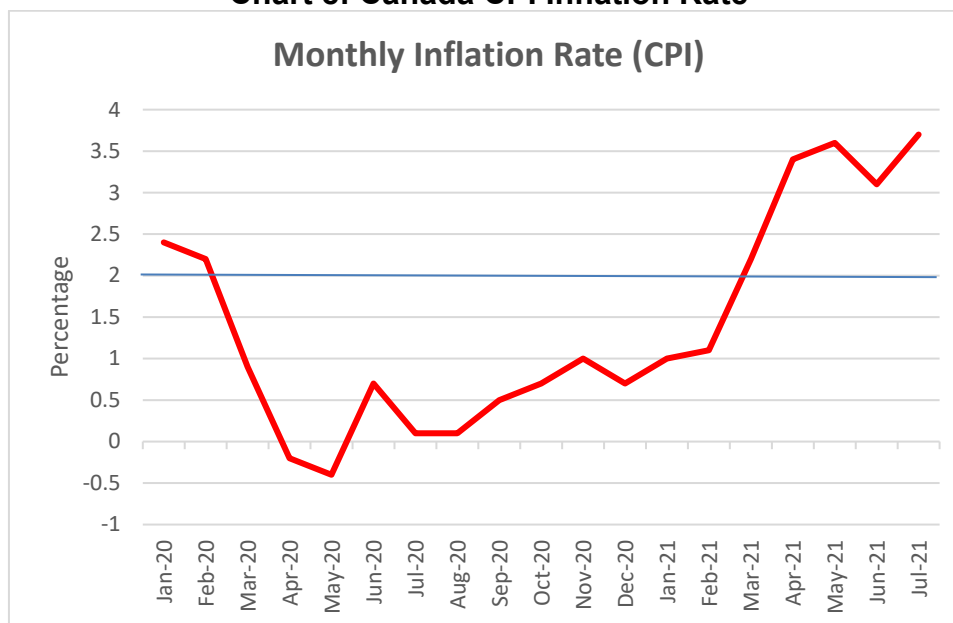
As the economy begins to recover, businesses are beginning to increase their capital expenditures. Business investment has grown over 24 per cent between the second quarter of 2020 and the first quarter of 2021. This represents a significant improvement from the 16.3 per cent decline between the fourth quarter of 2019 and the second quarter of 2020. Most of the investment has been in residential structures, with investments in machinery and equipment still down over 9 per cent from the fourth quarter of 2019.

While business investment is largely driven by forecasted future demand, interest rates can also be an influencing factor as most capital projects require the borrowing of funds. The Bank of Canada target for the overnight policy rate, or the rate that sets the basis for all other interest rates in the economy (mortgages, loans, etc.), remains at the effective lower bound of 0.25 per cent. This policy rate target has been unchanged since the 150 basis point cut in March 2020. According to the Bank of Canada, the policy rate target will remain at the effective lower bound “until economic slack is absorbed so that the 2 per cent inflation target is sustainably achieved”. The Bank currently estimates this goal will be achieved in the second half of 2022.

Inflation

The Bank of Canada adjusts the target for the policy rate as a means for keeping inflation, as measured by the Consumer Price Index (CPI), near the Bank’s inflation control target of 2 per cent. Throughout most of the pandemic, CPI inflation has been well below the Bank of Canada target (Chart 8). This is largely the result of reduced economic activity and lower consumer spending. However, inflation has seen a recent spike above the Bank of Canada inflation control target and currently sits at 3.7 per cent (July 2021).

Chart 8: Canada CPI Inflation Rate



Source: Statistics Canada

The recent rise in inflation can be partly attributed to both base year effects and supply chain disruptions. Inflation rates are calculated on year-over-year basis, meaning the current 3.7 per cent inflation rate suggests consumer prices in July 2021 were 3.7 per cent higher than consumer prices in July 2020. In April 2020, price levels began to collapse as economic activity ground to a halt. As the economy reopens, consumer prices are beginning to normalize, causing a spike in year-over-year inflation. Many economists, including the Bank of Canada, expect price levels to normalize as base level effects fade over the next couple months.

Current supply chain disruptions, such as the global shortage of semiconductor chips, has led to a temporary rise in price for certain consumer products as demand exceeds supply. Many products included in the CPI, such as passenger vehicles and household appliances, have seen prices rise because of the shortage.

It is also important to note that the weighted composition of the CPI was recently changed to reflect updated spending patterns from 2020. Prior to the recent change, the weighted composition was based on 2017 spending patterns. This change was implemented as of June 2021, however, basket price calculations prior to June 2021 have not been restated and continue to reflect 2017 spending patterns.

Economic Risks

The economic outlook for the near future continues to be dependent on the trajectory of the pandemic. Although restrictions are beginning to fade, the potential resurgence of more contagious variants could lead to the reimposition of strict containment measures. The persistence of the virus continues to cause uncertainty around economic stability.

Increased containment measures have the potential of causing further disruptions to supply chains and could divert a greater amount of household disposable income toward savings. However, if the virus begins to fade, increased consumer spending and business activity could accelerate economic growth.

PRELIMINARY TIMETABLE FOR THE 2022 REGIONAL BUSINESS PLANS AND BUDGETS

A) 202121 PROPERTY TAX GUIDELINE

Item	Description	Standing Committee	Regional Council
1.	Review and Approval of the: <ul style="list-style-type: none">• 2022 Regional Business Plans and Property Tax Supported Budget Guideline	Finance and Administration Committee – September 14, 2021	September 29, 2021

B) SUPPORTING BUSINESS PLANNING REPORTS

Item	Description	Standing Committee	Regional Council
1.	Review and Approval of the: <ul style="list-style-type: none">• 2022 Water and Sanitary Sewer User Rates	Finance and Administration Committee – December 14, 2021	December 22, 2021
2.	Review and Approval of the: <ul style="list-style-type: none">• 2022 Strategic Property Tax Study	Finance and Administration Committee – February 8 and 9 (if required), 2022	February 23, 2022
3.	Review and Approval of the: <ul style="list-style-type: none">• 2022 Property Tax Rates		February 23, 2022

PRELIMINARY TIMETABLE FOR THE 2022 REGIONAL BUSINESS PLANS AND BUDGETS

C) 2022 DETAILED BUSINESS PLANS AND BUDGETS

Item	Description	Standing Committee(s)	Regional Council
1.	Review and Approval of the: <ul style="list-style-type: none"> • 2022 Detailed Water and Sanitary Sewer Business Plans and Budgets 	Works Committee – December 8, 2021 Finance and Administration Committee – December 14, 2021	December 22, 2021
2.	Review and Approval of the: <ul style="list-style-type: none"> • 2022 Durham Regional Local Housing Corporation (DRLHC) Business Plans and Budget 	DRLHC Board – January 26, 2022 (tentative)	
3.	Review and Approval of the: <ul style="list-style-type: none"> • 2022 Planning and Economic Development Business Plans and Budgets 	Planning and Economic Development Committee – February 1, 2022	
4.	Review and Approval of the: <ul style="list-style-type: none"> • 2022 Works General Tax and Solid Waste Management Business Plans and Budgets 	Works Committee – February 2, 2022	
5.	Review and Approval of the: <ul style="list-style-type: none"> • 2022 Durham Region Transit Business Plans and Budget 	Transit Executive Committee – February 2, 2022	
6.	Review and Approval of the: <ul style="list-style-type: none"> • 2022 Health and Social Services Business Plans and Budgets 	Health and Social Services Committee – February 3, 2022	
7.	Review and approval of the: <ul style="list-style-type: none"> • 2022 Departmental Business Plans and Budgets • 2022 Durham Region Transit Business Plans and Budget • 2022 Durham Regional Police Service Business Plans and Budget • 2022 Conservation Authorities Business Plans and Budgets 	Finance and Administration Committee – February 8 and 9 (if required), 2022	February 23, 2022