1
2004 REGIONAL BUSINESS PLAN AND BUDGET

(See Minute No. 70 for recorded votes and amendments relating to the Ontarians with Disabilities Act and requesting a meeting with the Provincial Premier and Minister of Finance to discuss various issues.)

(Regional Council at its meeting on March 25, 2004, requested that the Regional Solicitor report to the Finance and Administration Committee on the matter of the requirement for the Region to pay pooling costs.)

1. RECOMMENDATIONS

It is recommended that:

1. The 2004 Regional Capital Business Plan and Budget, with a total gross expenditure of $882,514,000, as submitted in Attachment 2, be approved, with the following funding sources:

Development Charges/Capital Reserve Funds	$221,397,000
Subsidy/Grants	86,124,000
Debt Financing	430,285,000
Contribution from tax levy	41,459,000
Contribution from water/sewer rate	21,355,000
Other Revenues/Recoveries	81,894,000
Total Capital Budget	$882,514,000

2. The 2004 Regional Tax Supported Operating Business Plan and Budget, with a total gross expenditure of $709,945,000 and property tax funded expenditures of $514,951,000, as submitted in Attachment 1, be approved, with the following funding sources:

Tax Levy:		
- Regional operating programs	$233,235,000	
- Contribution to regional capital programs	38,233,000	
- Police Services	138,176,000	
- Other Special Purpose Bodies	105,307,000	
Total Tax Levy		$514,951,000
Subsidies/Grants		116,704,000
Reserve Funds		17,032,000
Other Revenues/Recoveries		61,258,000
Total Tax Levy Supported Budget		$709,945,000

3. The 2004 Regional Rate Supported Operating Budget with expenditures of \$134,576,000, be approved and that the Water Service Rate of 45.60 cents/m^3 and Wastewater Service Rate of 41.80 cents/m^3 be confirmed effective January 1, 2004, as approved by Council on October 16, 2003.

4. The proposed issuance of new debt financing up to the amount of \$430,285,000 as detailed in Attachment 3, be approved.

5. The 2004 proposed Regional Staff Complement shown in Attachment 4, be approved.

6. Regional staff be directed to undertake a comprehensive report by June 2004, establishing York Region's position on a new financial deal for municipalities for approval by Regional Council.

7. The Regional Municipality of York and local municipalities renegotiate the Court Services revenue sharing agreement for 2005 and thereafter with provisions for ongoing review and amendment, and staff be directed to report back to Finance and Administration Committee on governance options.

8. The following resolution be approved: Whereas many Regional services are partially funded by the Government of Ontario, and that erosion of this funding support has resulted in an increasing burden on Regional taxpayers, the Government of Ontario is requested to:

   a) Amend the *Development Charges Act* to enable York Region to recover transit growth related capital expenditures based on future service levels;

   b) Amend the *Development Charges Act* to reinstate growth related hospital capital expenditures as costs eligible for recovery from development charges;

   c) Rebate 100% of the Provincial Sales Tax paid by municipalities and their associated boards, committees and agencies;

   d) Allocate a portion of the existing provincial gas tax to municipalities on the basis of population in recognition of transit infrastructure and operating needs;

   e) Provide 50% funding for the actual cost of land ambulance services provided in York Region;

   f) Commit long-term, stable funding to address both the development of new affordable housing and the capital funding deficits of the existing social housing stock, and in the short-term, the Province match the federal contribution of \$25,000, guarantee indexed rent supplement funding for Community Rental Housing Program (CHRP) units;

   g) Continue to provide 100% funding after March 31, 2004 for the positions awarded by the Province for the purposes of monitoring and controlling infectious diseases, and enhancing the Region's ability to deal with surges in activity related to outbreaks of diseases;

h) Provide additional funding for Healthy Babies, Healthy Children program in order to achieve compliance with provincial standards and to relieve York Region taxpayers from subsidizing this program which was intended to be 100% provincially funded;

i) Provide detailed information to York Region to support ODSP invoicing, in order to allow prudent and effective budget planning and accountable management of tax levy dollars, and failing the provision of such information, the Province assume 100% funding for the administration of the provincially delivered Ontario Disability Support Program; and

j) Review the purpose of GTA pooling and seek to directly resolve LSR deficits with the City of Toronto, and to phase out GTA pooling through consultation with the affected GTA municipalities.

2. PURPOSE

The purpose of this report is to provide an update of the 2004 Regional Business Plan and Budget review process, and to present the 2004 Regional Business Plan and Budget for approval by Council.

3. 2004 BUSINESS PLAN AND BUDGET HIGHLIGHTS

3.1 2004 Tax Levy Overview

The proposed tax levy requirement of $514,951,000 represents a 6.3% increase, after assessment growth of 3.76%, or an approximate $91 increase per average household as summarized in Table 1 below.

Table 1
Regional Levy Impact

Key Budget Drivers	Regional Tax Increase	Average Increase per Household
Regional Programs:		
Transit	1.6%	$23
Health & EMS Services	1.2%	$17
Roads	1.1%	$16
Community Services & Housing	0.7%	$10
Other Regional Programs	0.1%	$1
Less : Assessment Growth	(3.76%)	($54)
Total Regional Programs	0.9%	$13
Police Services	5.0%	$73

GTA Pooling	0.1%	$1
MPAC	0.2%	$3
Conservation Authorities	0.1%	$1
Total	6.3%	$91

3.2 2004 Key Service Delivery Highlights

The following is York Region's key service delivery highlights for major program areas, as outlined in the 2004 Business Plan and Budget:

- Deploy 110 additional Police Officers and 35 additional civilian support staff to improve police visibility, increase traffic enforcement, increase the number of patrol vehicles, improve clearance rates, and decrease response times for emergency calls;
- Provide over 62,000 additional Transit revenue vehicle hours to support a projected increase of 2.1 million transit riders;
- Increase investment for new Roads construction
- Maintain 103 additional lane kilometres of roads and 46 new signalized intersections;
- Increase investment in roads resurfacing program to maintain York Region's high quality road condition;
- Treat and distribute nearly 118,000 megalitres of water to local municipal systems, a volume increase of 3.9% over 2003;
- Collect and treat over 115,500 megalitres of wastewater from local municipal systems, a volume increase of 3.7% over 2003;
- Manage approximately 11,000 additional tonnes of solid waste to service the Region's growing population;
- Provide over 9,300 new EMS vehicle service hours to be utilized during peak periods of call activity;
- Support the full year operation of 32 new long-term care beds at the Newmarket Health Centre and increase nursing levels at the Maple Health Centre;
- Contribute to York Region's continued high level of healthy living through additional Public Health resources for health promotion, disease prevention, food safety, health screening, and health education programs.
- Continue to focus on the prevention of the West Nile Virus in York Region, through continual assessment, education, monitoring and surveillance activities;
- Implementation of Council approved *Understanding Barriers: York Region's First Annual Accessibility Plan* in response to the *Ontarians with Disabilities Act 2001*;
- Provide financial and employment support to approximately 4,100 households through receipt of social assistance benefits;
- Provide Fee Assisted Child Care to nearly 54,000 full day equivalent spaces per month and Early Intervention Services to an average of 850 children per month;
- Manage and administer 6,214 social housing units throughout York Region;

- Provide court administration and prosecution services for residents of York Region, the nine Area Municipalities, and over 30 law enforcement and regulatory agencies operating within the Region of York;
- Provide a total of $5.8 million to Lake Simcoe Region Conservation Authority (LSRCA) and Toronto and Region Conservation Authority (TRCA) for water improvements, land conservation, education and the Oak Ridges Moraine Conservation Plan;
- Provide $7.3 million to fund new construction at the three regional-based hospitals.

4. BACKGROUND

The 2004 Regional Business Plan and Budget compiles departmental goals, business plans, strategic work initiatives, key performance indicators, budgetary needs and staffing recommendations in a consolidated corporate document.

4.1 Developing the 2004 Business Plan and Budget

4.1.1 Budget Framework

For 2004, all Regional Business Units prepared budgets according to the following requirements:

- Base: costs required to maintain the level of service offered in 2003 (salaries & benefits, utilities, and inflationary increases for contracted services);
- Mandatory/Legislative: uncontrollable costs imposed by others;
- Annualization: costs related to the full year impact of new programs and capital commitments introduced in 2003;
- Growth: costs required to maintain service at 2003 levels for the Region's increased population; and
- Enhancements: costs required for new services or enhanced service above the 2003 level.

4.1.2 Corporate Key Performance Indicators

York Region has undertaken further use of measures and benchmarks to develop an enhanced performance measurement framework. With the direction of the Chief Administrative Officer and Regional Treasurer, all service areas of the Region embarked on the development of key performance indicators (KPIs) to evaluate key service delivery mandates in four main categories:

- Service level: the number of units of service being delivered;
- Efficiency: the operational cost of a unit of service being delivered;
- Community Outcome: the effect of service delivery on the York region community at large; and
- Customer Service: the evaluation of service delivery performance to the direct user of the service.

This balanced approach to measurement will assist to maximize resource utilization and ensure that York Region services are being delivered to the community in an efficient and effective manner. By monitoring and benchmarking of these key indicators and sharing best practices both within and outside the corporation, it is expected that continuous improvement opportunities will be realized. It is anticipated that further development of these indicators will complement the financial progress reporting process for 2004.

4.1.3 Increased Emphasis on Capital Planning

As part of York Region's 2004 Business Plan and Budget process, further emphasis has been placed on capital planning, financing, delivery and evaluation. Ten-year capital plans have been summarized in a manner that exhibits the long-term needs and strategy for infrastructure expenditures. Capital projects and resource requirements are categorized as either a growth related need, an enhancement to existing infrastructure service level, or as a repair and rehabilitation need for the Region's asset inventory.

The Region's business units also provided a detailed description of each proposed capital project outlining the benefit to the community, all capital costs and financing sources, and any impact the capital project will have on future operating costs. In addition, each proposed capital project estimates contribution costs to capital reserves required to ensure the future repair and replacement of new capital assets.

4.1.4 Mitigating Base Budget Pressures

In addition to outlining 2004 resource needs, each of the Regional Business units were challenged to identify efficiencies and other cost/program reductions to mitigate base budget pressures related to wage increases, utility increases and inflationary increases for contracted service agreements.

Under the direction of the Chief Administrative Officer (CAO), all Departments undertook an examination of their budgets, with the goal of a 2% to 3% reduction in base budget expenditures. A total of $9.2 million in cost savings and reductions were identified to entirely offset 2004 base budget pressures, with minimal effect on service levels.

Following detailed reviews by the CAO and Treasurer in November/December of 2003, the Budget Review Committee comprised of the Regional Chair, the Chief Administrative Officer, the Commissioner of Finance and Treasurer reviewed departmental submissions.

4.2 Draft 2004 Business Plan and Budget January 22, 2004

The Draft 2004 Business Plan and Budget presented to Regional Council on January 22, 2004 summarized the Region's $1.7 billion budget mandate to deliver services for the upcoming year.

The consolidated draft 2004 Business Plan and Budget projected a net tax levy increase of 2.1%, after adjusting for assessment growth of 3.5%, for the delivery of services under the direct control of the Region. This proposed increase was consistent with December

2003 inflation indicators and included additional resources primarily for Transit, Solid Waste, Emergency Medical Services, Public Health and Long-Term Care as well as increased investments in the Roads capital program.

At the time of the proposal, the Police Services budget was under review by the Police Services Board and a preliminary tax increase of 5.6% was included in the presentation to Council. Other special purpose bodies, such as the Municipal Property Assessment Corporation (MPAC) and the Conservation Authorities, accounted for a 0.3% tax increase.

In total, the proposed net tax levy increase for 2004 after assessment growth was estimated at 8.0% on January 22, 2004, equivalent to approximately $116 per average York Region household.

5. ANALYSIS AND OPTIONS

The 2004 Business Plan and Budget summary presented to Council on January 22, 2004 outlined the resource requirements for the directly controlled regional departments and funding requirements for special purpose bodies, including an estimate for Police Services. Sections 5.1 to 5.13 below summarize budget related issues and proposed revisions since the January 22 presentation to Council.

5.1 Committee Reviews

The detailed 2004 Business Plan and Budget document was forwarded to all Standing Committees for their review in February 2004. The results of the review process are summarized in Table 2 below.

Table 2
Summary of Standing Committee Reviews

Committee	Date	Budget Recommendations
Transportation and Works (Roads, Solid Waste, and Water & Wastewater)	February 4, 2004	Recommended as submitted
Planning and Economic Development	February 4, 2004	Recommended as submitted, with request that staff report back on ways to fund up to $10,000 for the Alliance for a Better Georgina community mapping project
Health and Emergency Medical Services	February 5, 2004	Recommended as submitted

Community Services and Housing	February 11, 2004	Recommended as submitted
Transit	February 12, 2004	Request for further information on YRT Plan Priorities 1-5
	February 25, 2004	Rapid Transit budget recommended as submitted York Region Transit budget recommended with amendments outlined in Section 5.3 below
Finance and Administration	February 5, 2004	Deferred approval of the Conservation Authorities funding requests to F&A March 4, 2004 Request for Police Services to provide further budget details to F&A February 12, 2004
	February 12, 2004	Corporate support budget recommended as submitted Request for Police Services to report to F&A March 4, 2004 on the impacts of $2.5M, $5.0M, $7.5M & $10.0M budget reductions
	March 4, 2004	Police Services budget recommended with amended reductions of $2.7 million, outlined in section 5.14 below Conservation Authorities budget recommended with amendments outlined in Section 5.13 below

5.2 Finance and Administration Committee – March 11

Subsequent to standing committee reviews, the consolidated 2004 Business Plan and Budget was reviewed by the Finance and Administration Committee on March 11, 2004, and recommended to Council for approval with the following additional amendments:

1. Utilize $3.0 million GST tax levy savings to reduce 2004 budgeted program expenditures and therefore the tax levy by 0.6%. (additional details provided in section 5.11 below); and
2. Reduction of 6 new FTEs proposed for Infectious Disease Control in Public Health, resulting in a net tax levy reduction of $265,000 from the January 22 proposed budget. (additional details provided in section 5.7 below)

As a result of changes made to the draft 2004 Regional Business Plan and Budget since the January 22 presentation to Council, budget pressures have been further reduced by nearly $8.2 million, equivalent to a 1.7% reduction in total tax levy. The revised net tax levy budget for 2004 of $514,951,000 represents a 6.3% increase after adjusting for 3.76% assessment growth.

The Finance and Administration Committee reviewed a series of resolutions compiled by staff which reflected discussions at the standing committees. These resolutions summarize the need for the Government of Ontario to become more supportive of municipal programs particularly in the areas of human services and infrastructure including transit.

5.3 York Region Transit

On February 25, 2004 Transit Committee approved the 2004 Business Plan and Budget for York Region Transit with various amendments. These amendments, summarized below in Table 3, result in total additional expenditures of $21,200. Savings of an equal amount will be found in the Transit budget to offset this increase.

Table 3
2004 York Region Transit Budget Amendments

Proposed Amendments	2004 Budget Impact
Maintain the Holland Landing Route 52 schedule with no changes from 2003 service levels	$18,200
Addition of TTC Jane 35 Route with extension changes and deferral to November 2004	$120,000
Deferral to September 2004 of Rutherford/16th Ave. Route 85 extension to serve Vellore Village/Woods	($46,500)
Maintain schedule to 9:00 pm for Keswick Local Route 51.	$3,500
Maintain the Rutherford/16th Ave. Route 85 Saturday midday schedule at the current 30 minute frequency	$20,000

Implement Phase 2 of the Richmond Hill restructuring	($94,000)
Total cost of proposed amendments	$21,200
Offset savings found from within Transit budget	($21,200)
Tax levy impact of YRT adjustments	$0

5.4 Rapid Transit Subsidy

On February 19, 2004 Regional Council approved a mandate for Rapidco and authorized funding in the amount of $600,000 to be provided as part of the 2004 Regional Operating Budget. This represents an additional tax levy increase of $600,000 as no funds had been included in the draft 2004 Regional Business Plan and Budget presented to Council on January 22.

5.5 Solid Waste - Source Separated Organics

Implementation costs for the Solid Waste Source Separated Organics Program were originally estimated at $1.87 million, and were included in the 2004 Budget. These estimates were based on a full promotion and education program and a projected 15,000 tonnes of waste diverted annually from the Town of Markham. This project is scheduled to commence in the fall of 2004. It is anticipated that approximately 25% of the households in the Town of Markham will participate at that time.

Based upon the annualized impact of the anticipated 2004 participation in the Source Separated Organics Program (25% of 15,000 tonnes or 3,750 tonnes), the 2004 Budget has been reduced from $1.87 million to $650,000. This adjustment was endorsed by Finance and Administration Committee on March 4, 2004 and results in a $1.2 million reduction to the 2004 Regional tax levy.

A separate report to Council will be brought forward detailing the future scheduling of the Source Separated Organics initiative and the participation of area municipalities. Ramp up of the Source Separated Organics Program will result in additional growth budget pressures in 2005.

5.6 West Nile Virus Program

In 2003, $997,500 for West Nile Virus activities was funded through contingency reserves. This amounted to the majority of the regional costs that the Province of Ontario did not subsidize. For 2004, the Regional Budget presented to Council on January 22 included this $997,500 as an additional tax levy increase as it was understood that the Region's West Nile Virus activities would be ongoing in future years.

Subsequent information suggests that the West Nile Virus will not be an ongoing pressure for future years. The 2004 Regional Budget has been revised to continue funding the additional costs related to the West Nile Virus budget through contingency reserves.

This adjustment was endorsed by Finance and Administration Committee on March 4, and results in a $997,500 reduction to the 2004 Regional tax levy.

5.7 Reduction of Provincial Subsidy for Infectious Disease Control

On December 11, 2003 Regional Council approved the hiring of temporary full-time employees for York Region Health Services' Infectious Diseases Division. Although these positions are fully funded by the provincial government to March 31, 2004, the Province has indicated it will no longer fund these positions at 100% after that time.

The proposed 2004 budget presented to Council on January 22, 2004 included 6 new permanent full-time employees to continue these infectious disease activities, funded only 50% by the Province after March 31. On March 11, 2004 the Finance and Administration Committee recommended that the 2004 budget be amended to remove these 6 full-time positions until such time that 100% provincial funding be provided on a permanent basis. This adjustment will result in a $267,400 reduction to the 2004 Regional tax levy.

5.8 New Child Care Funding

On January 7, 2004 the Ontario Minister of Children's Services announced that the Ontario government will strengthen child care and early learning by making $9.7 million in Federal funds available to child care operators, through their municipal managers. The $9.7 million is to be shared proportionally with licensed non-profit day care centres across the Province that serve children under age six. This funding is a one-time subsidy and requires licensed child care operators to use funds for safety improvements and new equipment.

It is estimated that $753,000 will be available to support the 7,269 licensed non-profit child care spaces in York Region for children under six. There is no tax levy impact as the funds to be distributed are fully provided by the Province of Ontario.

5.9 Asian Longhorned Beetle Program

In September 2003, the first Asian Longhorned Beetle (ALHB) outbreak in Canada was identified in the City of Vaughan. York Region's commitment to eradication of the ALHB will result in the need for resources in 2004, to be included in the Forestry program of the Roads Transportation Budget.

As recommended by Council on November 20, 2003 the 2004 Regional Budget has been revised to include expenditures of $210,000 to be funded from the General Capital Reserve. This adjustment will result in no additional impact to the 2004 tax levy. It is anticipated that the Region may recover these funds from the Federal government.

5.10 Updated Information on Assessment Growth

Subsequent to the 2004 Budget presentation to Council on January 22, 2004, final information was received from the Municipal Property Assessment Corporation confirming that York Region's assessment growth for 2003. This growth equates to

3.76% or regional revenues of $17.67 million, which is $1.17 million higher than original estimates.

5.11 GST Rebate from Federal Government

On February 3, 2004 Prime Minister Paul Martin announced a full rebate of the Goods and Services Tax (GST) for all municipalities, effective February 1, 2004. Prior to this announcement municipalities had historically received a partial 4% rebate, thereby paying a net amount equivalent to 3% tax for the purchase of goods and services. With the full rebate, the Region will no longer have to pay the 3% tax.

It is estimated that the Prime Minister's announcement will result in an overall tax levy savings of $3.0 million to the Regional 2004 Business Plan and Budget as outlined in Table 4 below.

Table 4
Estimated Impact of Proposed GST Rebate on 2004 Regional Budget

Impact	Estimated Savings
Impact on Region Programs:	
Tax Levy	$3.0 million
User Rates	$0.8 million
Capital (from DCs)	$5.2 million
Total Impact on Regional Programs	$9.0 million
Plus: Impact on Tax Levy (Police)	$500,000

It was recommended by Finance and Administration Committee on March 4, 2004 that GST savings of $500,000 be utilized to reduce the tax levy impact of the 2004 Police Services Budget.

Discussions took place at the March 11, 2004 Finance and Administration Committee as to the various options to utilize the $3.0 million tax levy savings resulting from Regional program expenditures. The options discussed include:

- utilize the entire $3.0 million GST savings to reduce budget expenditures and therefore a reduced tax levy impact equivalent to 0.6%;
- re-invest $1.0 million of the GST savings into additional Transit/Roads enhancements for 2004, and use the remaining $2.0 million savings to reduce the tax levy impact 0.4%;
- re-invest all of the $3.0 million GST savings into Regional infrastructure either through increased projects in 2003 or as a reserve contribution for future infrastructure needs; and

- re-allocate a portion of the GST savings to specific program enhancements that were not included in the original 2004 Draft Budget submission to Council on January 22, and pass the remaining savings as a tax levy reduction.

A motion was passed recommending that the entire $3.0 million in GST tax levy savings from Regional program expenditures be passed on to the Regional taxpayer by reducing the tax levy impact by 0.6%, equivalent to about $9 per average Regional household.

It should be noted that the 2004 Regional budget already includes funds for increased investment in transit and roads construction and resurfacing. The GST savings contribute to the Region's increased investment in these areas.

5.12 GTA Pooling

Subsequent to the 2004 Budget presentation to Council on January 22, 2004, York Region received additional information from the Province of Ontario indicating that GTA Pooling costs would increase in 2004 to almost $79.5 million from the $78.8 million amount budgeted in 2003. At the time of the January 22 Budget presentation no additional impact for GTA Pooling was included for 2004.

At the March 4, 2004 meeting of Finance and Administration Committee, it was proposed that the 2004 Budget for GTA Pooling be adjusted to include this additional budget pressure of $688,000.

5.13 Conservation Authorities

As directed by Finance and Administration Committee on February 5, further meetings between the Conservation Authorities and York Region staff have taken place since the preliminary 2004 Budget proposal on January 22, in an attempt to find reductions to the York Region tax levy. As a result of this dialogue, the Lake Simcoe Region Conservation Authority (LSRCA) has reduced their tax levy funding request by $96,465, through increased fee revenue projections for 2004.

In addition, further discussions have taken place between the LSRCA and York Region staff in regards to funding for additions and office renovations to the LSRCA Administration Centre. These funding requirements will have an impact on the 2005 budget. A separate report regarding this project will be brought forward to F&A Committee.

At the February 5 presentation to Finance and Administration Committee, the Toronto and Region Conservation Authority (TRCA) requested consideration for an additional $120,000, not included in the proposed 2004 Budget, for well rehabilitation at the Kortright Centre in Vaughan to meet requirements under the *Safe Drinking Water Act*.

Through further consultations with York Region staff, the TRCA agreed to reduce their request to the Region by $30,000, and that one time funding of $90,000 for this project be accommodated. Natural Hazard Mapping projects in the amount of $90,000 will be transferred to the Regional water rate budget, freeing up $90,000 to fund the Kortright project within the tax levy requirement presented to Finance and Administration Committee on February 5, 2004. The impact of these adjustments will be to increase capital funding from the water rates in 2004 by $90,000 for this one time requirement. This was endorsed at the Finance and Administration Committee meeting of March 4, 2004.

5.14 Police Services

York Regional Police presented their 2004 Business Plan and Budget, as recommended by the Police Services Board, to Finance and Administration Committee on February 5, 2004. Committee requested additional budget details from Police Services to be brought forward at a special meeting on February 12, 2004. Following these discussions a motion was carried requesting Police Services to detail service impacts of incremental budget reductions of $2.5 million, $5.0 million, $7.5 million and $10.0 million, and report to Finance and Administration Committee on March 4, 2004. On March 4 the Finance and Administration Committee recommended to Council the 2004 Police Services Budget with amended reductions of $2.2 million for salary gapping and $0.5 million for projected GST savings. These amendments have no impact on the proposed 2004 Police Services staffing plan and service delivery priorities as presented to Finance and Administration Committee on February 5, 2004.

The 2004 Police Services Budget proposes gross expenditures of $158.8 million with a net tax levy impact of $138.2 million and includes 110 additional sworn officers and 35 additional civilian support staff to improve police visibility, increase traffic enforcement, and the number of patrol vehicles, improve clearance rates, and decrease response times for emergency calls. This represents a $23.3 million net tax levy increase over 2003.

6. FINANCIAL IMPLICATIONS

6.1 Budget Revisions

The proposed tax levy requirement presented to Council on January 22, 2004 of $521,671,000 represented an 8.0% increase, after assessment growth equivalent to 3.5%, or an approximate $116 increase per average household.

Subsequent to the January 22 presentation the Region has received policy and information updates that will have impacts on the 2004 Regional Business Plan and Budget. The impacts of these changes are summarized in Table 5 below.

Table 5
Summary of Updates to 2004 Budget since January 22, 2004

Budget Updates	Budget Impact	Tax Levy Impact	Revised Tax Impact
Regional Programs:			
2004 Budget pressures, January 22	$10,138,500	2.1%	
Budget Updates:			
Rapidco corporate administration	$600,000	0.1%	
Phased implementation of Source Separated Organics	($1,224,000)	(0.25%)	
West Nile Virus	($997,500)	(0.2%)	
Reduction of 6 FTEs for Infectious Disease Control due to reduced Provincial subsidy	(267,400)	(<0.1%)	
Confirmation of assessment growth	($1,174,000)	(0.25%)	
Estimated GST savings	($3,000,000)	(0.6%)	
Total Changes	($6,062,900)	(1.2%)	
2004 Budget Pressures, March 25	**$4,075,600**		**0.9%**
Special Purpose Bodies:			
2004 Budget pressures, January 22	$1,351,000	0.28%	
Budget Updates:			
LSRCA reductions	($96,465)	(0.02%)	
GTA Pooling increase	$688,000	0.15%	
Total Changes	$591,535	0.13%	
2004 Budget pressures, March 25	**$1,942,535**		**0.4%**
Police Services:			
2004 Budget pressures, February 5	$26,007,000	5.6%	
Budget Updates:			
Reduction for salary gapping	($2,200,000)	(0.5%)	
Estimated GST savings	($500,000)	(0.1%)	
Total Changes	($2,700,000)	(0.6%)	
2004 Budget pressures, March 25	**$23,307,000**		**5.0%**

Budget Updates	Budget Impact	Tax Levy Impact	Revised Tax Impact
Total Revised 2004 Budget pressures, March 25	**$29,325,135**		**6.3%**

After including the recent updates, the 2004 Regional Business Plan and Budget reflects:

- a net tax levy increase of 0.9%, after adjusting for assessment growth of 3.76%, for the delivery of services under the direct control of the Region;
- a 0.4% tax increase attributable to increased Regional funding of other special purpose bodies (GTA Pooling, MPAC, Conservation Authorities); and
- a 5.0% tax increase for Police Services.

In total, the proposed net tax levy increase for 2004, after assessment growth, is 6.3% or an approximate $90 increase per average York Region household.

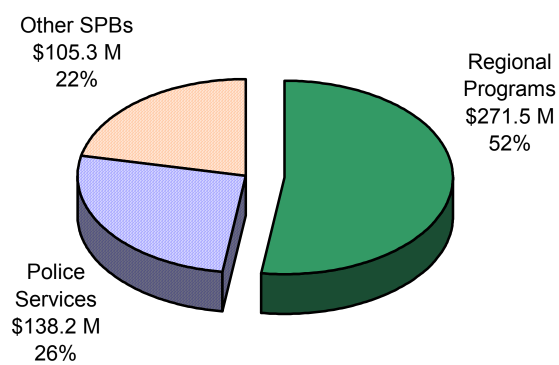
6.2 Tax Supported Budget

Nearly 50% or $844.5 million of the $1.7 billion 2004 Regional gross expenditure budget supports operating programs for Regional services. The majority of operating expenditures ($709.9 million) are funded through the Tax Supported Budget. The remaining $134.6 million in operating expenditures for water and wastewater services are funded through the Rate Supported Budget.

The Region's $709.9 million operating budget is funded 72% or $515.0 million through the Regional portion of levied property taxes, with the remaining 28% or $194.9 million funded by other sources such as subsidies, grants, user fees and other revenues.

Regional programs, expenditures for which the Region has direct control, account for only 52% or $271.5 million of the total $515.0 million net tax levy. Indirectly controlled services such as Police Services account for 26% or $138.2 million and funding to other special purpose bodies (SPBs) such as GTA Pooling, Conservation Authorities, and MPAC account for the remaining 22% or $105.3 million.

2004 Tax Supported Budget
Net Tax Levy $515.0 Million



6.3 Rate Supported Budget

The costs of Regional Water and Wastewater services are recovered through a uniform wholesale rate charged to area municipalities. The water and wastewater rate is made up of three components – general operations, debenture interest and principal payments and a capital contribution.

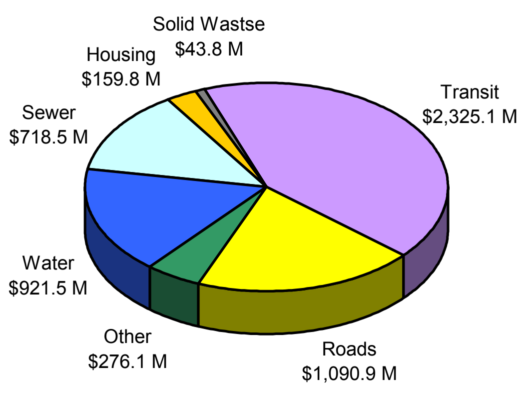
The 2004 Regional budget for water/sewer rate supported programs total $134.6 million. Gross budgets for Water and Wastewater are included in the 2004 Business Plan and Budget. The uniform Water and Wastewater Services Rates for 2004 are 45.60 cents per cubic metre and 41.80 cents per cubic metre respectively. This represents a 5% increase over the 2003 rates and was effective January 1, 2004. To facilitate budgeting and planning for local municipalities within York Region, Council approved these rates on October 16, 2003.

Further increases will be necessary in future years, primarily to offset rising inflationary costs and to address legislative changes. As well, further increases will be required to offset increased rehabilitation costs of ageing facilities and provide sufficient funds to finance the non-growth component of capital program. A full review of water and wastewater future rate impacts will be undertaken by the Region in 2004.

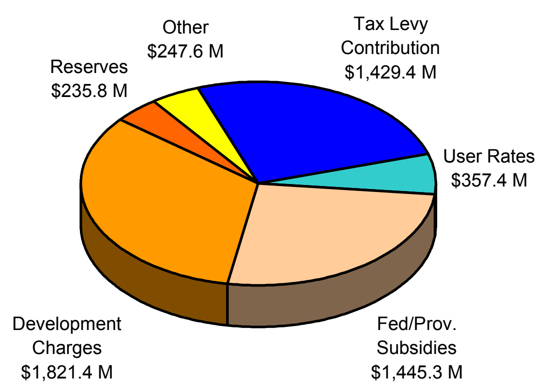
6.4 Regional Capital Program

To meet future infrastructure demands, $5.5 billion in capital expenditures have been forecasted over the next 10 years. The following graphs outline forecasted capital expenditures and anticipated funding sources projected in the 2004 to 2013 time period.

10-Year Capital Expenditure Forecast
$5.5 Billion



10-Year Capital Funding Sources Forecast
$5.5 Billion



The 2004 Regional Capital Program gross expenditures of $882,514,000 are summarized in Attachment 2. Specific projects are discussed in detail in the 2004 Capital Business Plan and 10-Year Forecast.

Capital expenditures for Transportation and Works account for $812.7 million or 92% of the 2004 Regional Capital Program. Health Services account for $16.0 million or 1.8%, Community Services and Housing for $10.8 million or 1.2%, and others areas (such as Police Services and Property Services) for $43.0 million or 5.0%.

6.5 Regional Staff Complement

The proposed 2004 staff complement of 3,474.1 full time equivalents (FTEs) shown in Attachment 4 includes 145.0 new FTEs for Police Services. Also included are 109.4 new FTEs for Regional programs, with 25.5 FTEs in Long Term Care (70% funded through subsidies), 7.0 FTEs for cost-shared Public Health programs (50% funded through subsidies), and 16.3 FTEs for Healthy Babies/Healthy Children Program (100% funded through subsidies).

6.6 Debt Financing

Debt financing of up to $430,285,000 is projected for the 2004 Capital Program. Debt will be issued for terms up to 20 years. Forecasted debt requirements for specific capital projects are summarized in Attachment 3.

6.7 Reserve Fund Strategy

The 2004 Business Plan and Budget incorporates information regarding 2003 year-end reserve fund balances. Supplementary tax revenues received in 2003 and other departmental operating surpluses are contributed to the Region's reserves in accordance with policies approved by Regional Council.

By year-end 2003 the Region’s reserve balances are expected to total approximately $886.2 million with $472.0 million held in Development Charges Reserve and $414.2 million in other reserves. A separate report to Council will be brought forward detailing reserves balances, investments options and contribution levels needed to maintain adequate future reserves.

6.8 Preliminary Outlook for 2005 and 2006

The preliminary outlook for 2005 and 2006 estimates Regional budget pressures, net of subsidies and other revenues, of approximately $63.5 million and $65.1 million respectively. These pressures will be partially offset by anticipated assessment growth of 3.5%, for a forecasted tax increase of 8.8% in 2005 and 7.7% in 2006.

Future program funding decisions from senior levels of government may have additional impacts on this preliminary forecast. Additional downloading or reduced subsidies may create further budget pressures, whereas increased program funding from the Provincial or Federal governments may mitigate future budget pressures.

York Region will continue to review programs for efficiencies and cost reduction opportunities in an effort to minimize budget pressures in the outlook years.

6.9 Allocated Support Costs

The Region of York has developed a methodology to allocate corporate support costs. This methodology is consistent with that of the Ontario Municipal CAO’s Benchmarking

Initiative. Under this methodology, significant components of costs from corporate support departments (such as Human Resources, Finance, Property Services and Information Technology) are allocated to direct service areas. Certain costs for corporate management, and governance and political support, which are not directly or indirectly attributable to service delivery, remain unallocated.

Attachment 5 presents the 2004 Budget showing the fully allocated corporate support costs. The full cost allocation will be utilized for program control, FIR financial reports, and for the purposes of Provincial subsidy. For Regional service areas receiving provincial funding, allocated corporate support costs are eligible for subsidy.

7. LOCAL MUNICIPAL IMPACT

The Region provides essential services to an estimated 860,000 residents and over 25,000 businesses in York Region. The challenges to meet growing demands for increasing and improving service delivery is addressed through the goals and work objectives of the Region's business units. A thorough examination of resource needs and the ongoing search for options to mitigate budget pressures has been conducted.

8. CONCLUSION

The proposed 2004 net tax levy budget is $514,951,000. This represents a 6.3% increase in the net regional tax levy after adjusting for assessment growth.