

Section I – Items for Board of Directors Action

TO: Chair and Members of the Board of Directors
Meeting #4/19, Friday, May 03, 2019

FROM: Michael Tolensky, Chief Financial and Operating Officer

RE: 2019 BUDGET

KEY ISSUE

Approval of the recommended 2019 Budget, including municipal general (operating) and capital levies, which were approved at the April 26, 2019 Board of Directors meeting.

RECOMMENDATION

THAT the 2019 Budget, and all projects and programs therein, be adopted;

THAT TRCA staff be authorized to amend the 2019 Budget, to reflect actual 2019 provincial transfer payment allocations to set the amount of matching levy required by the Conservation Authorities Act;

THAT the cost of property taxes imposed by municipalities be included as additional levy to the participating municipalities where the lands are located, excluding the cost of property taxes which are passed on to a third party under a lease or similar agreement;

THAT, except where statutory or regulatory requirements provide otherwise, TRCA staff be authorized to enter into agreements with private sector organizations, non-governmental organizations or governments and their agencies for the undertaking of projects which are of benefit to TRCA and funded by the sponsoring organization or agency, including projects that have not been provided for in the approved TRCA budget;

AND FURTHER THAT authorized TRCA officials be directed to take such action as may be necessary to implement the foregoing, including obtaining approvals and the signing and execution of documents.

RATIONALE

Enclosed in *Attachment 1* (2019 Budget) is the recommended 2019 Budget, which is composed of operating and capital projects and programs. As a note, the financials within the 2019 Budget are rounded to the nearest thousand, which leads to minor addition differences within the document.

Municipal Approvals

Preliminary budgets are prepared each year for submission to TRCA's partner municipalities. Staff meet with municipal staff throughout the year, as required by the budget processes and schedules are set out by each participating municipality. Presentations are made to partner municipality staff and their respective committees and councils.

The funding identified in the recommended apportionment of the levies reflects the amounts that the partner municipalities have approved in their 2019 budgets. Contributions from the City of Toronto and the regional municipalities of Durham, Peel and York have received council approval. The Township of Adjala-Tosorontio and the Town of Mono have been advised of TRCA's levy request.

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Notice of Meeting

As required by regulation, TRCA has provided 30 days' written notice to its partner municipalities of the date of the meeting at which the Board of Directors will consider the budget, which includes the approved municipal levies.

MNRF Transfer Payments

The 2019 provincial transfer payments to conservation authorities, which must be matched with levy have recently been announced reducing the anticipated funding almost in half. The 2019 operating budget includes a provision for Ministry of Natural Resources and Forestry (MNRF) transfer payments at an amount equal to \$399,692.

Non-CVA General Levy

Each of TRCA's partner municipalities has its own unique budget requirements and annual budgetary pressures. TRCA has met each of the individual partner municipality's requirements. TRCA's funding "formula" has been designed to achieve the flexibility required in meeting individual municipal partner funding guidelines. To this end, the 2019 operating levy includes a provision, totaling \$617,764 referred to as "Non-CVA Levy". Under the provisions of the Act, TRCA makes a general levy against all its partner municipalities to fund its general operating requirements. Regarding the portion of the levy that is for "administration costs" as defined in the Act, TRCA must use CVA as the basis of apportionment. With respect to the balance of the general levy which is raised for "maintenance costs" a conservation authority may apportion benefit using another allocation method that is approved in adopting the budget. The non-CVA levy adjusts the amount of the general levy that relates to maintenance costs that would otherwise be apportioned using CVA as the basis and allows TRCA to meet the unique funding guidelines of each participating partner municipality.

General Levy (Operating)

After considering all the factors that affect the general levy, including tax and interest adjustments, year over year shifts in CVA and individual partner municipal targets, TRCA has achieved total general levy funding in the amount of \$14,828,180 representing an average increase over 2018 of 3.3%. The general levy has been allocated to the participating partner municipalities as follows:

Partner Municipality	2018 General Levy \$	2019 General Levy \$	Change over 2019 %
Adjala-Tosorontio	870	885	1.7
Durham	565,775	581,850	2.5
Mono	1,710	1,480	-13.5
Peel	1,856,000	1,917,000	3.3
Toronto	8,602,100	8,908,335	3.6
York	3,322,000	3,418,630	2.9
TOTAL	14,348,455	14,828,180	3.3

Capital Budget Summary

The 2019 capital budget is set at \$168.6 million, approximately \$78.1 million higher than the 2018 budget. Municipal levy funding will finance \$59 million of the capital program. Capital projects are usually funded by partner municipalities on a benefitting municipality basis. That is, with few exceptions, capital projects funded by a partner municipality, are undertaken within that municipality.

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These may include:

- Black Creek Pioneer Village (Toronto);
- Conservation Land Care (Peel and York and Durham);
- Erosion Control Projects (Peel, Toronto and York);
- Flood Remedial Works (Peel);
- Natural Heritage Regeneration Projects (Peel and York);
- Peel Region Climate Change Project (Peel);
- The Living City Action Plan program (Toronto); and
- Waterfront Development (Toronto, and Durham);

A few capital programs are generally benefitting and based on CVA, including:

- Community Transformation;
- Greenspace Acquisition;
- Head Office Project;
- Information Technology;
- Major Facilities;
- Planning and Regulation Policy; and
- Policy Development Review.

There are several projects which are funded on a watershed basis, including:

- Aquatic Ecosystem Science;
- Bioregional Seed Crop;
- Climate – Research and Adaptation;
- Flood Gauging;
- Floodline Mapping;
- Report Cards;
- Regional Monitoring;
- Terrestrial Natural Heritage Inventory;
- Terrestrial Ecosystem Science; and
- Watershed Plan Development;

The approximate 50% increase in TRCA's budget from 2018 to 2019 is attributed to anticipated revenues/expenses pertaining to three service areas - Water Risk Management, Regional Biodiversity and Corporate Services.

Water Risk Management anticipates additional investments in private property erosion management, capital hazard management works in partnership with partner municipalities, and the implementation of multiple major planning and design projects focused on repairs to damaged waterfront erosion control structures. These opportunities will be funded through a variety of federal grants and contracted services through partner municipalities and other stakeholders. Some of the major projects that make up these capital works include Ashbridges Bay landform implementation (\$19.5M); East Don Trail phase 1 (\$10.8M); Bluffers Park South Headland projects (\$4.5M); Upper Highland Trail at Ellesmere (\$4M); Toronto Islands Gibraltar Point (\$3.7M); Enhanced Erosion Management Program (\$2.2M); Disaster Mitigation and Adaptation Fund projects (\$2.1M); and National Disaster Management Projects (\$0.8M).

Investments in Regional Biodiversity will address restoration works for the Meenor-Reesor project (\$1.5M); Meadoway (\$4.5M); and East Point Park (\$1.4M).

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Corporate Services will have additional expenditures related to the Administrative Building - Financing (\$13.9M) as construction is set to begin in 2019, as will drawings on the related construction loan.

TRCA will continue to work with partner municipalities, including lower tier municipalities, to undertake contract services/special projects wherein TRCA has significant, specialized expertise. These engagements may include, but are not limited to, erosion work, construction of trails, bridges and wetlands, and tree planting. TRCA anticipates that contract services will continue to be an important aspect of organizational financial sustainability and growth, as changes to the Conservation Authorities Act and associated regulations come forward.

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Date: May 3, 2019

Attachments: 1