

2006 Draft Business Plans & Budgets

Presentation to Regional Council
October 27, 2005

Background

- F&A and Council adopted 3 resolutions in September
 1. Feasibility of post-budget Program Reviews
 2. Options for Gas Tax Revenues allocation
 3. Target tax levy increase range of 3%-5%

Business Planning

- Vision 2026
- York Region Official Plan
- Centres and Corridors Strategy
- Growth Management Strategy
- Transportation Master Plan
- Water Supply Master Plan
- York-Durham Sewage System

Primary Business Units

- Transit
- Arterial Roads
- Solid Waste Disposal & Diversion
- Water Supply
- Wastewater Treatment
- Planning & Economic Development
- Emergency Medical Services
- Long Term Care
- Public Health
- Social Assistance
- Family & Children's Services
- Housing & Residential Services

Key Budget Decisions

Assuming a target tax levy increase range of 3-5%

- Gas Tax Revenue Allocation
- Capacity for Growth & Service Enhancements
 - Priority Ranked
 - High, Mid, Low
- Resulting Tax Rate

Budget Components

Step 5 - ENHANCEMENTS

New services or enhanced service levels

Step 4 - GROWTH

Costs required to maintain existing levels of service for the Region's increased population

Step 3 - ANNUALIZATION

Additional costs of prior year commitments

Step 2 - MANDATORY / LEGISLATIVE

Non-discretionary costs imposed by others

Step 1 - BASE

Costs required to maintain existing service level (salaries & benefits, inflation, utilities and contracted services)

Less: Efficiencies and other cost reductions

Assessment Growth 4.00%

Draft 2006 Budget Scenario

		TAX LEVY IMPACT	
		%	\$
	ENHANCEMENT	1.6%	\$8.9 M
	GROWTH	2.1%	\$11.7 M
	ANNUALIZATION	4.8%	\$27.5 M
	MANDATORY / LEGISLATIVE	0.3%	\$2.0 M
BASE	\$568,115 M	3.2%	\$18.3 M
ASSESSMENT GROWTH		<4.0%>	<\$22.7M>
LOW PRIORITY GROWTH & ENHANCEMENT		<2.0%>	<\$11.5M>
GAS TAX 50:50 allocation to capital - operating		<1.4%>	<\$8.1M>
NET TAX LEVY		4.6%	\$26.1M

Continuous Improvement – Efficiencies

Over \$6 million in efficiencies/program reductions achieved in 2006 budget

YRT	Savings in winter maintenance & shelter garbage collection	\$100 k
YRT	Increased bus advertising revenue	\$131 k
YRT	Specialized transit savings	\$117 k
YRT	Increased revenue from zone fare	\$500 k
YRT	Travel & training savings	\$100 k
YRT	Service reduction	\$450 k
Roads	LED program savings	\$146 k
Roads	Roads maintenance (higher service level)	-0-
SW	Cost reductions due to Kraft paper bags	\$235 k
W/ WW	Reduced consultant costs	\$263 k

Continuous Improvement – Efficiencies

Over \$6 million in efficiencies/program reductions achieved in 2006 budget

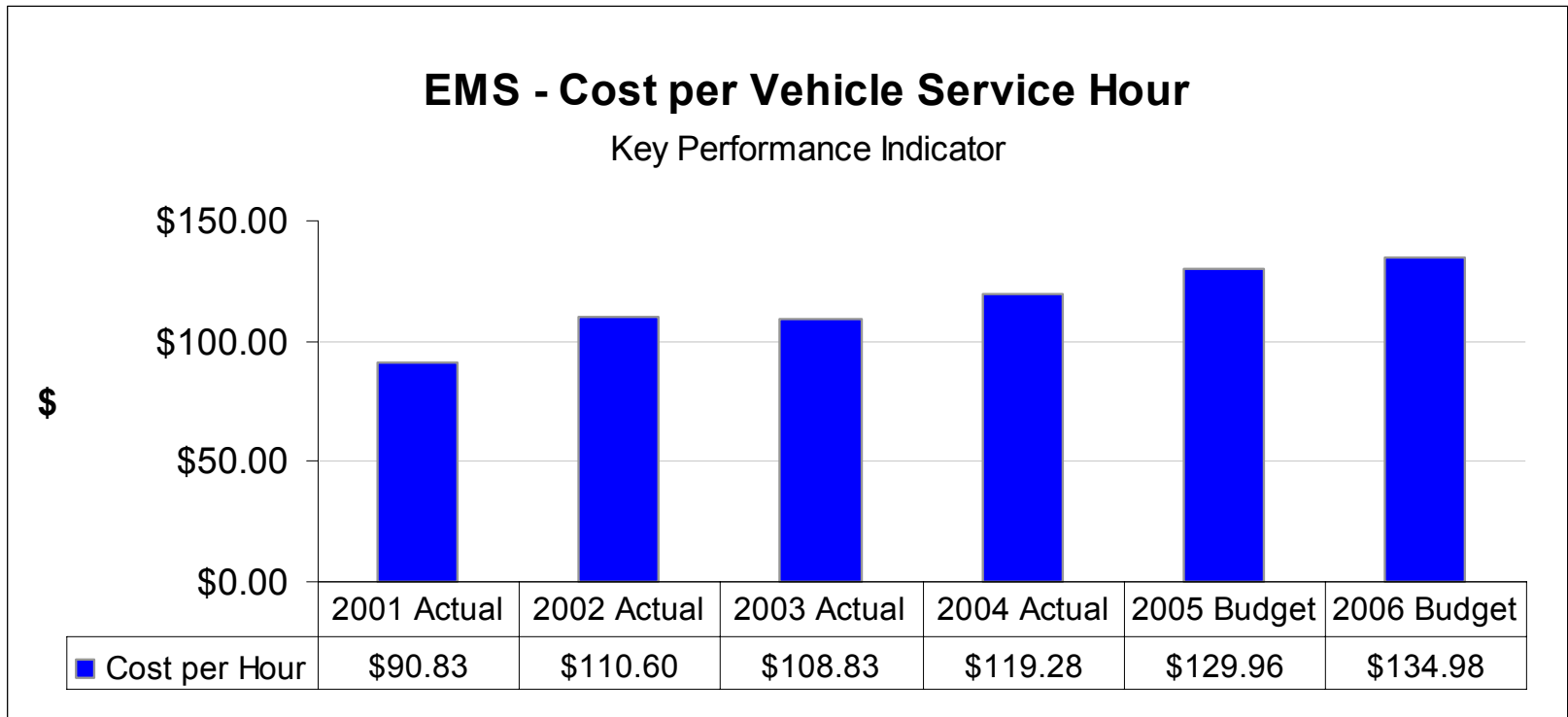
EMS	Fleet repair & maintenance	\$94 k
LTC	Lower insurance costs	\$120 k
LTC	Reduction in nursing costs	\$94 k
F&CS	Administrative efficiencies	\$125 k
SA	Minor capital, professional service efficiencies, change in translation services	\$217 k
Health	Insurance	\$35 k
Planning	Reduced miscellaneous expenses	\$45 k
CAO	Administrative efficiencies	\$12 k
Clerks, Legal	Administrative efficiencies	\$43 k

Continuous Improvement – Efficiencies

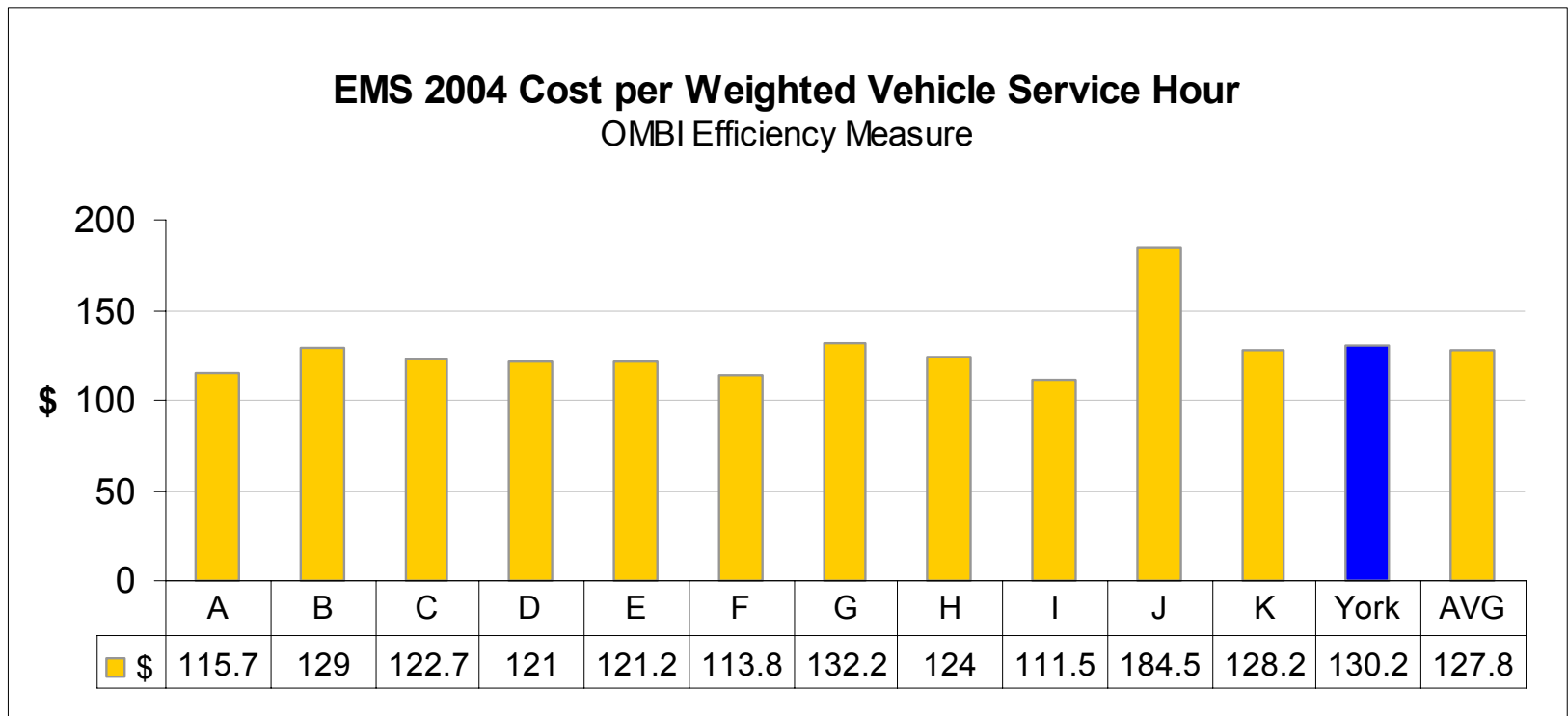
Over \$6 million in efficiencies/program reductions achieved in 2006 budget

HR	Reduced corporate training, external legal & consultant fees	\$50 k
Property	Energy savings initiatives	\$256 k + dept savings
Property	Minor capital & program related costs	\$93k
Finance	Reduced consulting & administrative costs	\$22 k
IT	Long distance savings	\$106 k
IT	Software licensing & maintenance agreement savings, reduced VPN & WAN	\$342 k
Courts	Decreased use of external forms, minor capital, etc.	\$134 k
Police	Repairs & maintenance, computer equipment lease	\$770 k

KPI to Review Program Efficiency



Benchmarks to Review Program Efficiency



Main Drivers of 2006 Budget Expenditures

- Annualization of 2005 budget decisions
- Special Purpose Bodies
 - GTA Pooling, ODSP, MPAC
- Police
- Transit
- Roads
- Solid Waste
- Water/Wastewater

Main Drivers of 2006 Budget Revenues

- Public Health Subsidy
- Best Start Children's Initiative
- Gas Tax Revenues
- Assessment Growth

Growth

Item	\$ [millions]	%
Annualizations 2005 growth initiatives	\$27.5	4.8%
New Growth Initiatives - corporate ranking of 2006 Dept Requests		
High	\$5.9	
Mid	\$0.8	
Low	\$5.0	2.1%
Total Growth Costs	\$39.2	6.9%
<i>Less: Assessment Growth</i>	\$22.7	4.0%
Net Growth (Deficit)	(\$16.5)	(2.9%)

Growth & Enhancements - Corporate Priorities Department Requests

Growth:		
High	\$5.9	1.0%
Medium	\$0.8	0.2%
Low	\$5.0	0.9%
Total Growth	\$11.7M	2.1%
Enhancements:		
High	\$2.2	0.4%
Medium	\$0.6	0.1%
Low	\$6.1	1.2%
Total Enhancements	\$8.9M	1.6%

Strategic Issues for Consideration

Issue	Detail
Gas Tax Revenues	Allocations
DC Discount	Policy change - 2007 consideration
Roads Capital	Accelerate Growth Projects Maintenance Program
GTA Pooling	2006 pressure
ODSP	2006 pressure
Courts	Recommendations of review pending

Presentation of 2006 Budget Details

Commissioner of Finance & Treasurer

Budget Planning Process

- June - August
- June - August
- August - September
- September
- September - October
- October 27 - November
- December 15
- Development of business plans & KPI's
- Review and update of 10-year capital forecast
- Review of department submissions & base analysis
- CAO & Treasurer review of base and priorities of growth & service enhancements
- Chair's Budget Review Committee
- Budget submission to Council, table & refer to Committees
- Council for approval & adoption

Key Assumptions

Item	Notes	
Fuel Prices	Department increase	\$1.5M
	Contingency provision [add'l escalation]	\$1.0M
OMERS	Increase in contribution rate	\$1.4M
Assessment Growth	Estimated to be at 4.0%	\$22.7M
DC Discount	Continuing pressure on tax levy	\$20.0M

2006: 1% = \$5.7 million

Operating Budget Submission

(\$ millions)

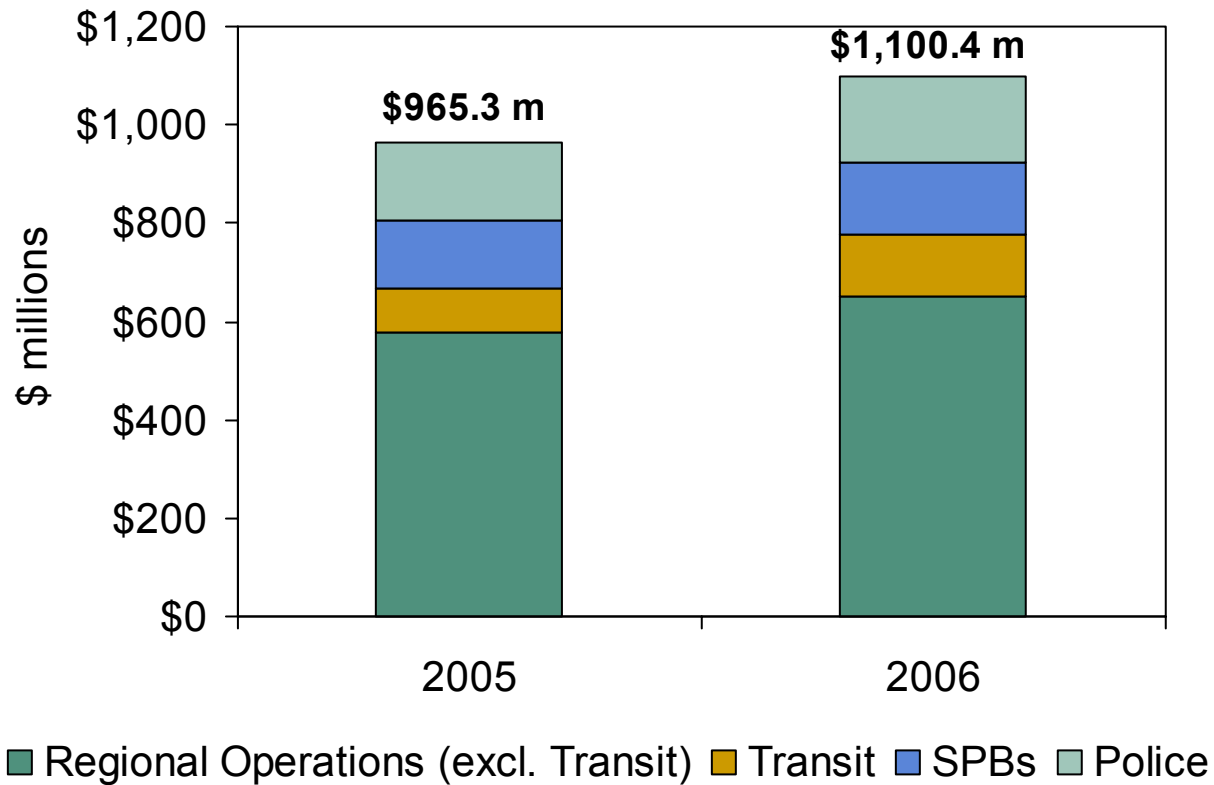
	Region (Excl. Transit, Road & SWM)	Transit	Road	SWM	SPBs (Pooling, ODSP, MPAC, Hospitals, etc.)	Police	Total
Base	\$6.1	\$9.2	\$1.2	\$2.6	\$7.7	\$7.5	\$27.0
Efficiencies	<u>(2.1)</u>	<u>(3.9)</u>	<u>(0.1)</u>	<u>(1.6)</u>	<u>(0.1)</u>	<u>(0.8)</u>	<u>(8.6)</u>
Sub-total	4.0	5.3	1.1	1.0	6.8	6.7	18.4
Mandatory	(1.3)	-	-	-	6.2	<u>(2.9)</u>	2.0
Annualization	<u>0.2</u>	<u>15.4</u>	<u>3.4</u>	<u>3.2</u>	-	<u>5.3</u>	<u>27.5</u>
Sub-total	2.9	20.6	4.5	4.2	6.5	9.1	47.8
Growth	3.5	4.1	0.5	0.9	<u>(0.1)</u>	2.8	11.7
Enhancements	<u>1.1</u>	<u>1.7</u>	<u>5.6</u>	<u>0.6</u>	<u>(1.6)</u>	<u>1.6</u>	<u>8.9</u>
Total: before assess growth	\$7.5	\$26.4	\$10.6	\$5.6	\$4.7	\$13.5	\$68.4
Less: Assess Growth	(2.5)	(9.2)	(2.7)	(1.9)	(1.9)	(4.4)	(22.7)
TOTAL	\$5.0	\$17.2	\$7.9	\$3.7	\$2.8	\$9.0	\$45.7

Operating Budget Submission

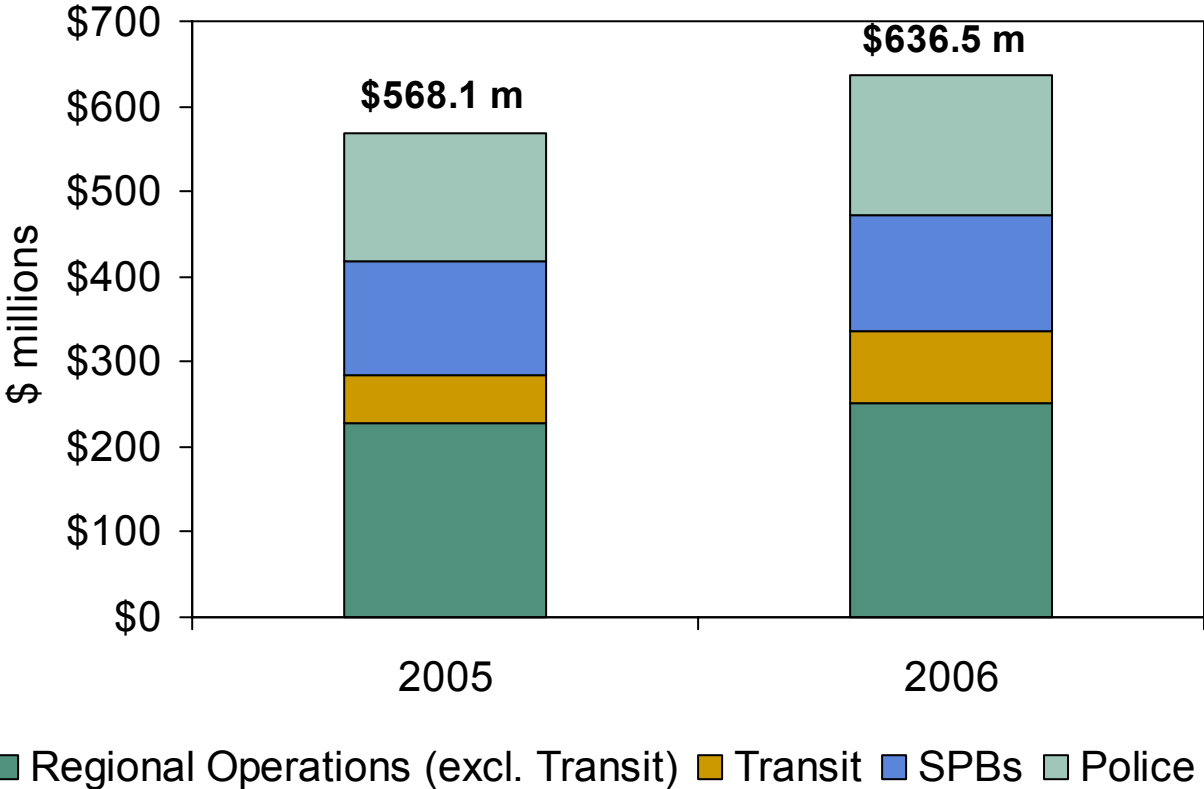
(% of total tax levy)

	Region (Excl. Transit, Road & SWM)	Transit	Roads	SWM	SPBs (Pooling, ODSP, MPAC, Hospitals, etc.)	Police	Total
Base	1.1%	1.6%	0.2%	0.5%	0.1%	1.3%	4.8%
Efficiencies	<u>(0.4%)</u>	<u>(0.7%)</u>	-	<u>(0.3%)</u>	-	<u>(0.1%)</u>	<u>(1.5%)</u>
Sub-total	0.7%	0.9%	0.2%	0.2%	0.1%	1.2%	3.2%
Mandatory	(0.2%)	-	-	-	1.1%	(0.5%)	0.3%
Annualization	-	2.7%	0.6%	0.6%	-	0.9%	4.8%
Sub-total	0.5%	3.6%	0.8%	0.7%	1.1%	1.6%	8.4%
Growth	0.6%	0.7%	0.1%	0.2%	-	0.5%	2.1%
Enhancements	<u>0.2%</u>	<u>0.3%</u>	<u>1.0%</u>	<u>0.1%</u>	<u>(0.3%)</u>	<u>0.3%</u>	<u>1.6%</u>
Total: before assess growth	1.3%	4.7%	1.9%	1.0%	0.8%	2.4%	12.0%
Less: Assess Growth	(0.4%)	(1.6%)	(0.5%)	(0.3%)	(0.3%)	(0.8%)	(4.0%)
TOTAL	0.9%	3.0%	1.4%	0.7%	0.5%	1.6%	8.0%

Gross Operating Budget 2005 & 2006



Net Operating Budget 2005 & 2006



Major Cost Driver is Capital

Capital Infrastructure Projects Servicing Growth

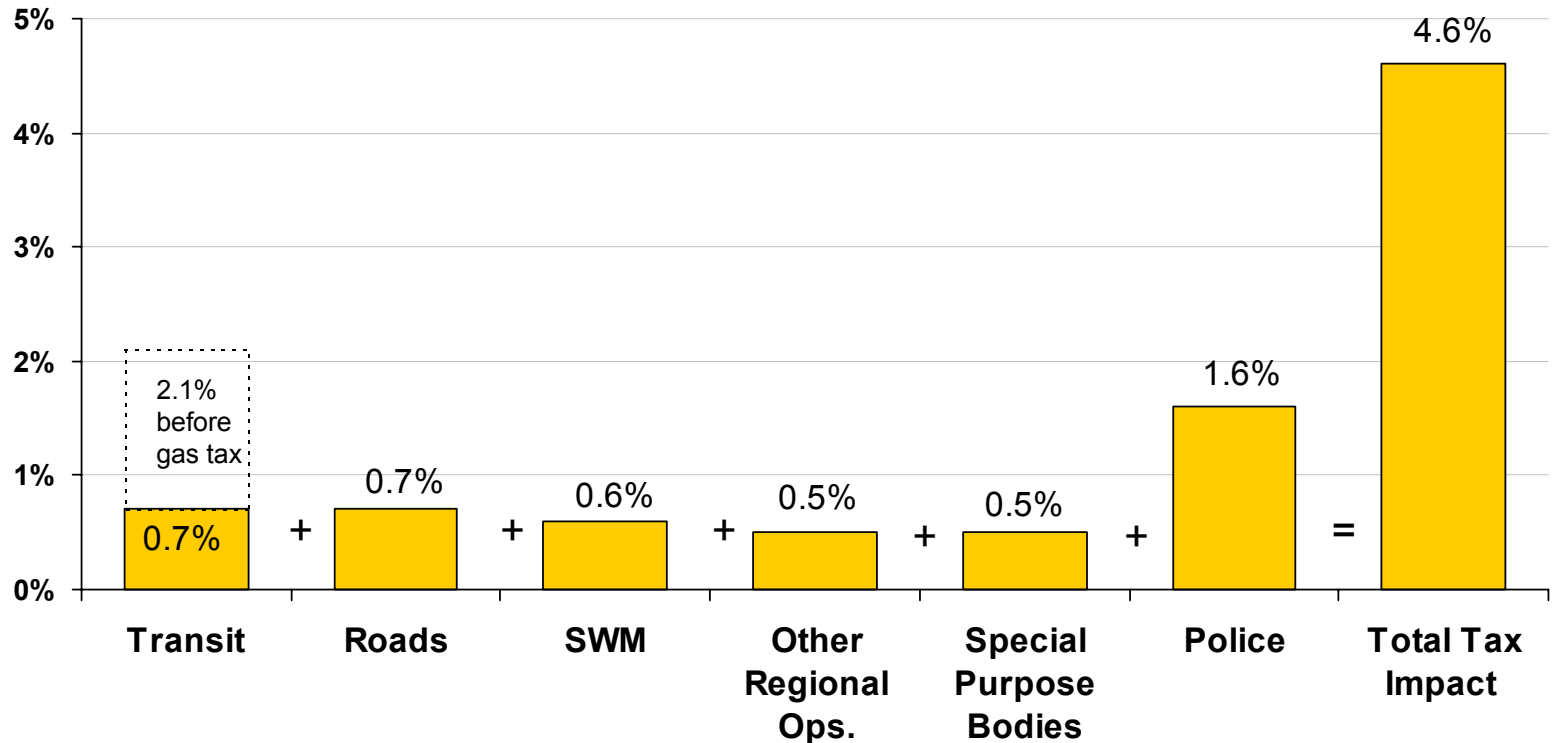
- Initial Investment
- DC Discount [non residential]
- Annual Operating Costs of New Infrastructure
- Debt Charges [incremental cost of 2005 debt issued]
- Replacement Provisions [contribution to reserves, depreciation]

Draft 2006 Budget Scenario

Gas Tax Allocation @ 50%-50% (operating - capital)	
Base Tax Levy Increase	3.6%
Growth: Annualizations + New Enhancements	6.9%
	1.6%
Sub-total	12.0%
Less Assessment Growth	(4.0%)
Sub-total	8.0%
Assume 50%-50% Gas Tax	(1.4%)
Assume reduction by low priorities	(2.0%)
Total Tax levy Increase	4.6%

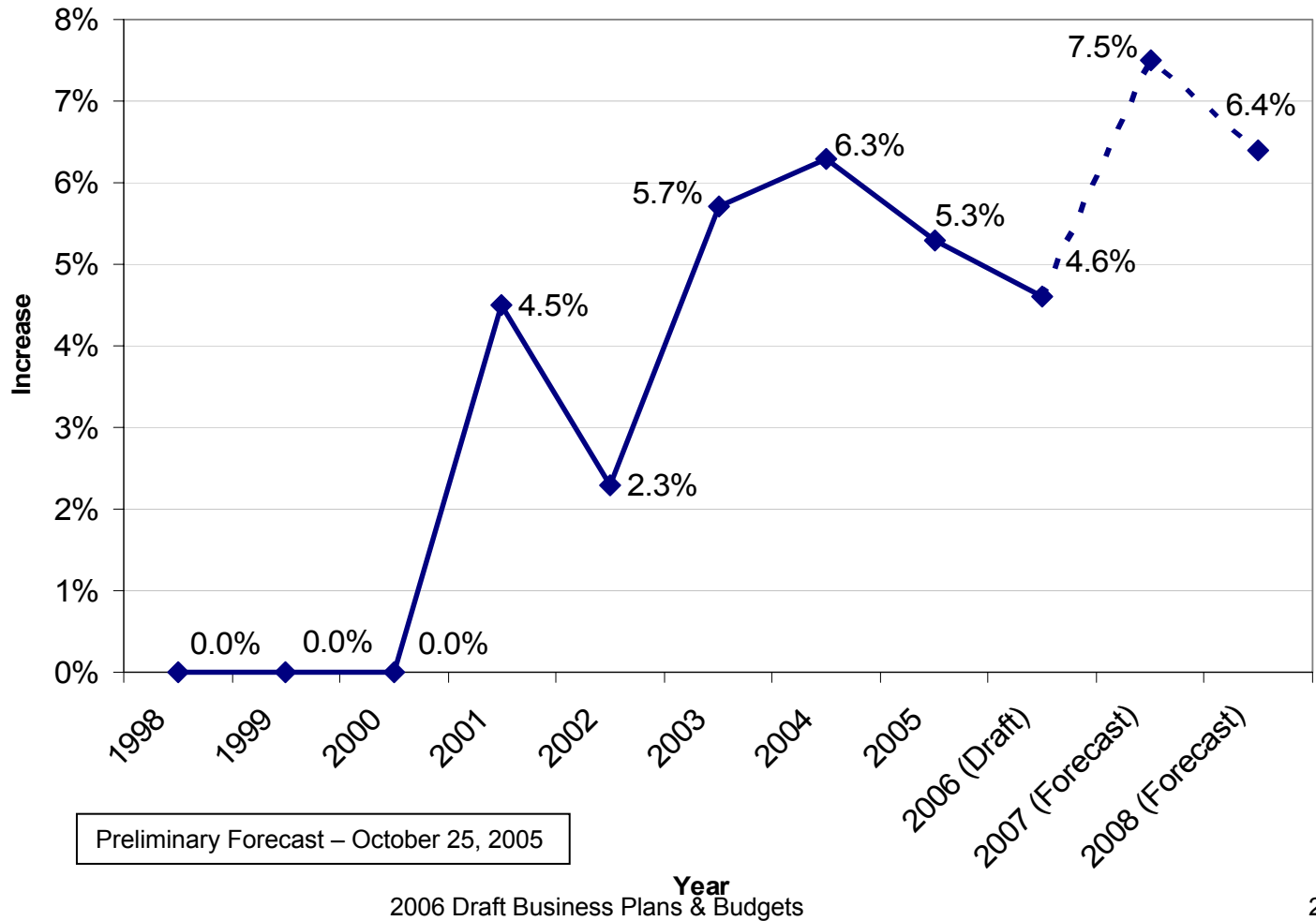
2006 Tax Levy Summary

Excluding Low Priority Growth and Enhancements



Note: Assessment growth pro-rata apportionment
 Reflects allocation of 50% of gas tax revenues to Transit

Tax Levy History



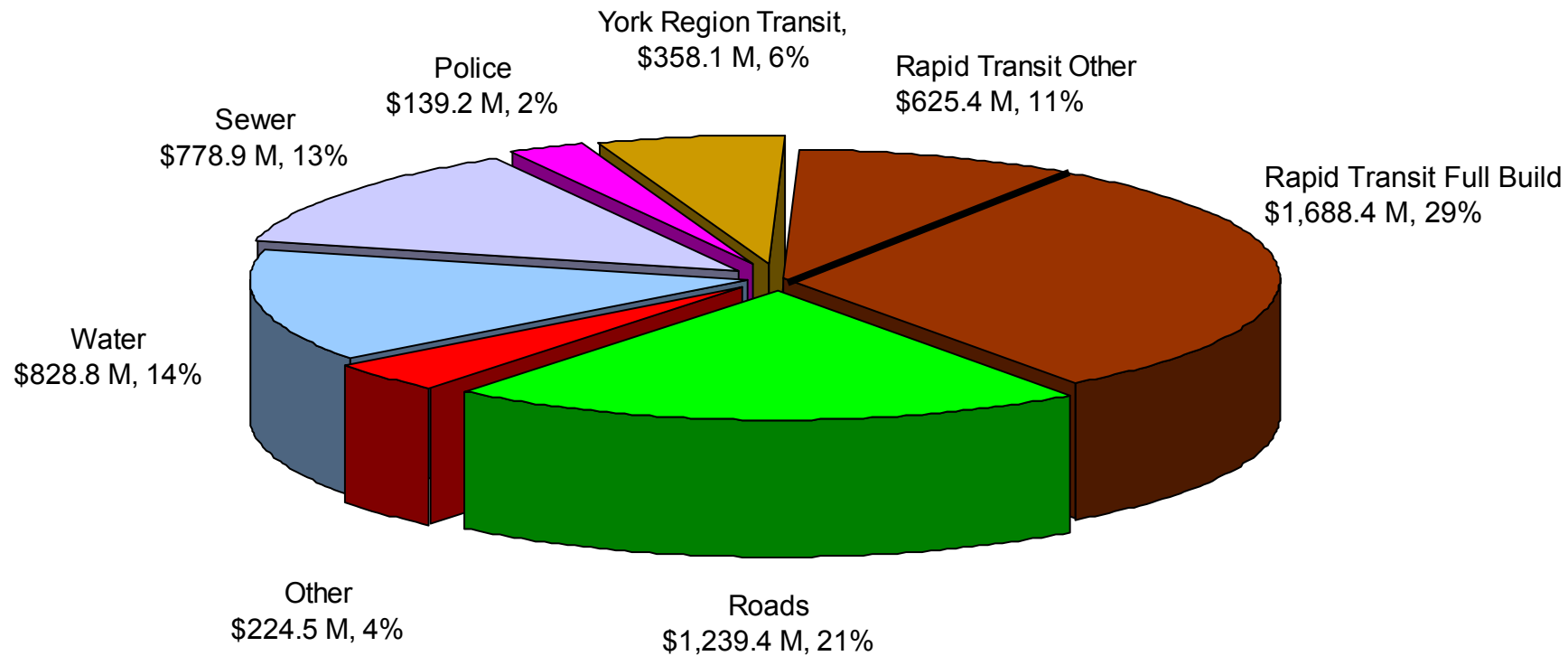
2007 & 2008 Operating Budget Outlook

	2007 Tax Levy Forecast	2008 Tax Levy Forecast
Regional Programs [excluding transit]	3.6%	2.8%
Transit		
YRT	2.5%	1.6%
Rapid Transit	0.6%	1.8%
SPB's	1.1%	0.8%
Police	3.6%	3.1%
sub-total	11.4%	10.0%
Assessment Growth	(3.5)%	(3.5)%
Proposed Gas Tax	(0.4)%	(0.2)%
Reduce DC Discount	(?)	(?)
Total Forecast	7.5%	6.4%

2006 - 2015 Capital Plan Total Capital Expenditures

includes Rapid Transit Full-build

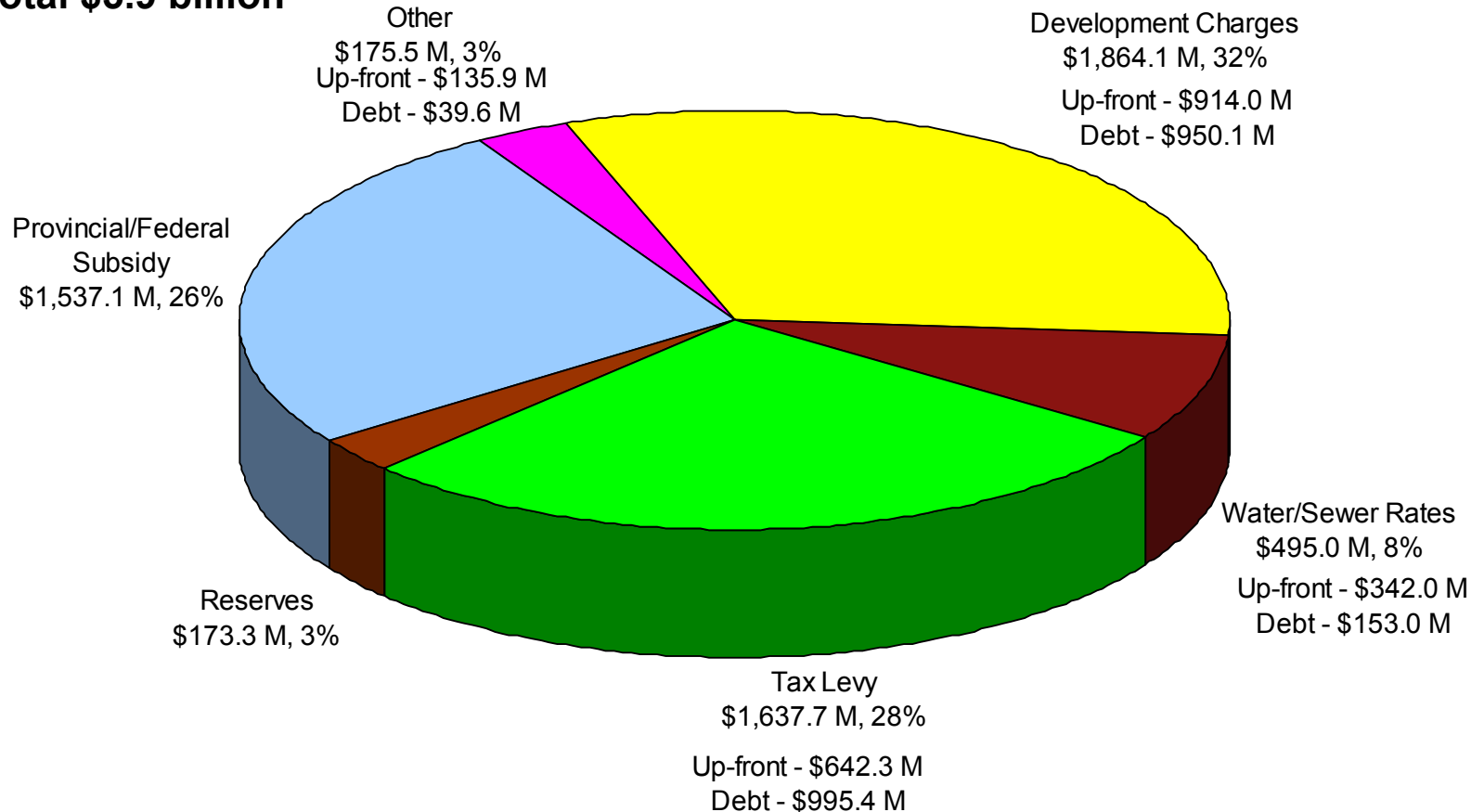
Total \$5.9 billion



2006-2015 Capital Plan Funding Sources

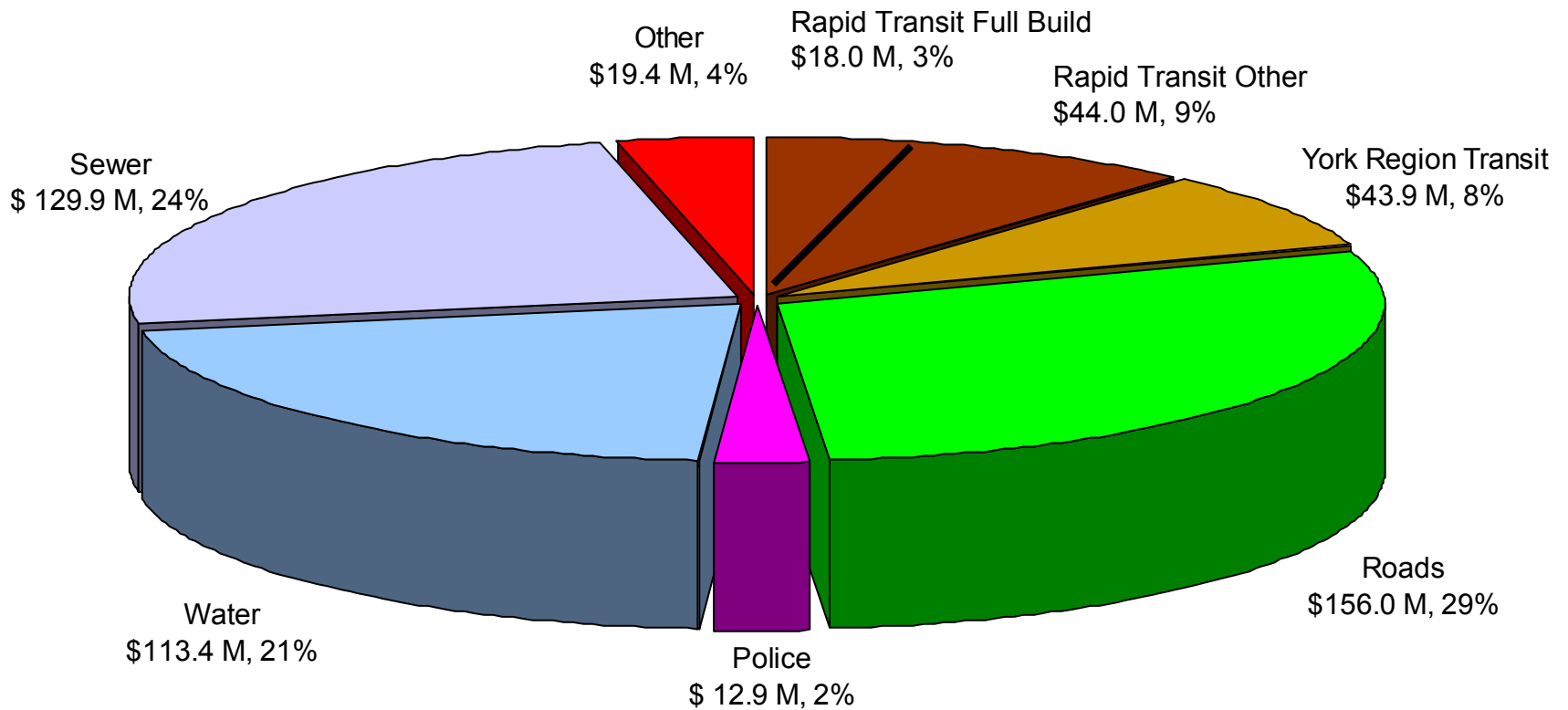
includes Rapid Transit Full-build

Total \$5.9 billion



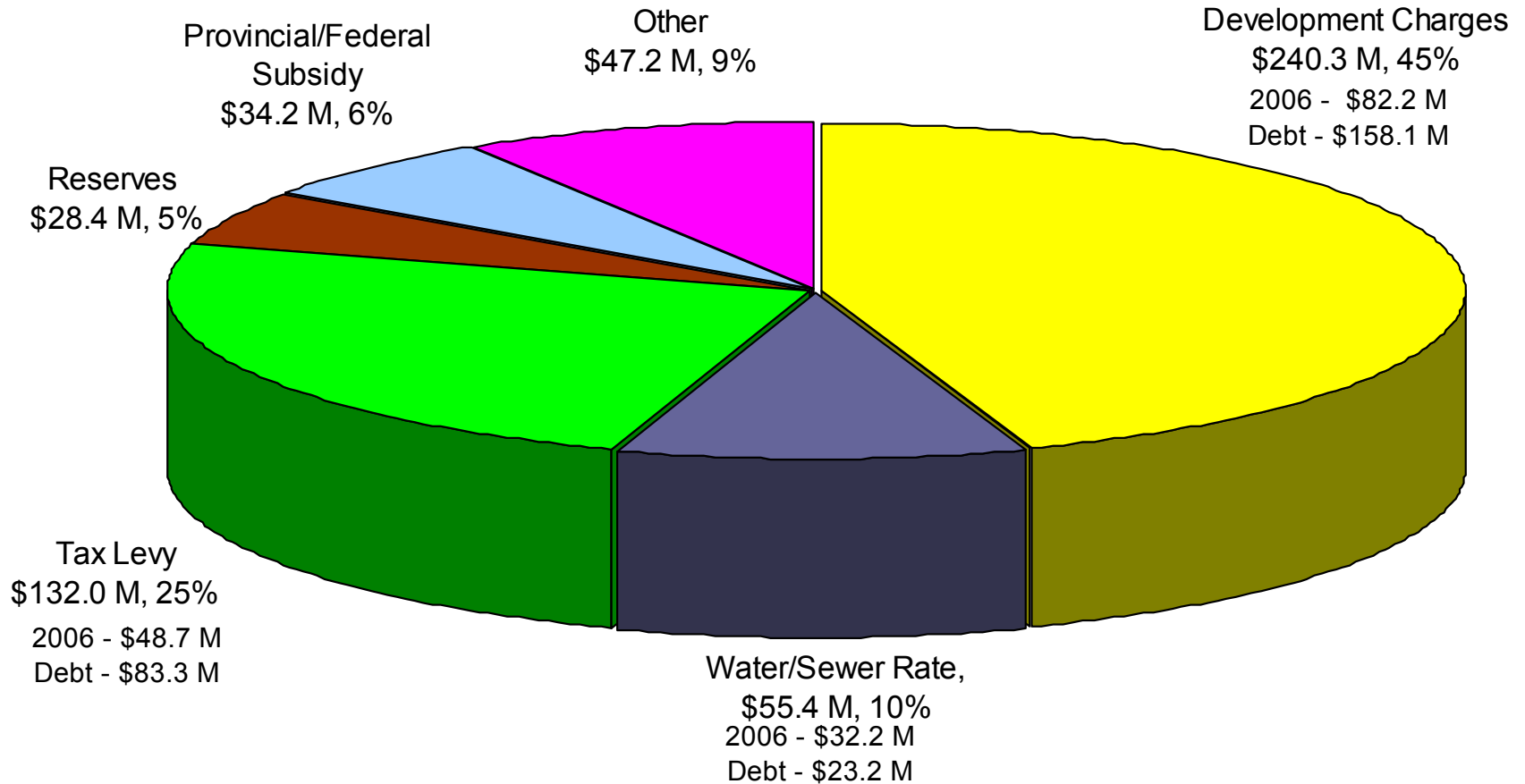
2006 Total Capital Expenditures

Total \$537.5 million

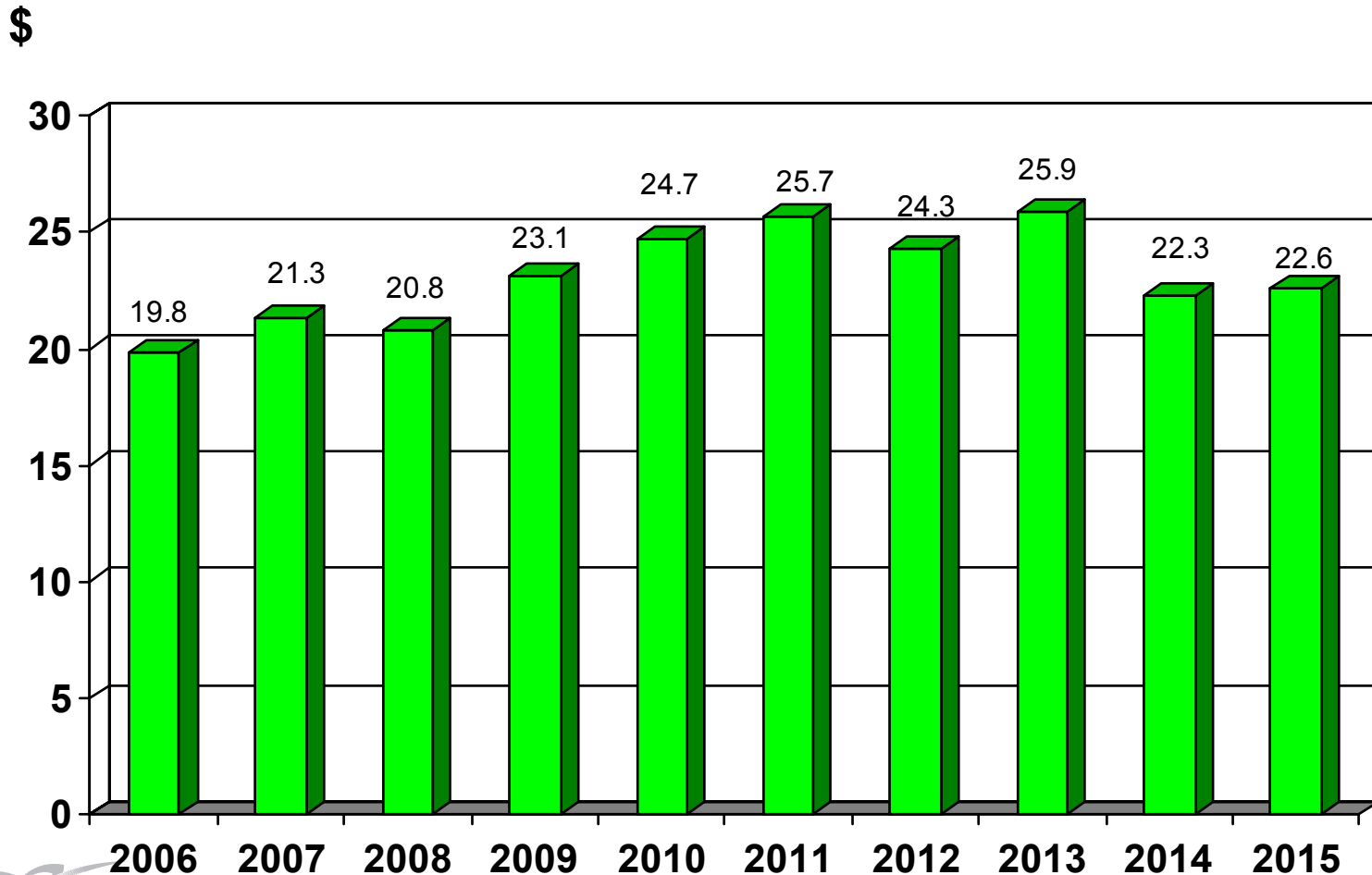


2006 Capital Budget Funding Sources

Total \$537.5 million



2006 – 2015 Capital Plan DC Discount - Roads

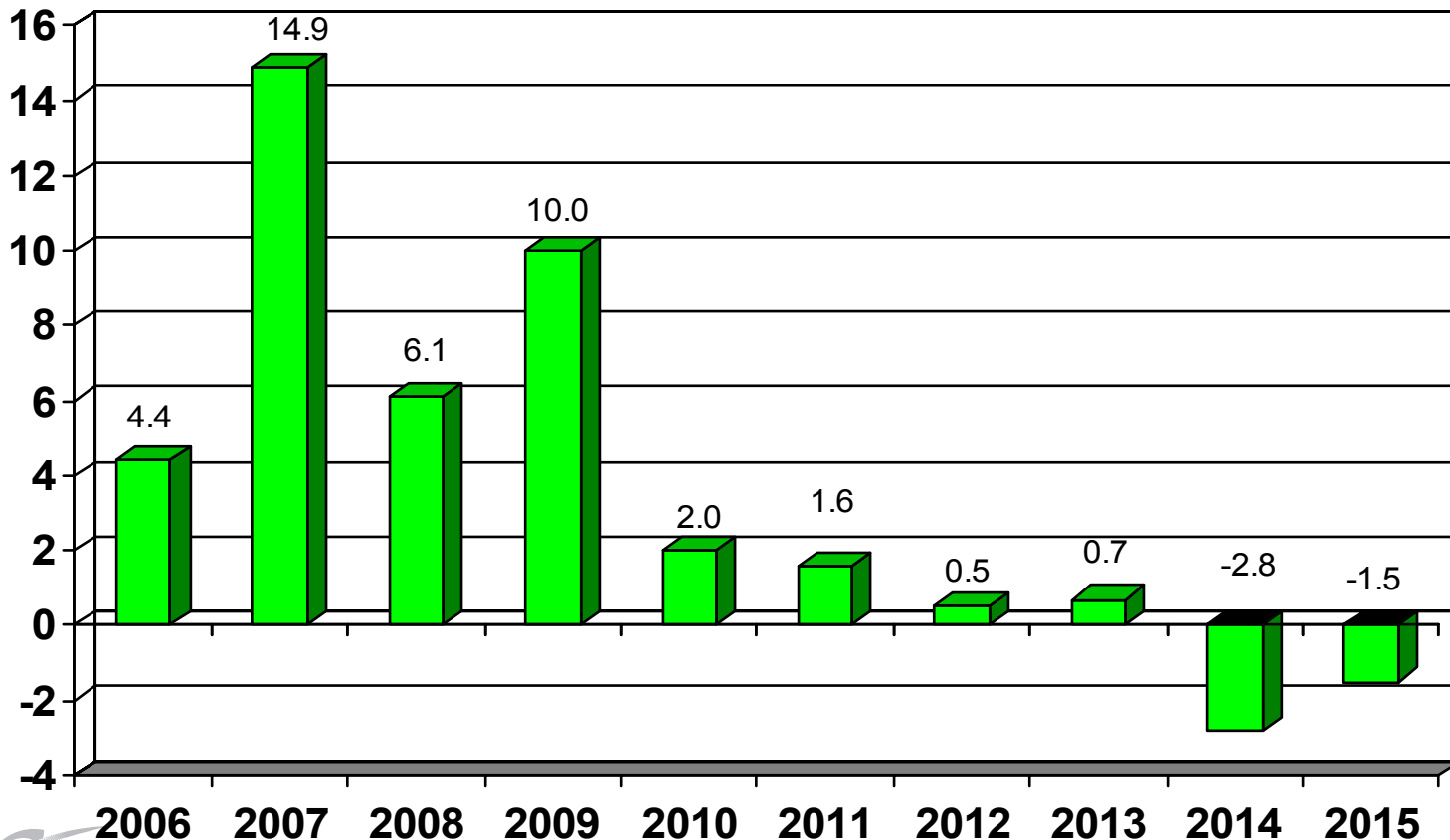


2006 Draft Business Plans & Budgets

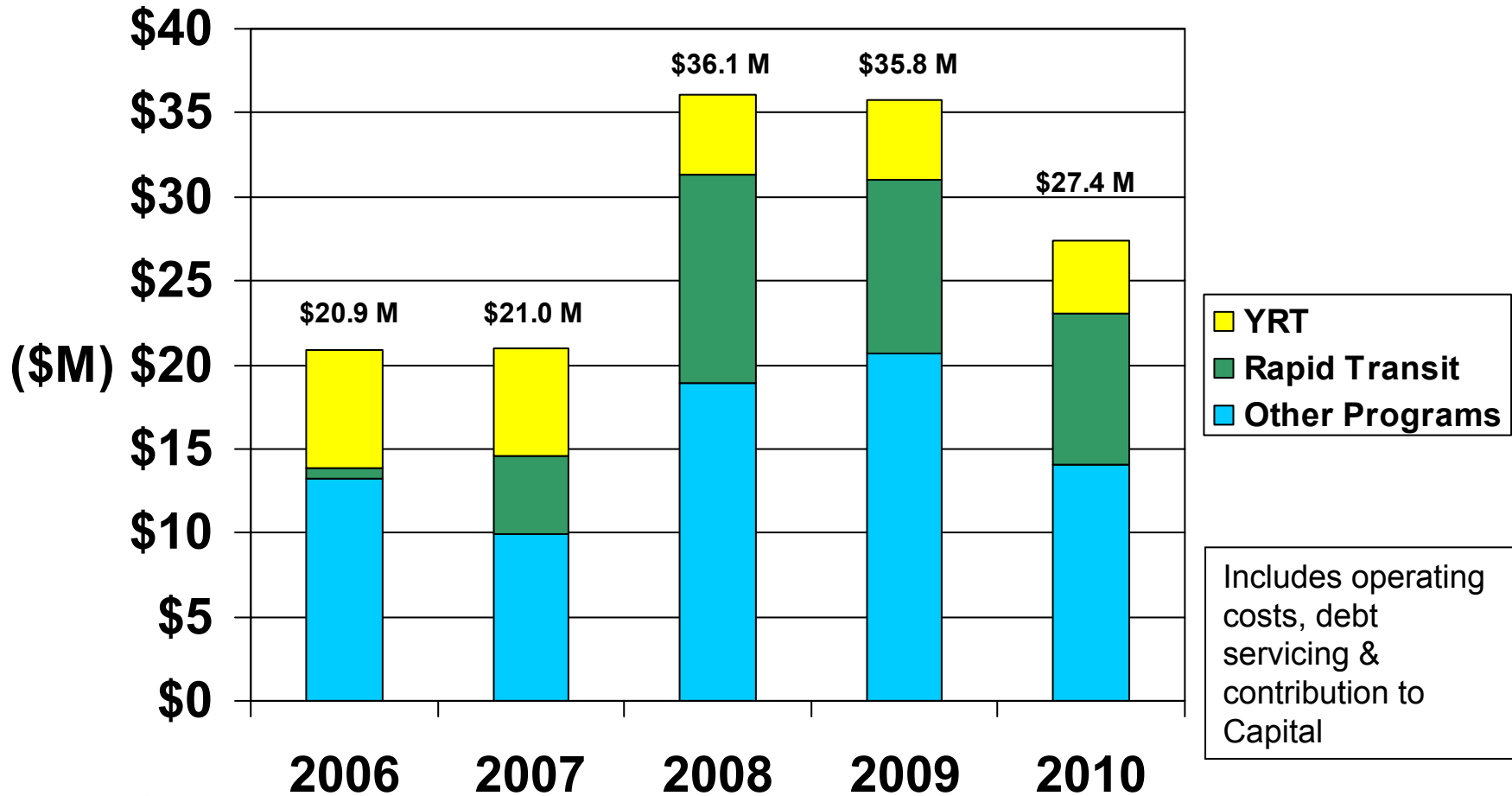
Incremental Tax Levy Debt Repayment 2006 to 2015 – Excludes Full-build of Rapid Transit

\$ millions

Note: Excludes impact of Provincial & Federal Gas Tax beyond 2006



Incremental Tax Levy Impact of Capital Program Five Year Outlook



Includes operating costs, debt servicing & contribution to Capital

Water/Wastewater Rates

- Preliminary findings of consultant's study has been received
- Short of full-cost recovery requirement
- Addresses provisions for:
 - operating costs
 - capital infrastructure repair & replacement
 - reserve contributions
 - deficit funding

Water/Wastewater Rate Review

Impacts on water & wastewater budgets

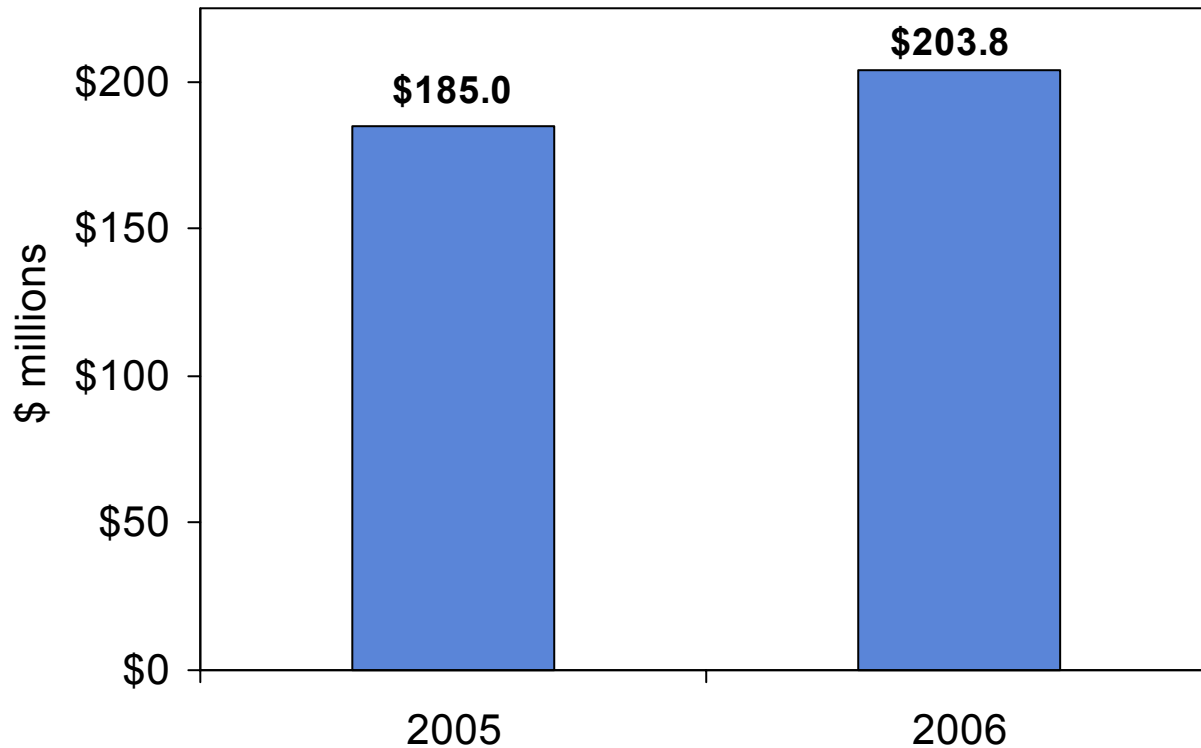
- Walkerton Inquiry
- Watertight Report
- Legislative reforms
- New standards
- DC discount policy
- Rising capital costs
- Reserve provisions
 - Rehabilitation & replacement
 - Non-growth component
 - Discount component

Water/Wastewater Rates

Proposed 2006 rate increases as per consultant's study:

	2006 Rate Increase (CPI Adjusted)
Water	2.5%
Wastewater	10.0%

Water and Wastewater Budget 2005 & 2006 Gross Expenditures



Water and Wastewater 2006 Budget Pressures

	Net Rate	
Step 5 - ENHANCEMENTS New services or enhanced service levels	-	-
Step 4 - GROWTH Costs required to maintain existing levels of service for the Region's increased population	2.4%	\$ 2.6 m
Step 3 - ANNUALIZATION Additional costs of prior year commitments	-	-
Step 2 - MANDATORY / LEGISLATIVE Non-discretionary costs imposed by others	0.6%	\$ 0.6 m
Step 1 - BASE Costs required to maintain existing service level (salaries & benefits, inflation, utilities and contracted services) Less: Efficiencies and other cost reductions	<u>7.7%</u>	<u>\$ 8.7 m</u>
Total	<u>10.7%</u>	<u>\$ 11.3 m</u>

Note: Excluding contribution to capital and interdepartmental allocations

Rate Budget Conclusion

- Combined Rate = 6.1%
- Cost impact to user – Region component
 - 5.7 cents per cubic metre
 - \$17 per average household per annum

In Summary

The 2006 Proposed Budgets:

- Support Council objectives
- Preserve program & service levels
- Support infrastructure initiatives
- Reflect impact of capital budget on tax levy
- Identify outcomes & performance
- Recognize new revenue streams

Issues to Consider

- Gas Tax Revenue Allocation
- Growth & Enhancements
- Capital Financing / Deferrals
- DC Discount Policy [non-residential]

Financial Management Action Plan

- DC Discount Policy
- Revise DC Bylaw
- Capital Asset Management Strategy
- Sustainable Revenue Strategies
- Maintain Credit Rating

Timelines

- Council Budget Workshop
 - Standing Committee Reviews
 - Recommendations to Finance & Admin
 - Finance & Admin
 - Review Standing Committee recommendations
 - Develop recommendations to Council
 - Council
 - consideration & adoption of operating, capital & rate budgets
- October 27, 2005 pm
 - November 2-10, 2005
 - December 1, 2005
 - December 15, 2005

Next Steps...

1. That the 2006 budget presentation be received, and
1. The 2006 Business Plan and Budget, as submitted be tabled and subject to the following review process:
 - a) The 2006 Business Plan and Budget be forwarded to Standing Committees for detailed review with specific direction that any changes made by a Standing Committee not exceed the proposed funding envelope of 4.6%;

...Next Steps

- b) Committees forward recommended budgets to the Finance and Administration Committee on December 1, 2005, for review & recommendations to Regional Council on December 15, 2005;
- c) Public input be received at the Finance and Administration Committee on December 1, 2005; and
- d) Staff be directed to provide Notice, not later than October 29, 2005 of the proposed adoption of the 2006 Business Plan and Budget by Regional Council on December 15, 2005, in accordance with the provisions of the *Municipal Act, 2001*.

2006 Budgets

Q & A