

Proposed 2016-2018 Regional Budget

Presentation to Council

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Overview of Presentation

Part 1: Overview of the 2016 Budget

Part 2: The Budget

- ▣ Operating Budget
- ▣ Capital Budget

Part 3: Fiscal Strategy

- ▣ Debt Management
- ▣ Reserves

Part 4: Budget Review Process and Conclusion



Overview of the 2016 Budget

The proposed tax increases at a glance

Budget Year	2015	2016	2017	2018
Approved 2015	2.97%	2.85%	2.69%	2.35%
Proposed 2016		2.85%	2.69%	2.35%

Proposed tax increases consistent with the approved outlook

The proposed budget at a glance

	2015	2016
Operating Budget	\$1.9B	\$2.0B
Capital Budget	\$826M	\$783M
Ten-Year Capital Plan	\$5.8B	\$6.1B
Capital plan compliant with the Province's Annual Repayment Limit regulation increase		

Fiscal impacts at a glance

	2015 Plan	2016 Plan
Peak outstanding debt	\$2.9B (2017)	\$2.9B (2017)
New debt in the next ten years	\$1.1B	\$0.8B
New tax-levy debt in the next 10 years	\$0	\$0
New rate-supported debt in the next 10 years	\$0.3B	\$0
Increase in reserves in the next 10 years	\$2.8B	\$2.8B

Key features of the budget

- ❑ Continued implementation of the multi-year budget
- ❑ All pressures accommodated within approved outlook
- ❑ Selected improvements to service levels
- ❑ More investment in transportation capital
- ❑ More investment in water and wastewater rehabilitation and replacement capital
- ❑ More savings for future capital asset replacement

Operating Budget

Continued implementation of multi-year budgeting for a full term of Council

- Four-year operating budget in 2015:
 - Covering the term of Council 2015-2018
 - Last year Council approved the 2015 Budget plus a three-year outlook (“1+3 years”)
 - For 2016, Council is being asked to approve the 2016 Budget plus a two-year outlook (“1+2 years”)
 - The focus is on adjustments to the 2016-2018 outlook approved by Council last year

The value of multi-year budgeting

- ❑ Better coordination of budgeting and strategic priorities
- ❑ Improved fiscal discipline
- ❑ Helps set expectations about future tax levies
- ❑ Provides a longer term outlook for program and service planning
- ❑ Provides a longer term outlook for those who deliver programs that rely on Regional funding

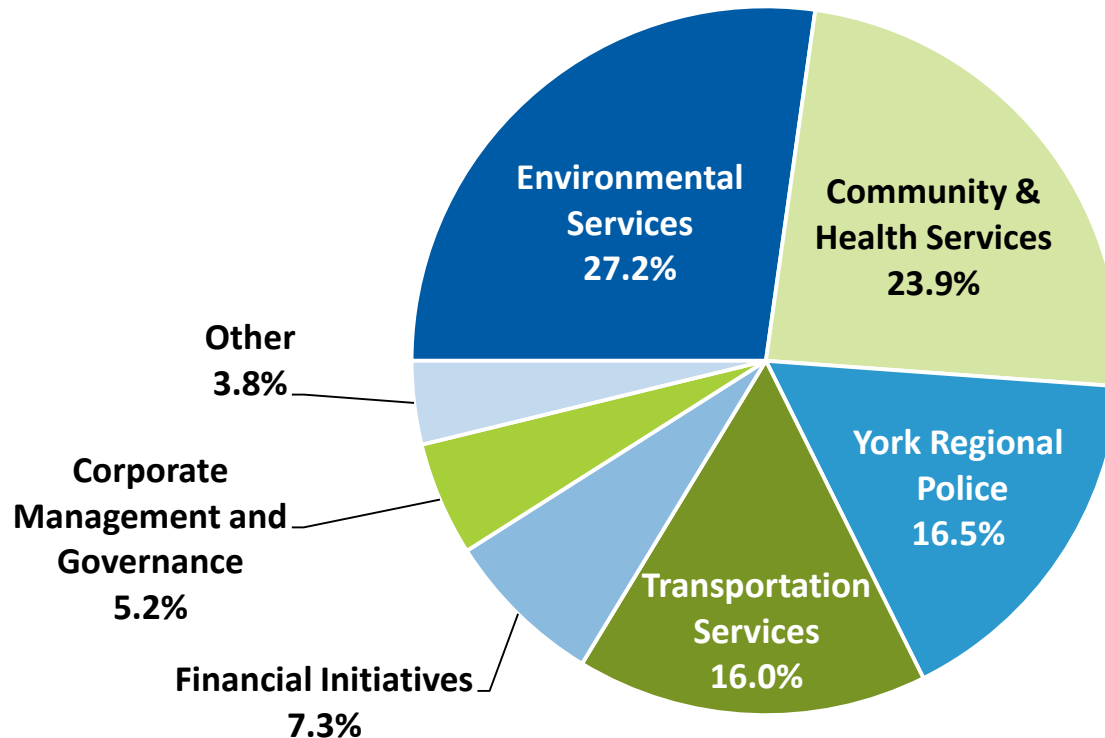
Proposed operating budget

	2015 Approved	2016 Budget	2017 Outlook	2018 Outlook
Gross Expenditures (\$M)	1,901	1,987	2,066	2,146
Non-Tax Revenue (\$M)	963	1,006	1,041	1,079
Net Expenditures (\$M)	938	981	1,025	1,067
Assessment Growth* (%)		1.76	1.83	1.75
Proposed Tax Levy Increase (%)		2.85	2.69	2.35

*Reflects revenue from assessment growth. Forecast for 2016 was 1.96%.

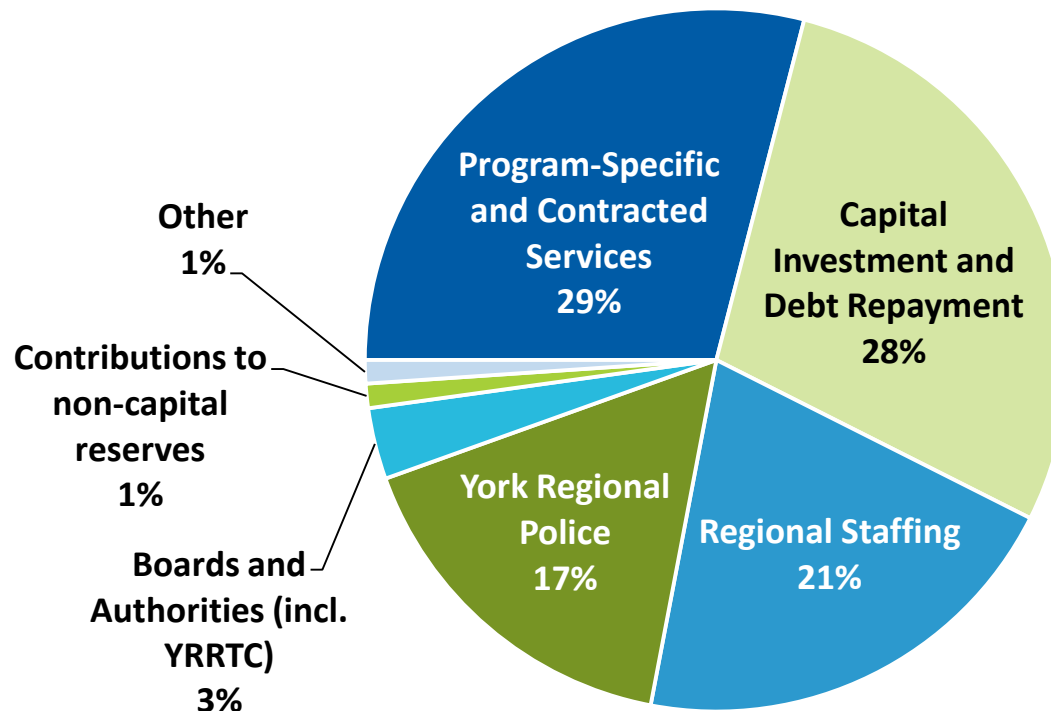
Environment, CHS, Transportation and Police account for 84% of spending

2016 Gross Expenditures \$1.99 Billion



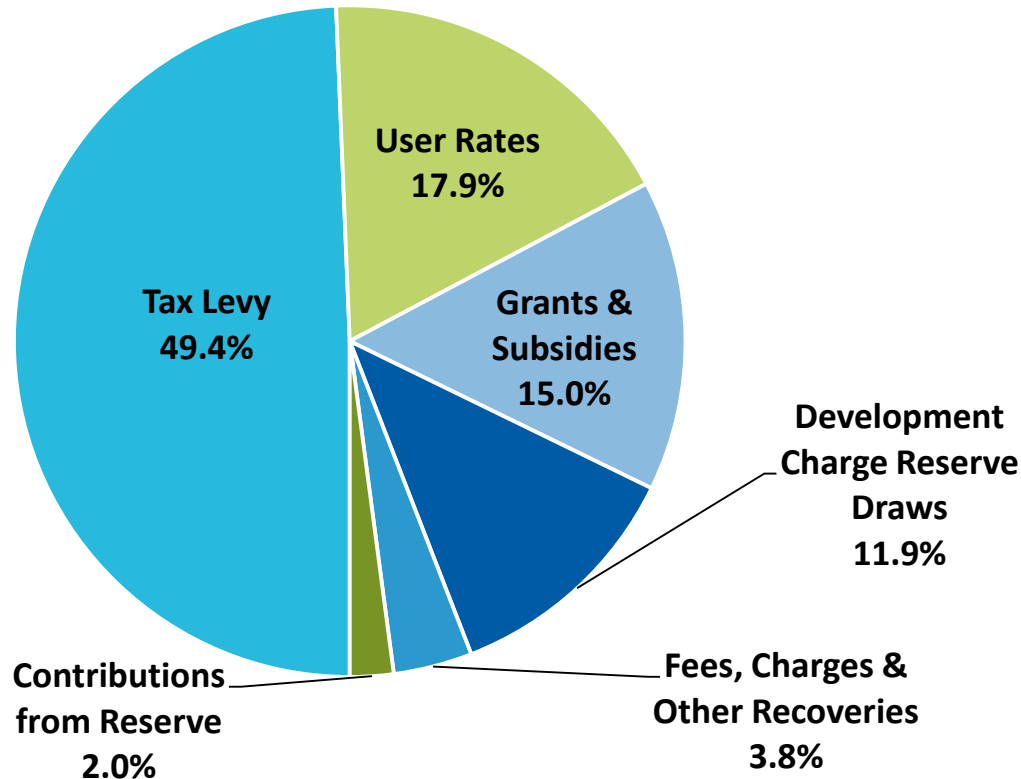
Program-specific and contracted services represent almost 30% of spending

2016 Gross Budget \$1.99 Billion



Non-tax revenue has a big impact on the bottom line

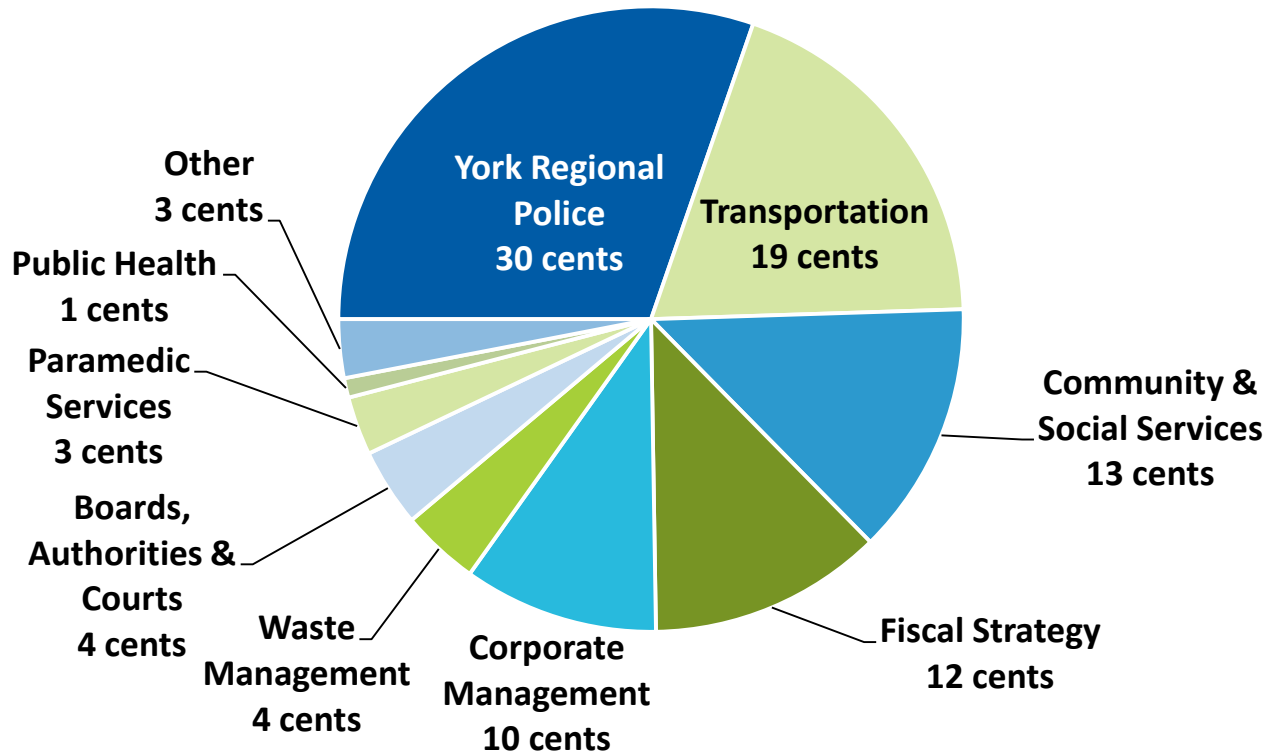
2016 Total Revenue \$1.99 Billion



Non-tax revenue supports about half of the Region's gross expenditures

Transportation, CHS, Waste Management and Police account for 70 cents of every tax dollar

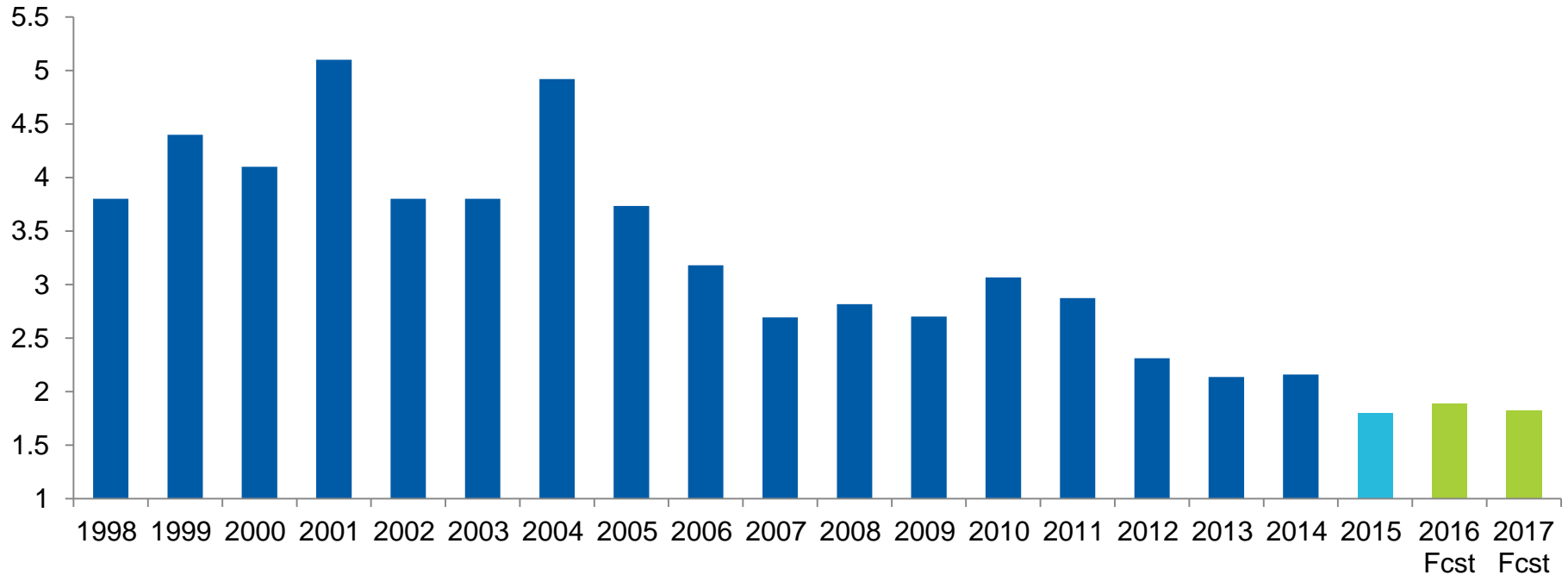
Share of Tax Dollar



“Net” spending determines the tax levy

Assessment growth is below forecast

**Assessment
Growth %**



Calendar Year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	YTD 2015	Fcst 2016	Fcst 2017
Assessment Growth (%)	4.9	3.7	3.2	2.7	2.8	2.7	3.1	2.9	2.3	2.1	2.2	1.8	1.9	1.8
Tax Revenue from Assessment Growth for Following Year (\$M)	25.2	21.3	19.6	17.5	19.1	19.2	22.6	22.6	18.4	18.0	19.2	16.5	18.0	18.0

Addressing York Regional Police Pressures

- YRP is experiencing lower-than-expected revenue from accident reporting, home alarm fees and provincial funding
- The Police Services Board has reduced the pressure by slowing the rate of planned hiring and introducing higher, mandatory accident reporting fees
- The remaining pressure has been accommodated within the proposed tax increases

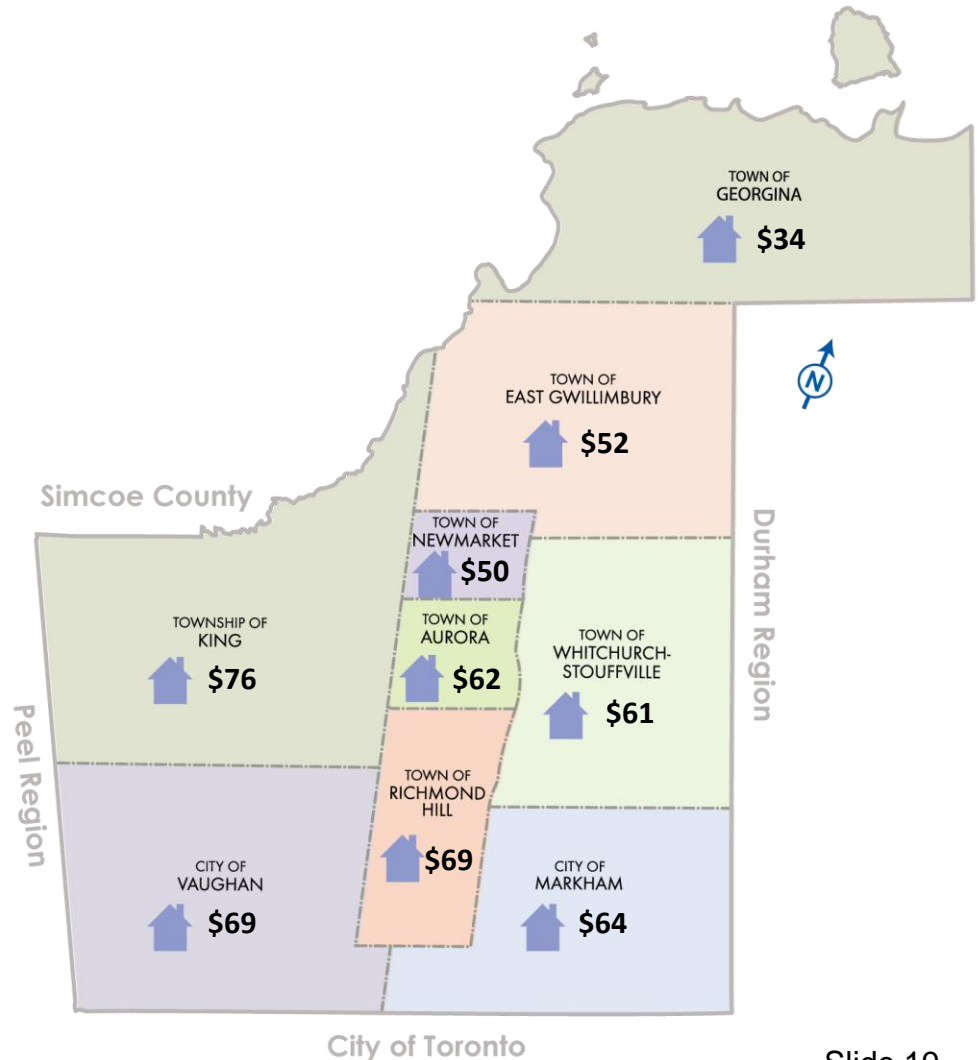
\$ 000s	2016 Budget	2017 Outlook	2018 Outlook
Variance to the Outlook	541	1,166	(605)

New initiatives in the next three years

- Adding 52 new lane kilometers of road
- Continued implementation of the vivaNext bus rapid transit services on the new rapidways
- More investment in rehabilitation of water and wastewater infrastructure
- Opening two transitional/emergency housing facilities
- 52 new paramedics and building or rehabilitating paramedic response stations
- 49 new police officers and 17 civilian staff to respond to population growth

Tax impact on homeowner

The average assessed value of a residential property in the Region is \$547,000. A tax levy increase of 2.85% in 2016 equates to \$63 per household, on average.



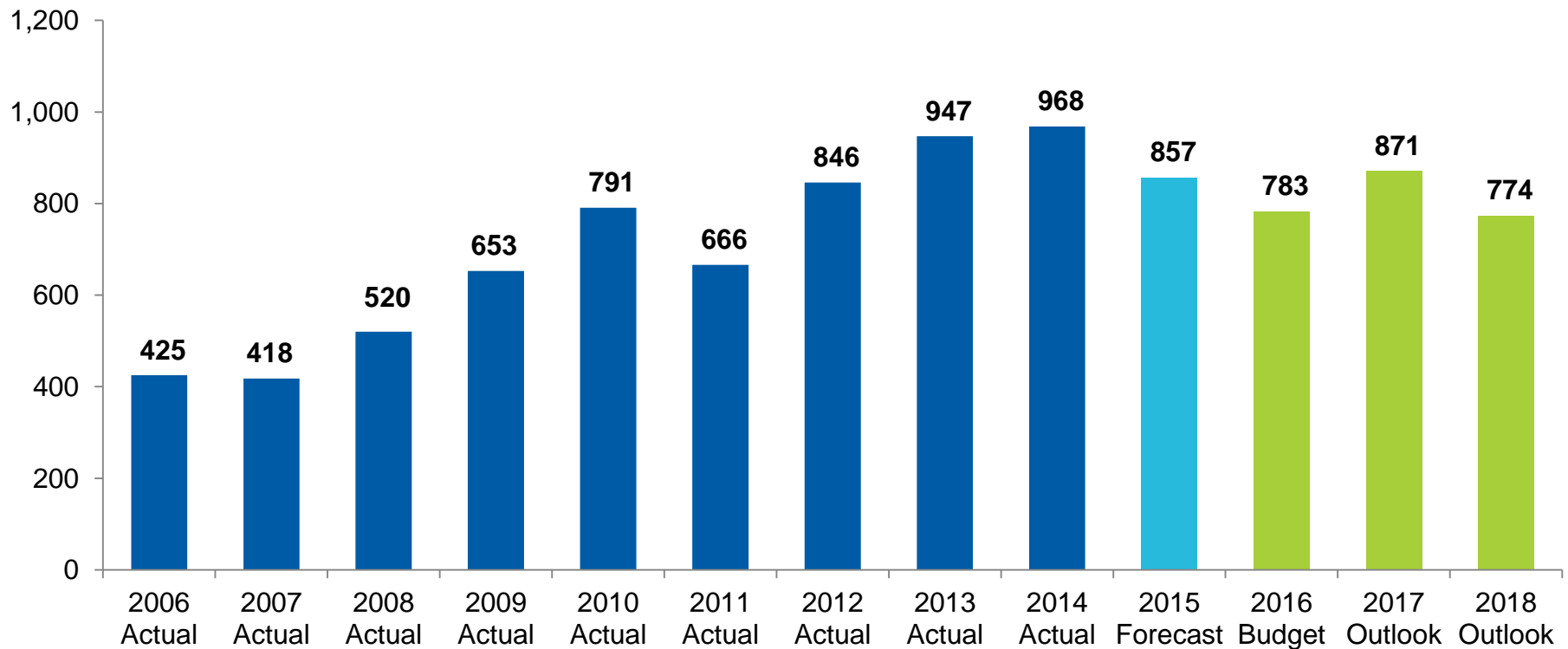
Capital Budget

Proposed capital budget

2016 Capital Budget	
Total Capital	\$783M
Ten-Year Capital Plan	\$6.1B
2016 Capital Spending Authority	\$2.7B

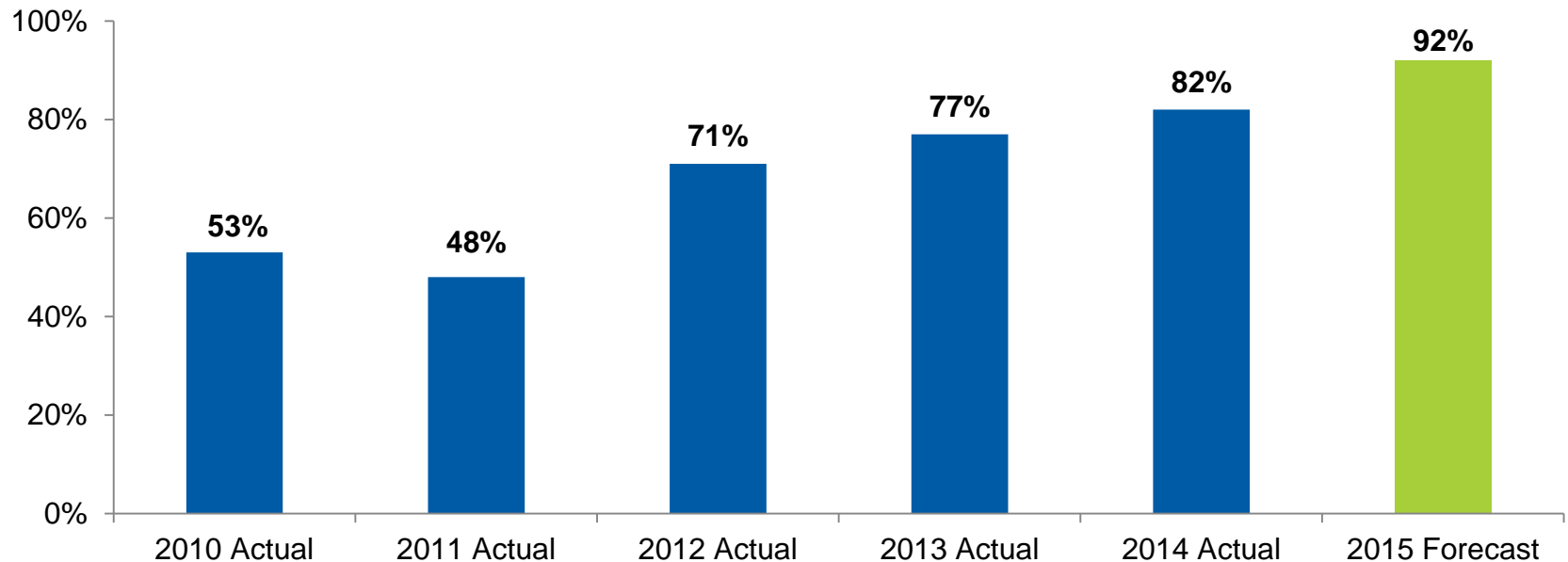
High levels of capital investment

(in \$ Millions)



Capacity to deliver capital plan is improving

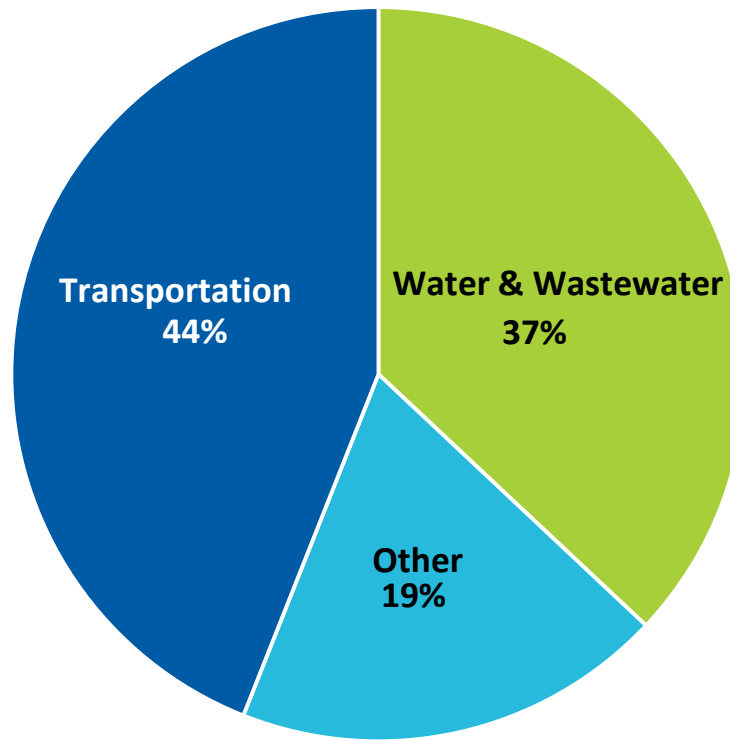
% of Capital Budget Delivered



The percentage of the annual capital budget that is being spent continues to increase

Transportation has the largest share of the capital plan

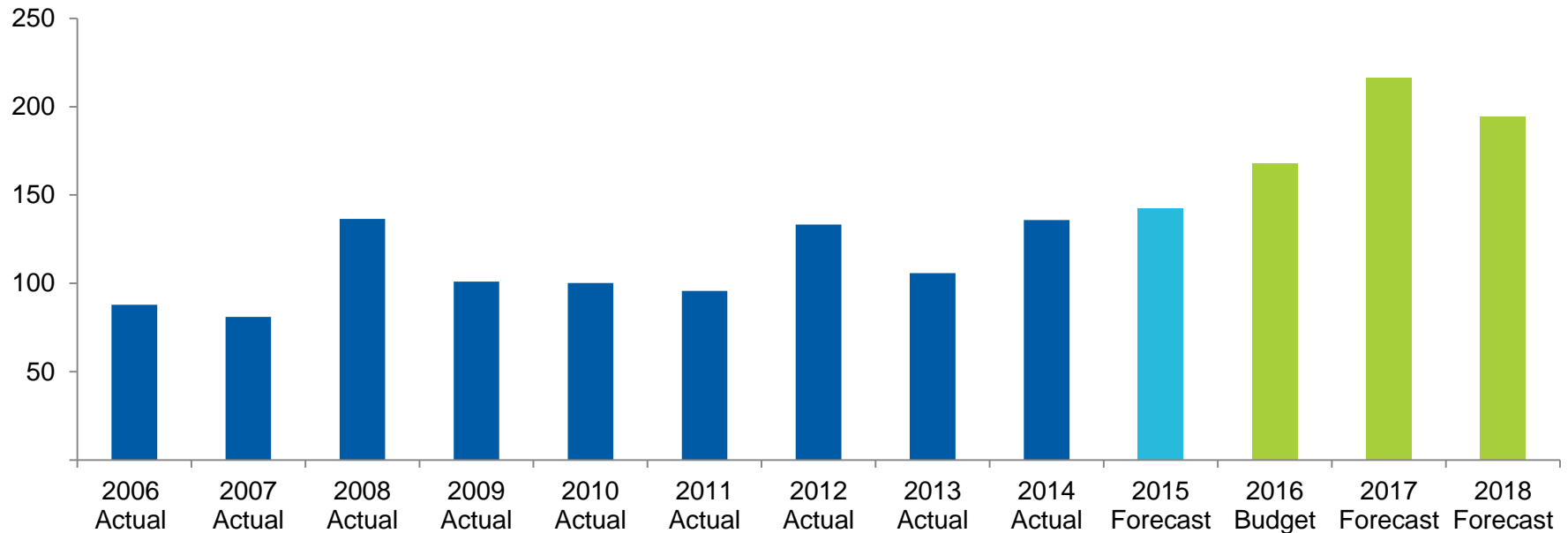
2016 Ten-Year Plan
\$6.1 Billion



Record levels of roads investment

(in \$ Millions)

Roads Capital Investment

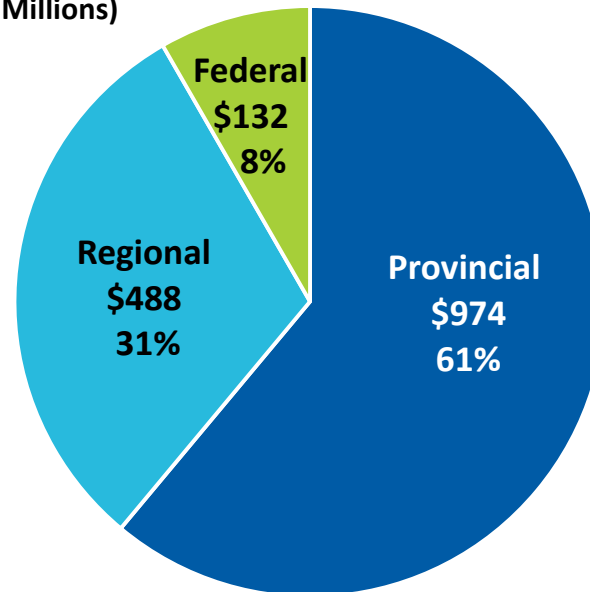


The budget includes \$721 million for roads capital from 2015-2018

Large transit investment underway

- In addition to York Region's own investment in transit, the federal and provincial governments are contributing to the Toronto-York Spadina Subway Extension, and the Province is funding the VIVA rapidways

2016-2020 Transit Investments total \$1.6 Billion
(in \$ Millions)



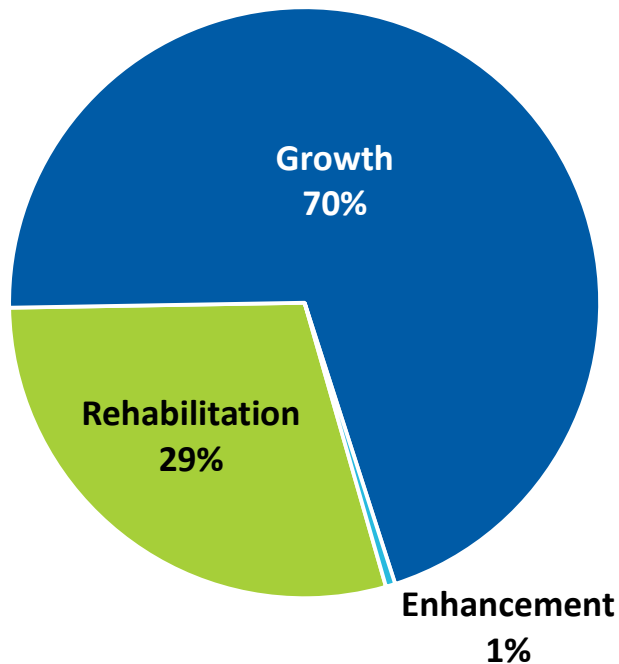
In the last 5 years, total transit investment in the Region has been \$1.8 billion

Capital plan increased to accommodate the subway

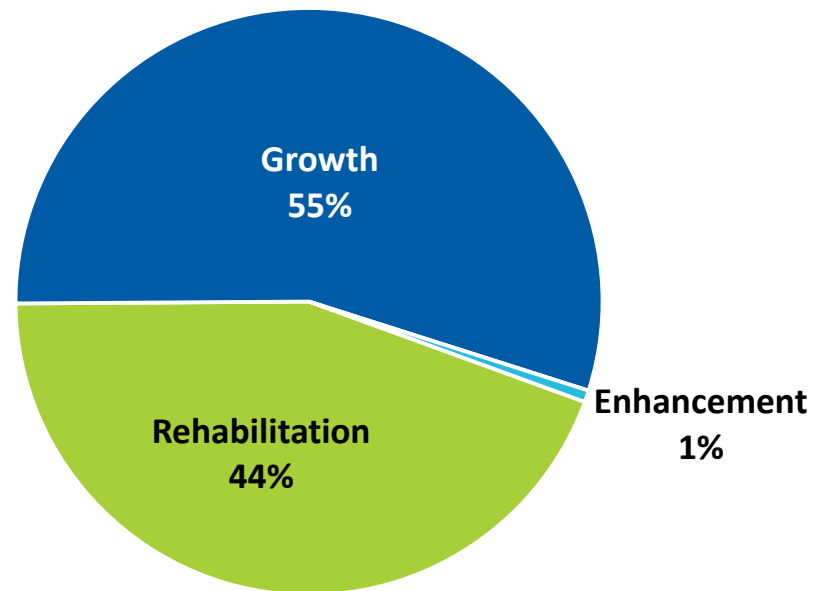
- The Toronto-York Spadina Subway Extension project is going to cost more than its originally budgeted amount of \$2.634 billion, as previously discussed with Council
- York Region is responsible for 40% of extra costs
- York Region's \$60 million share of the cost over-run to date has been accommodated in the YRRTC budget
- The TTC is expected to report on additional cost pressures by the end of the year
- In addition, there is a \$32 million shortfall in Move Ontario Trust funding, which has been accommodated through the use of reserves and DC debt

About \$1 billion will be invested in the rehabilitation of water and wastewater systems

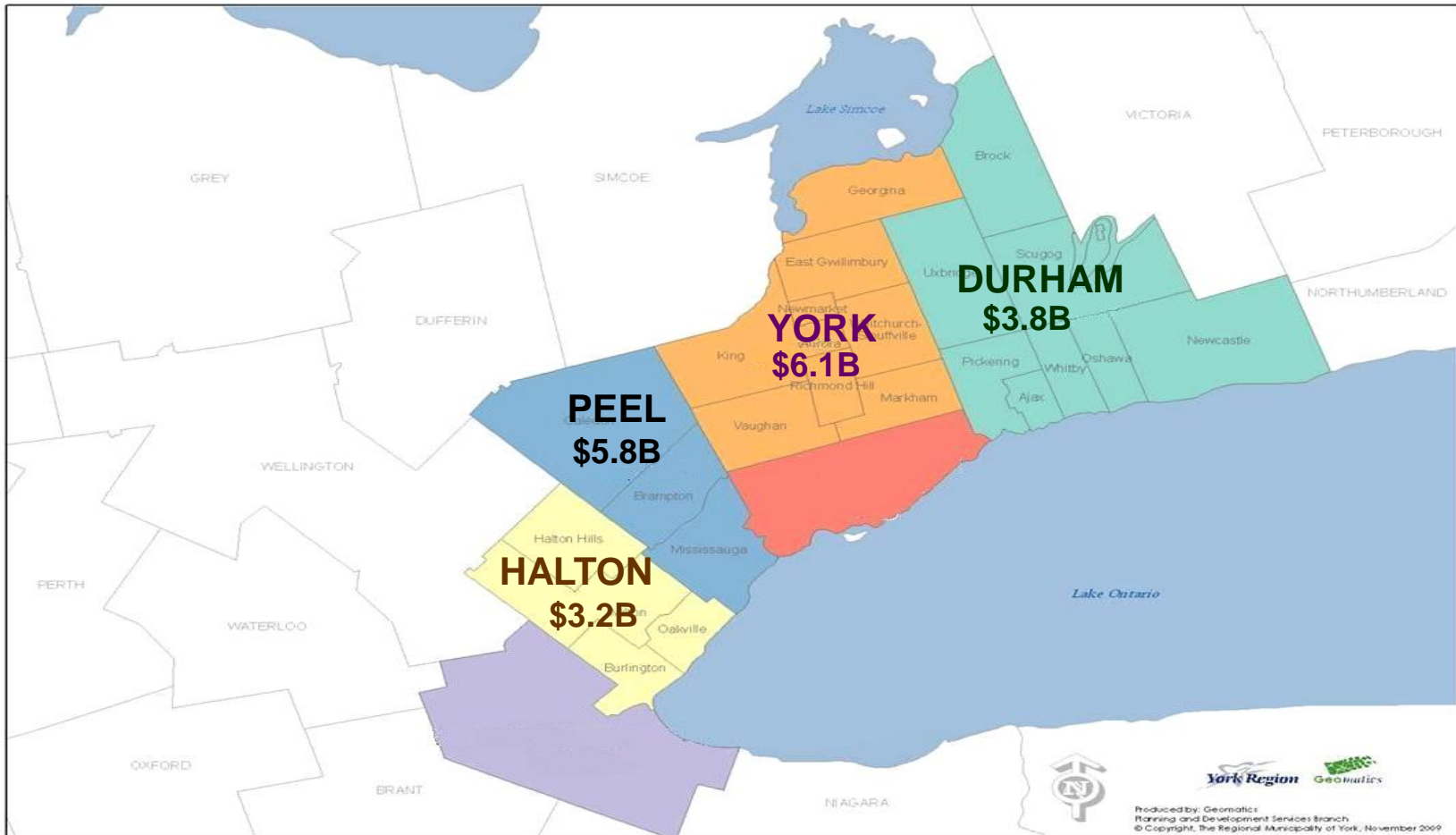
**2015 Ten-Year Plan
\$2.2 Billion**



**2016 Ten-Year Plan
\$2.3 Billion**



York's ten-year capital plan remains among the largest in the 905



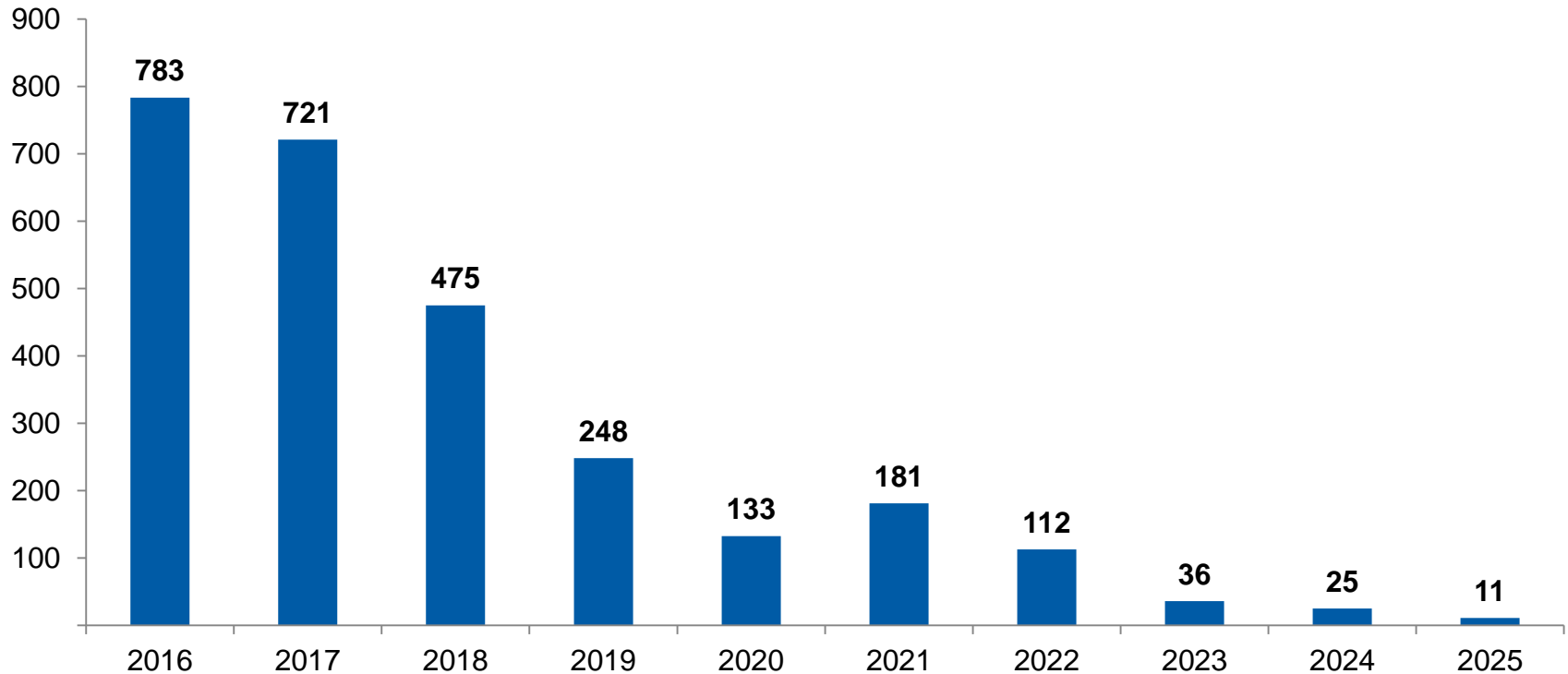
Figures reflect Ten-Year Capital Plans approved in 2015, except York, which is the 2016 proposed Ten-Year Capital Plan

Capital Spending Authority and planned investment

- Capital Spending Authority (CSA):
 - Capital Spending Authority is the authority from Council to commit funding to a capital project
 - It is a multi-year authority for large multi-year projects
 - Capital Spending Authority must be forecast for each year of the capital plan to ensure that the Region will comply with the provincial Annual Repayment Limit

2016 Capital Spending Authority request

(in \$ Millions)



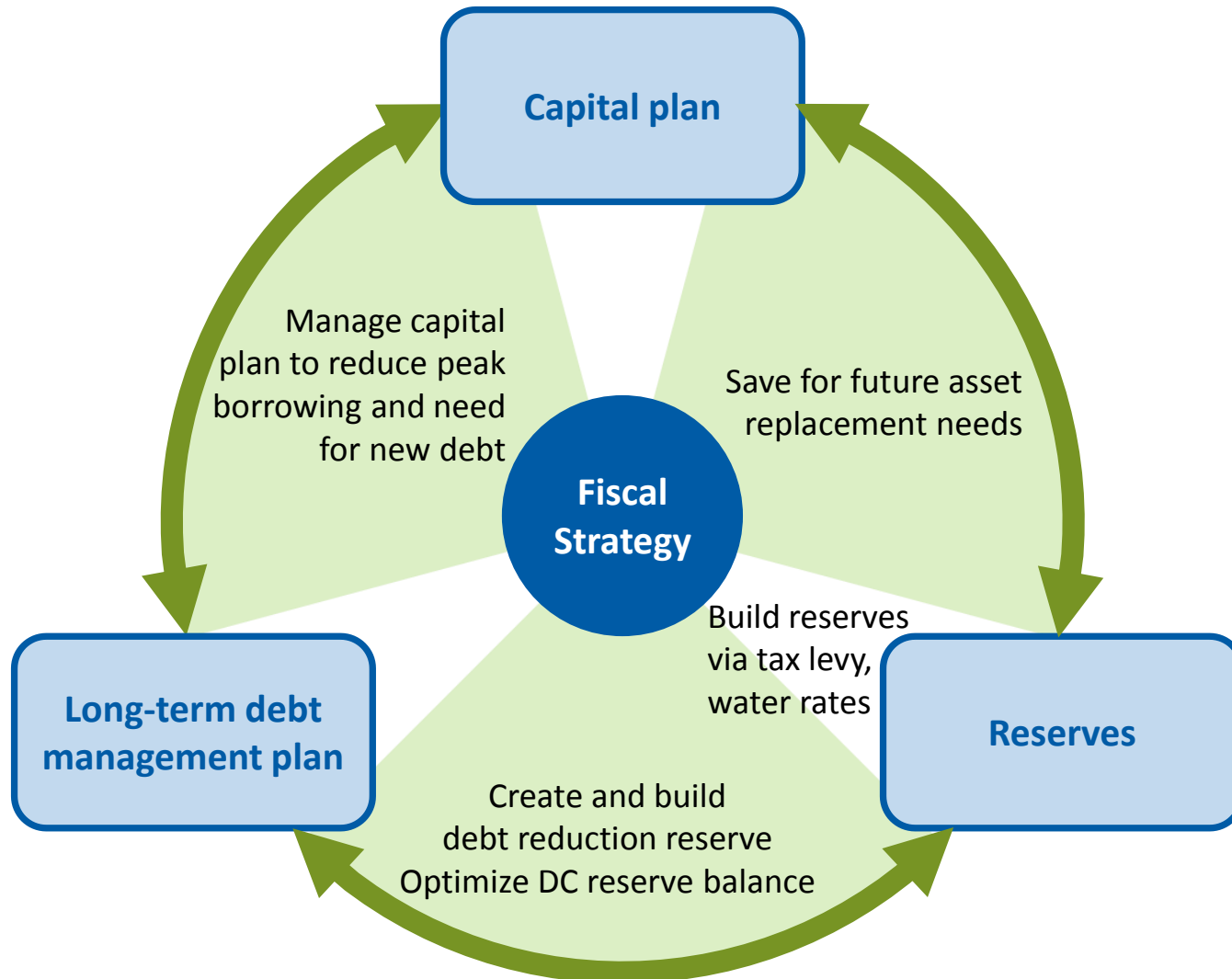
The proposed 2016 Capital Spending Authority is \$2.7 billion

Top 10 capital projects by Capital Spending Authority

Projects	Proposed 2016 CSA (\$ Millions)
Toronto-York Spadina Subway Extension	258
Annex	206
Duffin Creek Incinerators	171
Southeast Collector Rehabilitation	122
Duffin Creek Stage 1 & 2 Upgrades	114
Transit Garage Southeast	99
Trunk Sewer Rehabilitation	77
Unionville Housing Redevelopment	75
Peel Water Supply Cost-Shared Works	67
Upper York Sewage Servicing	66

Fiscal Strategy

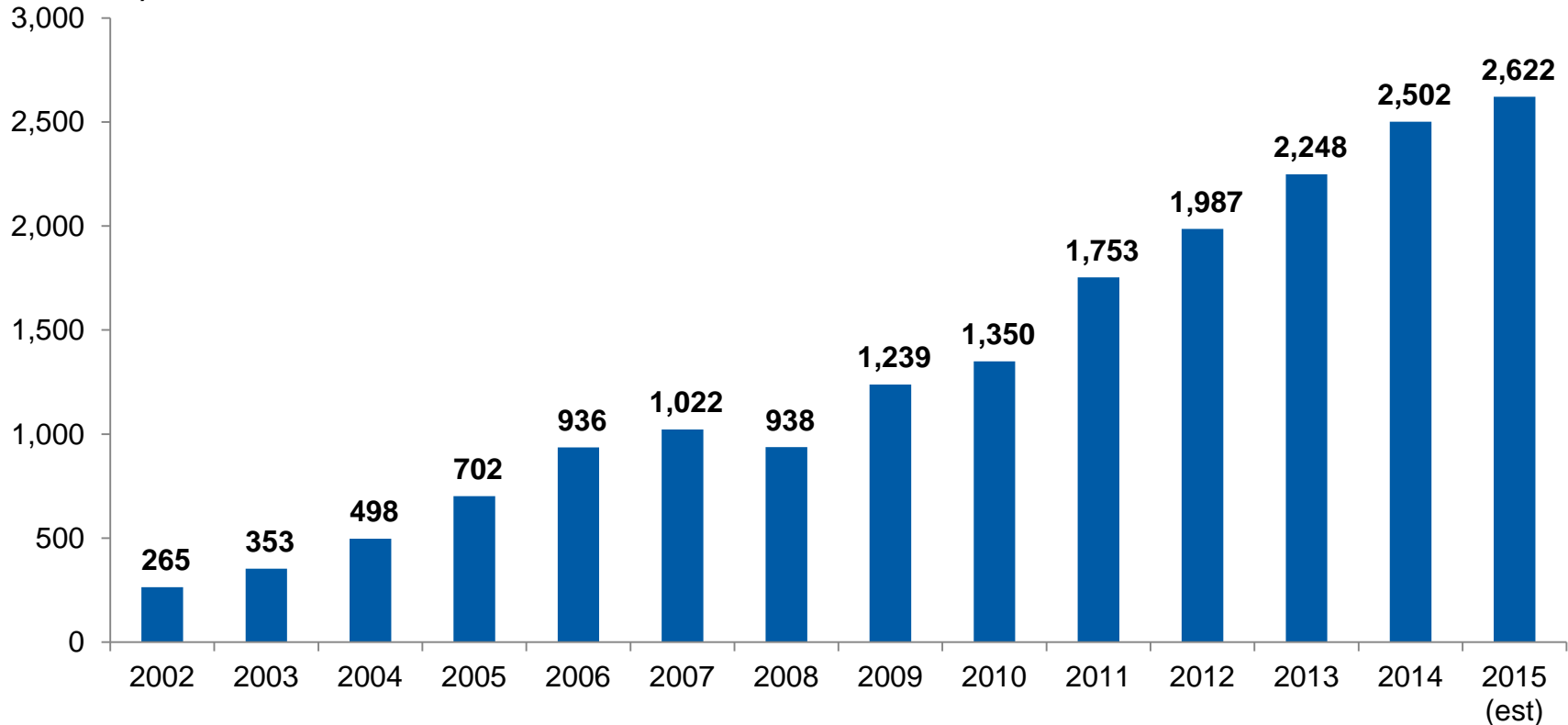
The essence of the fiscal strategy



Debt Management

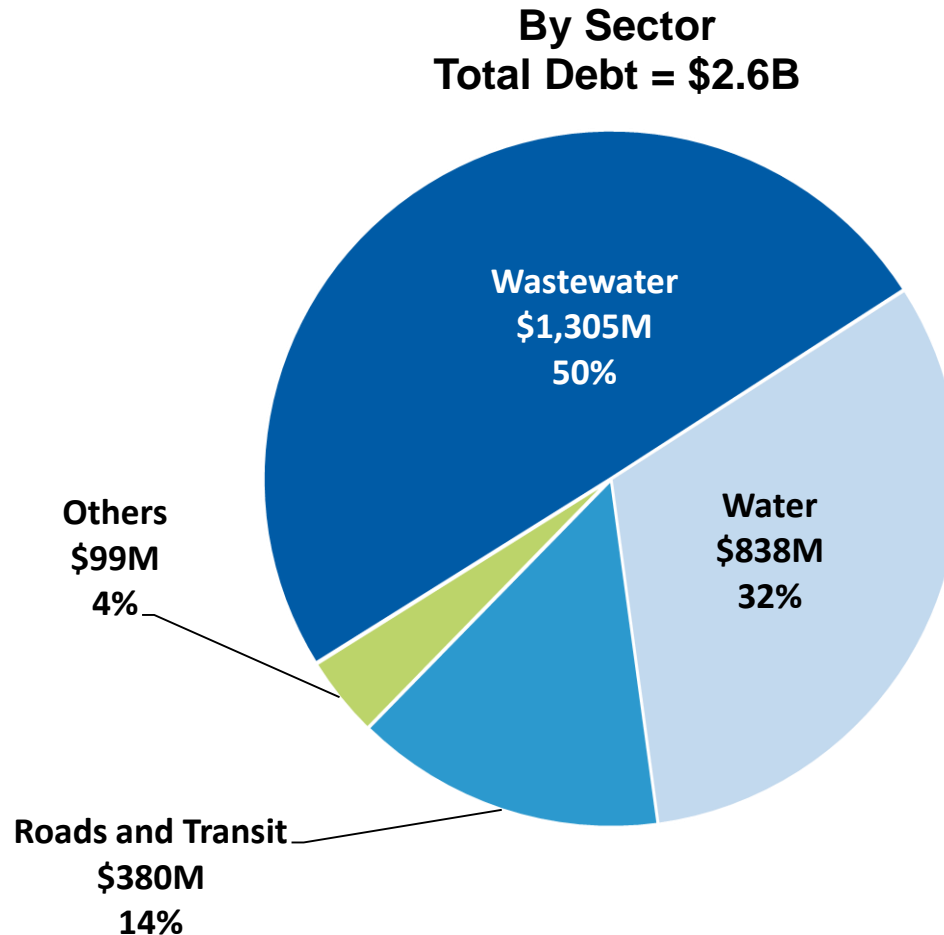
Historical debt levels

(in \$ Millions)



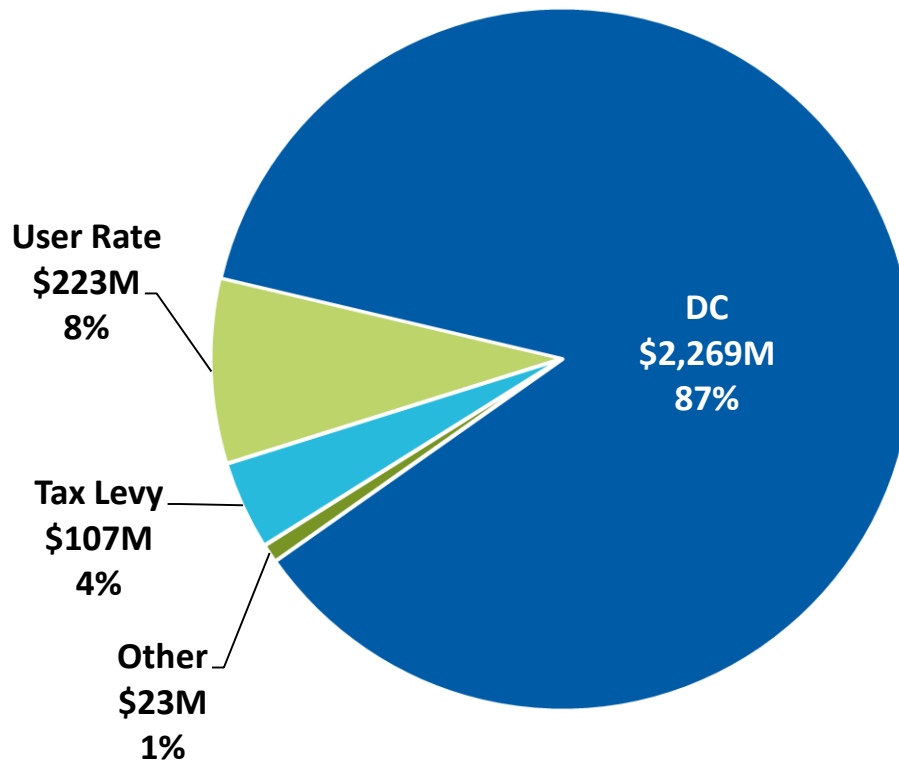
The Region's current debt is \$2.6 billion

Water and wastewater projects account for 82% of current debt

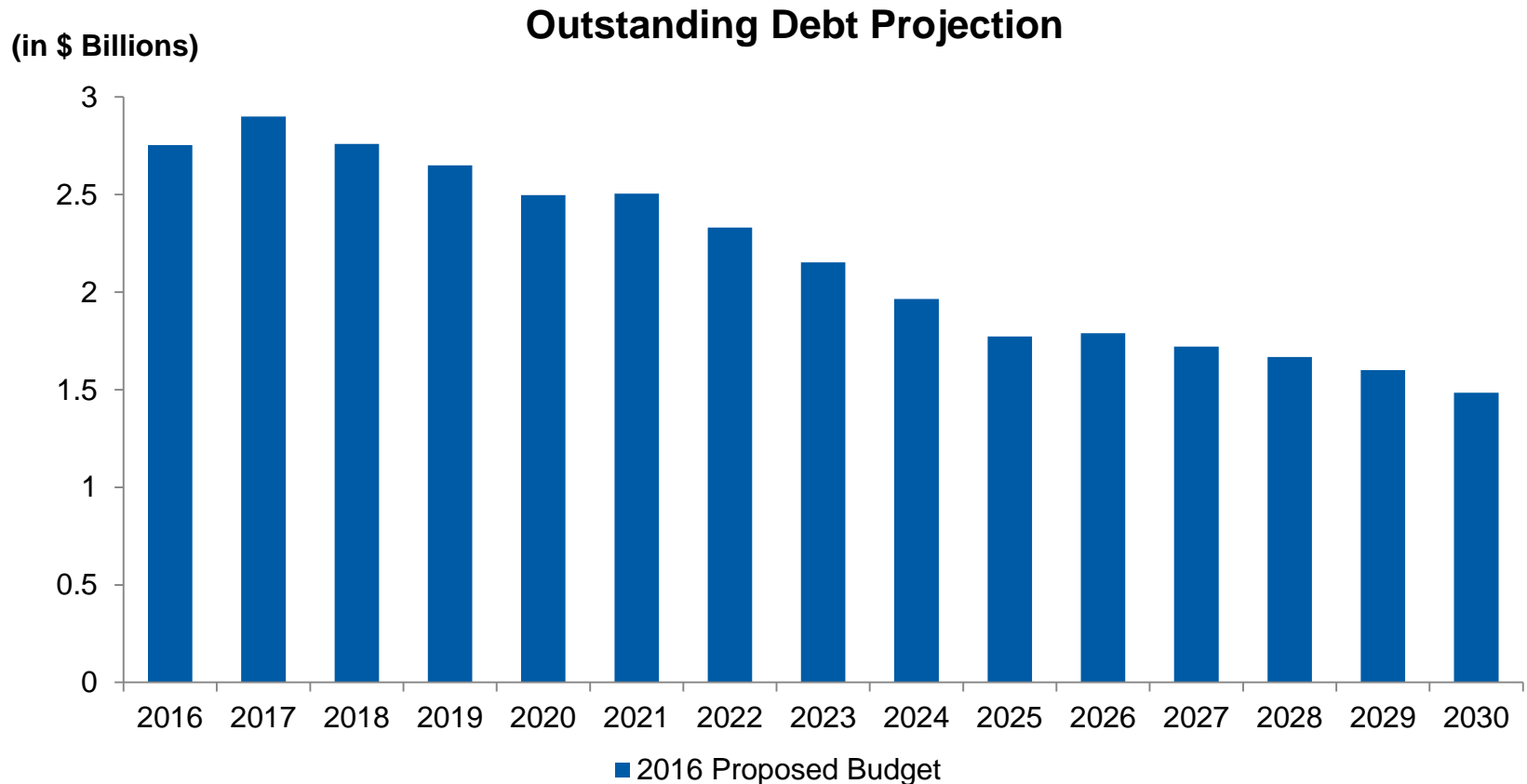


Development charges will be used to repay 87% of existing debt

By Funding Source
Total Debt = \$2.6B



Fiscal strategy continues to reduce debt levels



Debt peaks at \$2.9 billion in 2017 and then declines

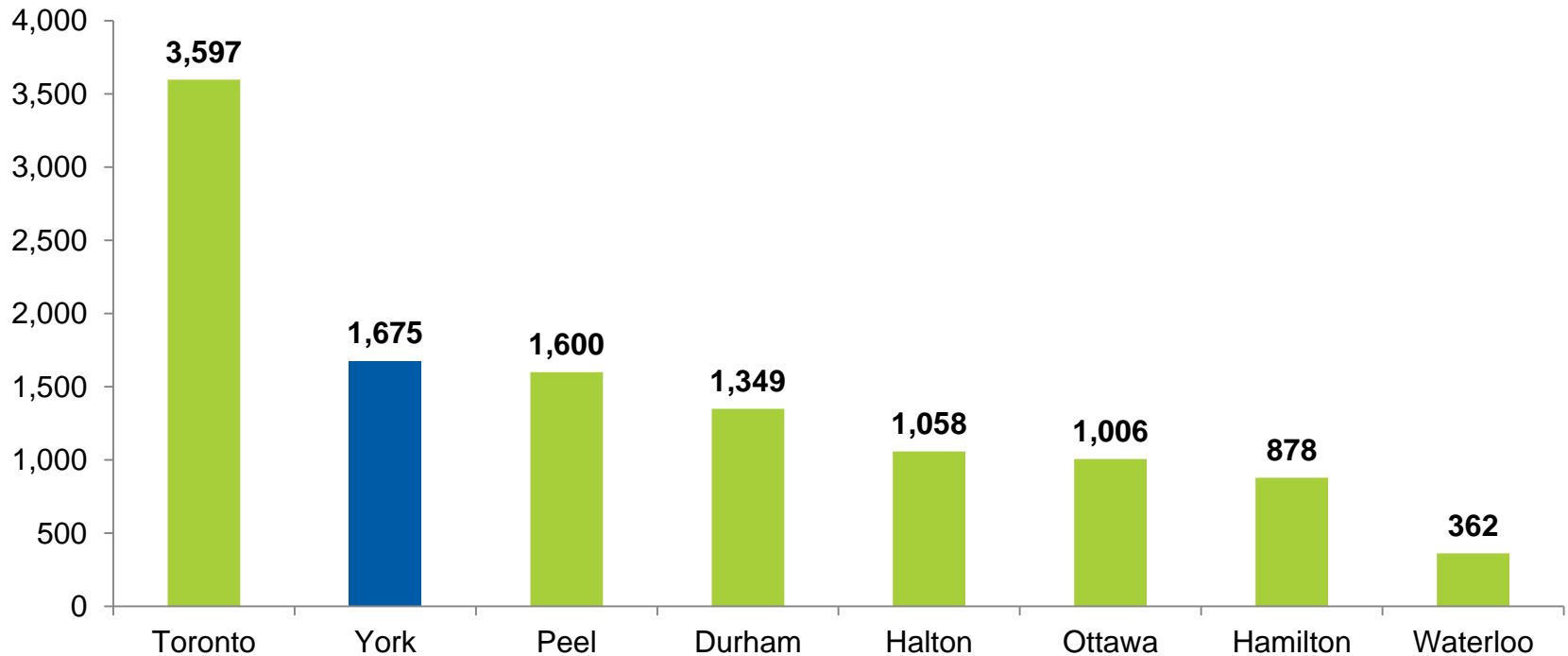
Reserves

Reserve management plan is key to achieving financial sustainability

- Long-term financial sustainability will require two things:
 - Saving for future capital asset life cycle and replacement investments
 - Using reserves judiciously to manage debt
- The reserve management plan includes continued implementation of Council's policy to increase contributions for capital asset replacement

High levels of reserves

(in \$ Millions)



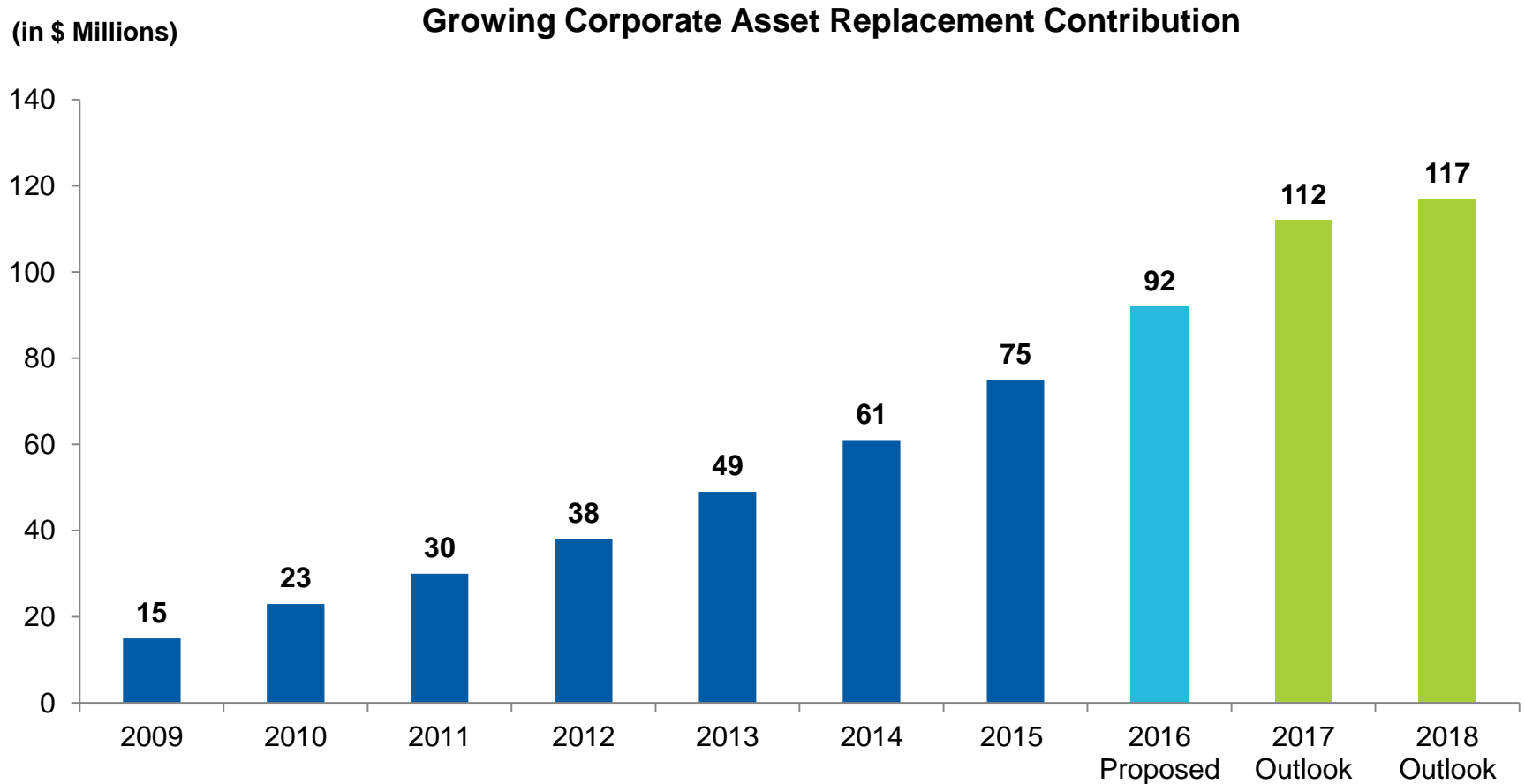
In 2014, York Region's reserves were second only to Toronto

The Region is providing for its asset management needs

- In 2013, Council approved incremental increases to capital asset replacement reserves:

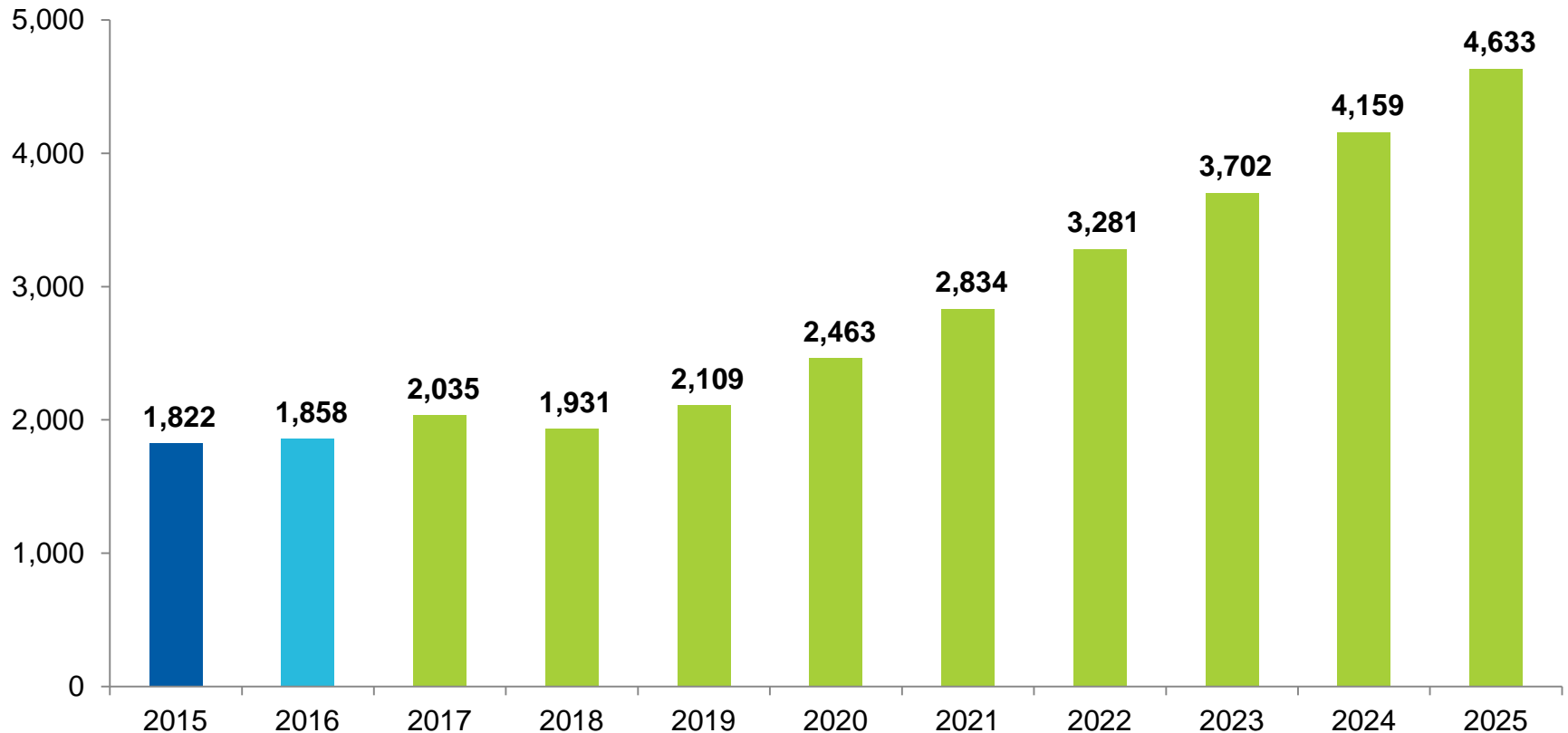
	(%)	2013	2014	2015	2016	2017
Contribution to replacement reserves (increment of prior year's tax levy)		1.2	1.4	1.6	1.8	2.0

Contributions to tax-supported capital asset replacement reserves continue to grow

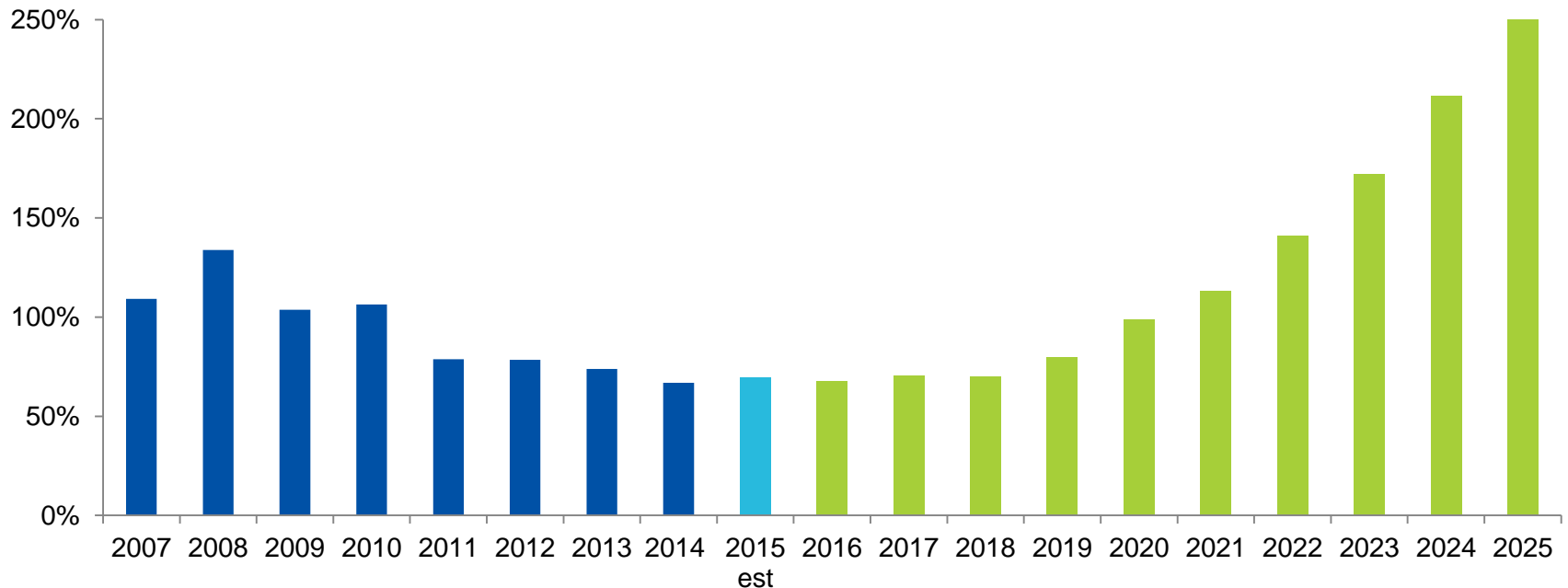


York Region's reserve balances are robust and growing

(in \$ Millions)



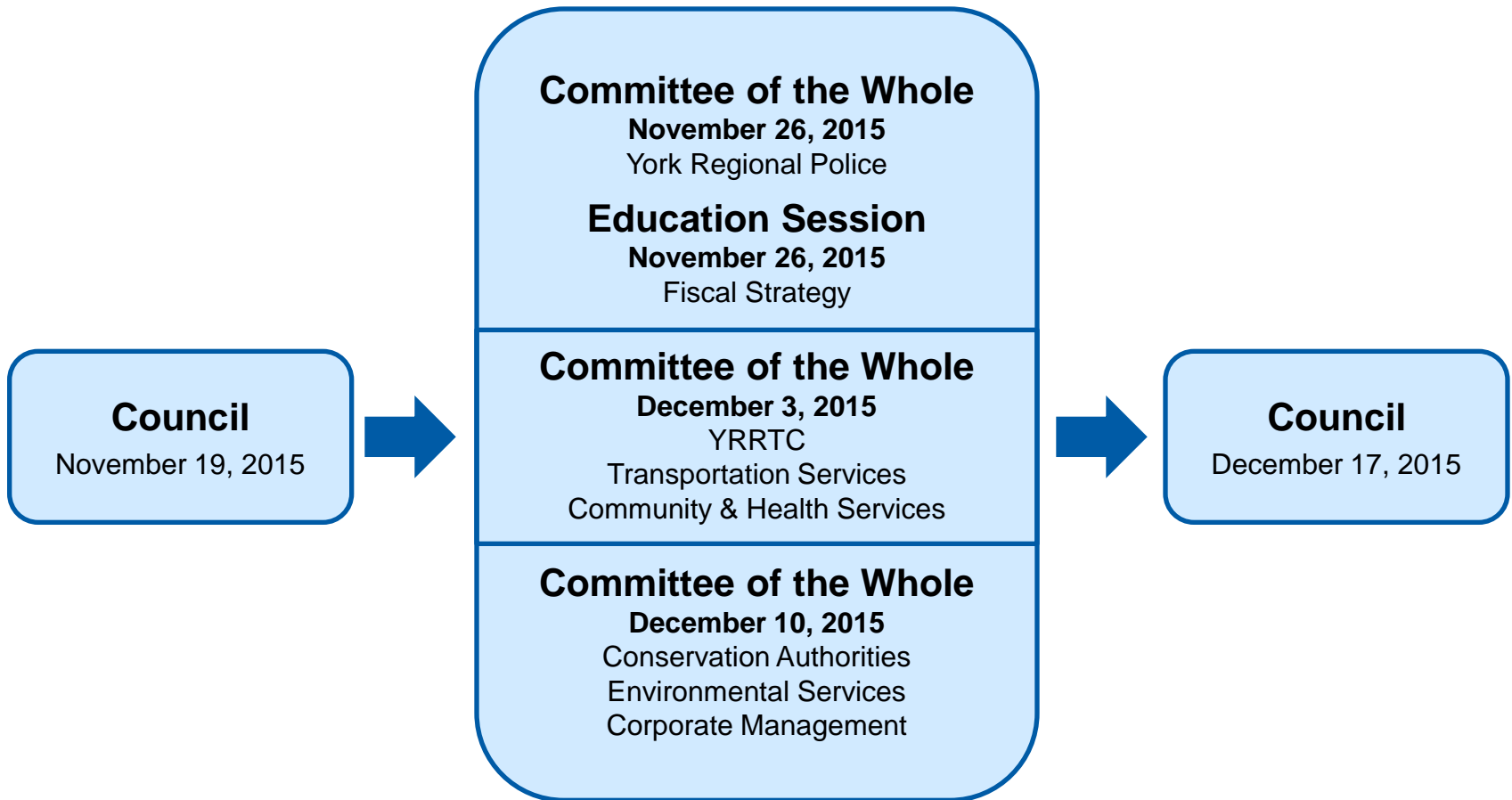
Reserve to debt ratio will improve



The reserve to debt ratio is forecast to increase in 2017 and exceed 100% by 2021

Budget Review Process and Conclusion

Council / Committee Review Process



Summary of the 2016 budget

- ❑ Second year of a multi-year budget that aligns with the term of Council and the Strategic Plan
- ❑ A robust capital plan
- ❑ Lower debt levels and higher reserve balances
- ❑ No tax levy debt in next ten years
- ❑ No rate-supported debt in the next ten years
- ❑ Proposed tax increases of 2.85%, 2.69% and 2.35%



**ECONOMIC
VITALITY**



**HEALTHY
COMMUNITIES**



**SUSTAINABLE
ENVIRONMENT**



**GOOD
GOVERNMENT**