2012 Business Plan and Budget

Presentation to Finance and Administration Committee

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December 1, 2011

Share of the Tax Dollar Under Discussion Today

	$
Police	0.31
Transportation Services	0.23
Community & Health Services	0.18
Asset Replacement	**0.06**
Waste Management	0.05
Special Purpose Bodies	**0.04**
Corporate Services	**0.04**
Finance & IT Services	**0.03**
Other Corporate Management	**0.02**
GTA Pooling	**0.02**
York Region Rapid Transit Corporation	0.01
Regional Planning	0.01
	1.00

Outline

- 2012 Reserves
- Finance Department
- IT Services
- Other Items
- Next Steps

Reserves

Key Elements Of Fiscal Strategy

- Cautious and prudent revenue forecasting
- Creation of a Fiscal Stabilization Reserve
- Approved water and wastewater rate increases to address reserve deficits
- Careful management of expenditure pressures and risks
- Continued building of reserves to preserve the Region's high credit rating, manage future pressures and save for capital replacement
- Improvements to the capital budgeting process to ensure that debt is managed in compliance with the Annual Repayment Limit regulations

Reserves are an integral component of the Region's multi-year fiscal strategy

Decision Points With Respect to Increased Reserve Contributions

- Does the Committee wish to consider increased contributions to either the Fiscal Stabilization Reserve or the Capital Asset Replacement Reserve?
- The tax levy increase recommended to Council is currently 1.8%

Reserve	2012 Budget ($M)	Potential Increase ($M)	Tax Levy Impact %	Total Tax Levy Increase %
Fiscal Stabilization	8.1	5.1	0.6	2.4
Capital Asset Replacement	7.9	7.9	1.0	2.8

GTA Pooling Upload Coming To An End

Incremental Net Tax Levy Savings due to Provincial Uploads

$ Millions

Source	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Total
GTA Pooling	5.6	13.2	13.2	13.2	13.2	13.2	13.2	0	0	0	0	0	84.8
ODSP		1.3	2.9	6.7	11.4	0	0	0	0	0	0	0	22.3
Ontario Works*			0	0.3	0.3	0.9	1.7	1.6	1.7	1.7	1.9	1.8	11.9
Court Security**			0	0	0	0.7	0.8	0.7	0.7	0.7	0.7	0.7	5.0
Totals	5.6	14.5	16.1	20.2	24.9	14.8	15.7	2.3	2.4	2.4	2.6	2.5	124.0

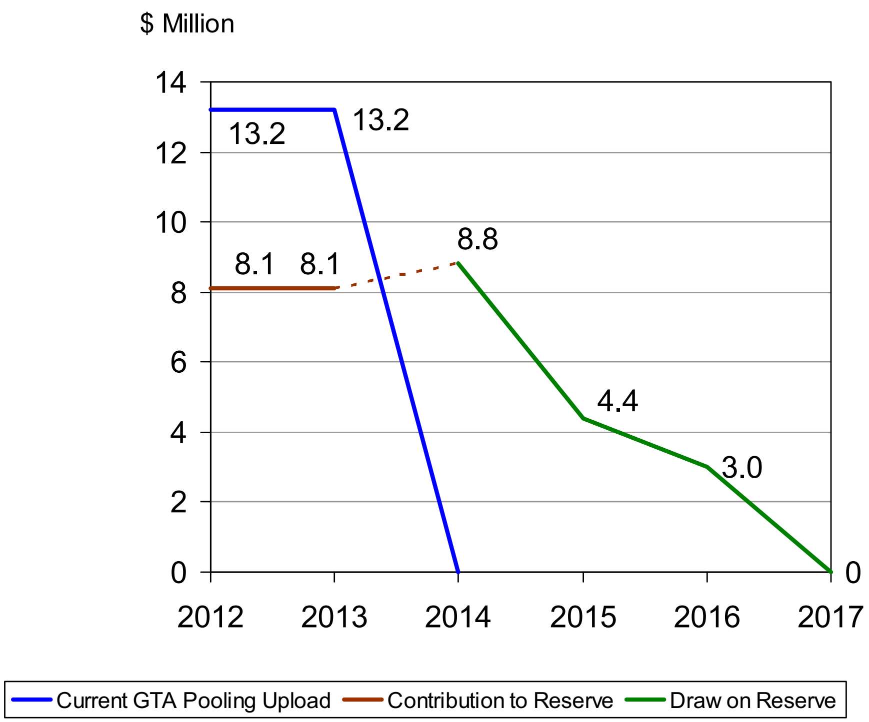
*Ontario Works estimates reflect 2011 budgeted caseloads, rates and cost per case

**No additional information at this time from the Province. It is therefore not included in the budget

Creation Of A Fiscal Stabilization Reserve

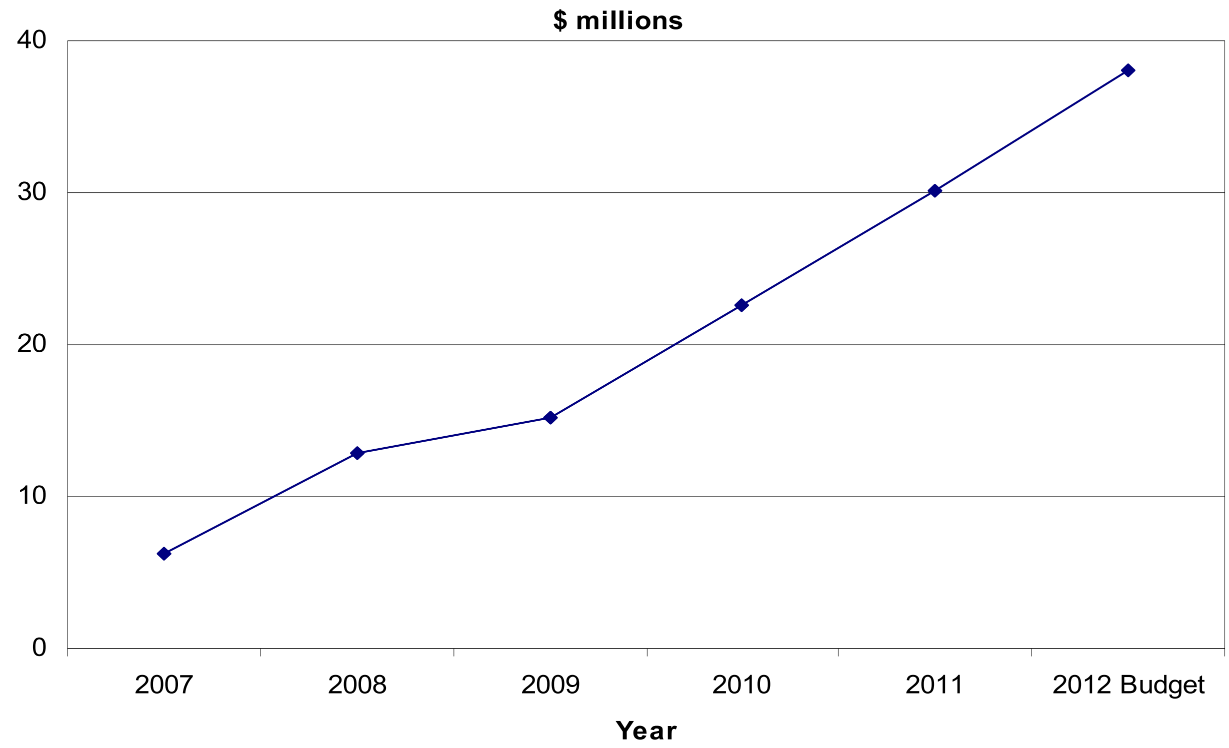
- To manage the transition to a post-GTA pooling environment, the Budget includes a new Fiscal Stabilization Reserve

- The Reserve would be funded through contributions in each of 2012 and 2013. It would then be drawn down in the 2014 to 2016 period, as determined by Council



With the end of the GTA pooling upload, spending growth will need to moderate after 2013 to maintain past levels of tax increases

Growth In Capital Asset Replacement Reserve Contribution



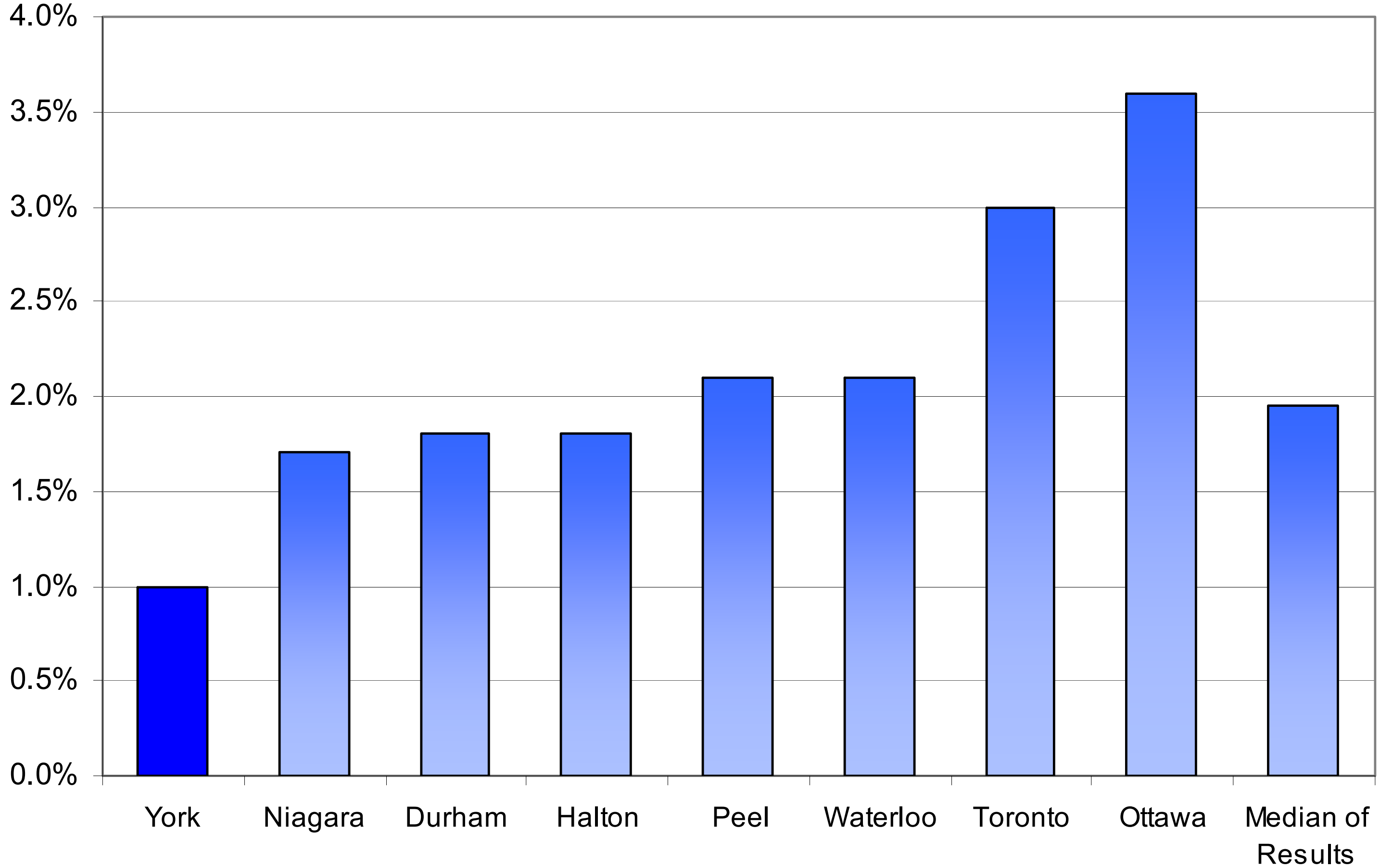
The contribution to the Capital Asset Replacement Reserve is increasing by 1.0% of the tax levy annually

Finance Department Budget

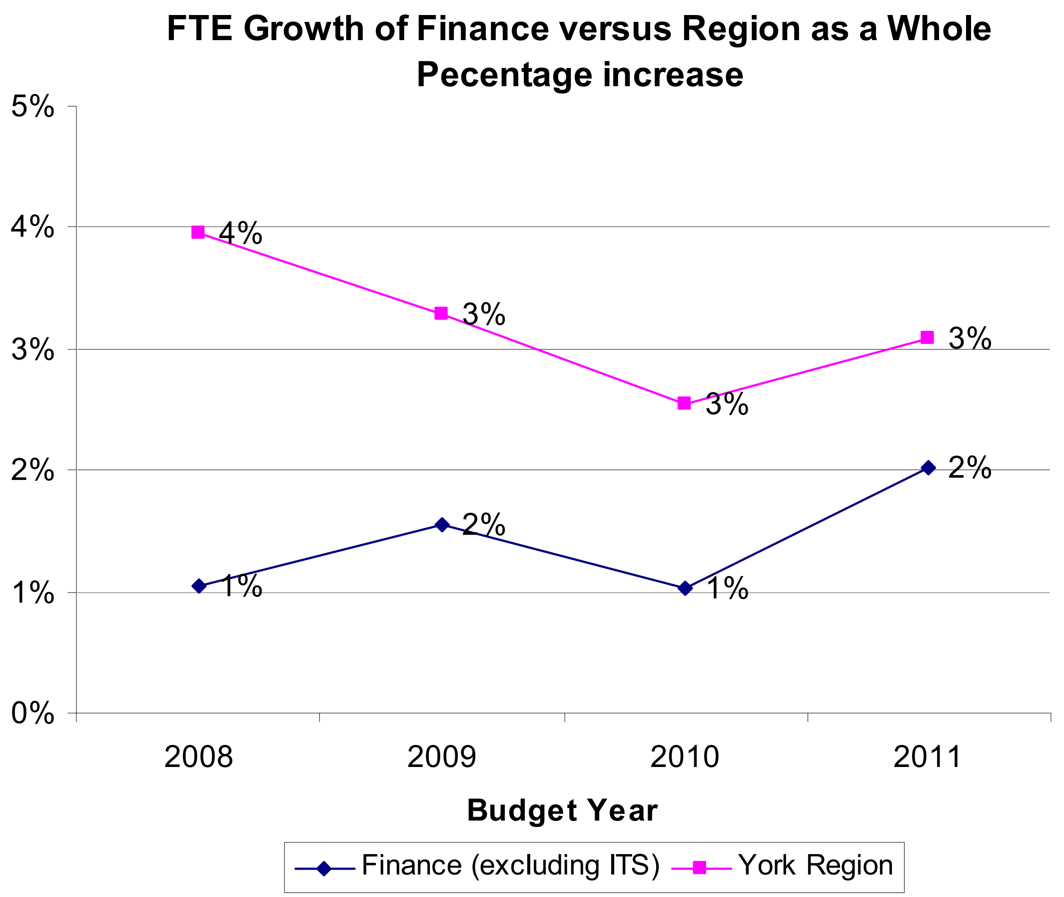
The Finance Department is Requesting Additional Staffing to Improve Its Analytical Support To Council

- Aside from funding to deal with base pressures, the Finance Department's primary request is for additional staffing (6.5 positions)
- There are two main rationales supporting the request:
  - The Region is now at a stage of organizational development where more investment in corporate management functions is needed
  - Finance is facing increasing demands that require significantly improved analytical capacity

Operating Costs for Governance & Corporate Management as a Percent of Total Municipal Operating Costs for 2010



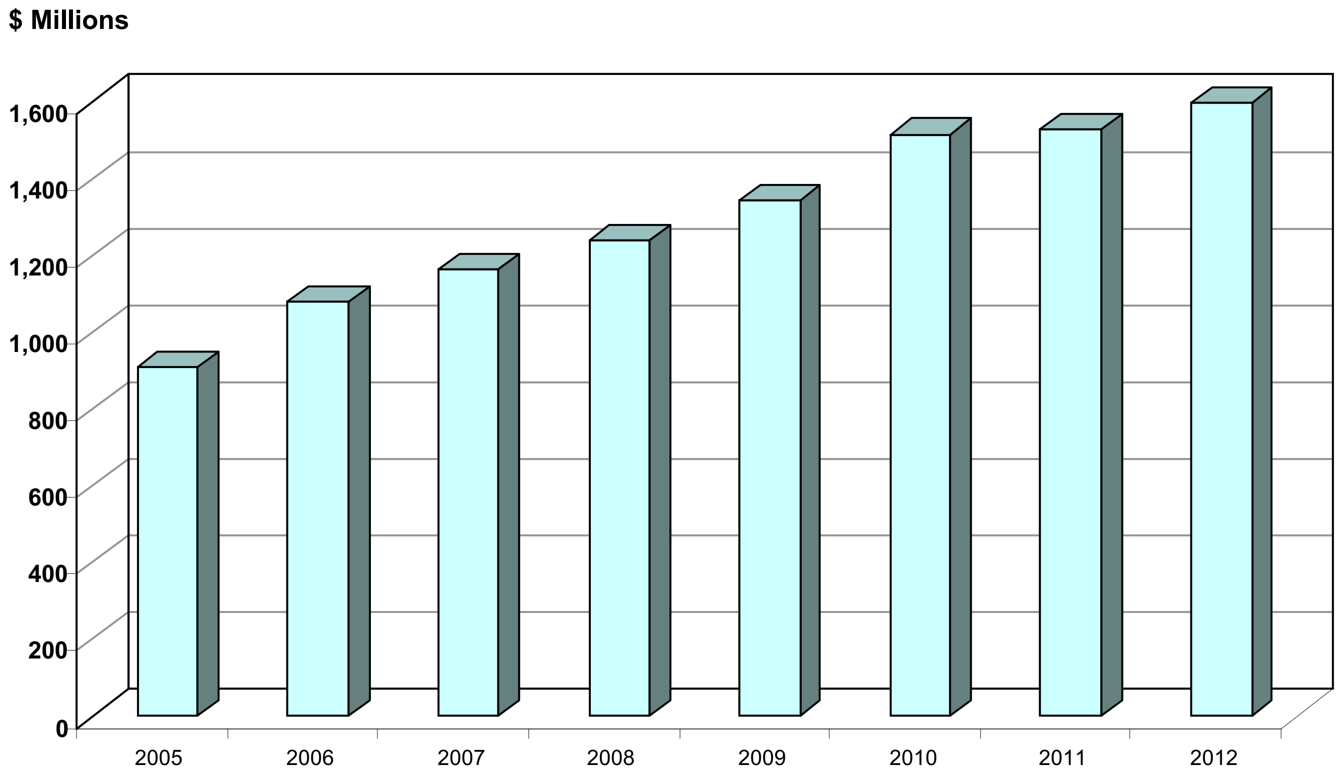
Finance Staffing Levels Have Been Growing More Slowly Than The Region As A Whole



Finance Department is Facing New and Increased Demands

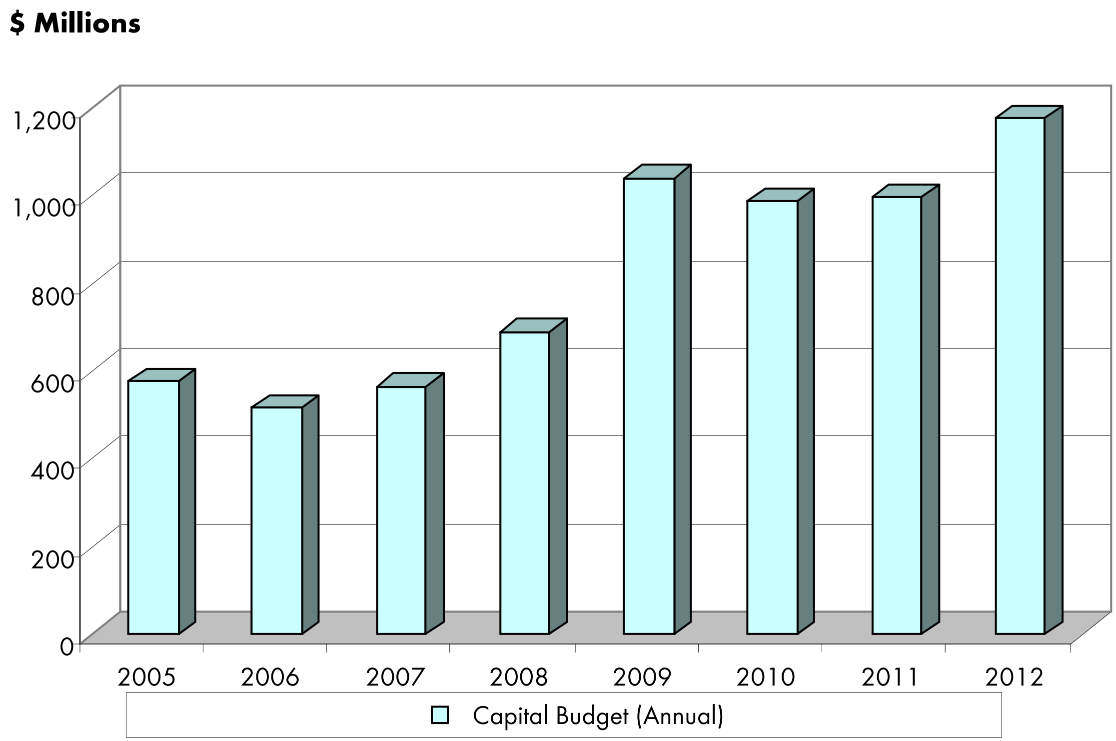
- Significant increase in debt to support the implementation of the ten year capital plan
- Compliance with the new Annual Repayment Limit (ARL) Regulation
- The need for an active investor relations program and prudent financial management to maintain a high credit rating
- Large, growing and numerous reserves that must be managed to achieve good investment returns, meet near-term expenditure needs and ensure adequate resources for future rehabilitation and replacement of Regional infrastructure
- Reliance on growing development charge revenue, both to pay off debt and to increase the Annual Repayment Limit so that the necessary debt can be issued
- Need to strengthen analytical and revenue forecasting capacity (including development charges)

2012 Operating Budget Is At A Record $1.6 Billion



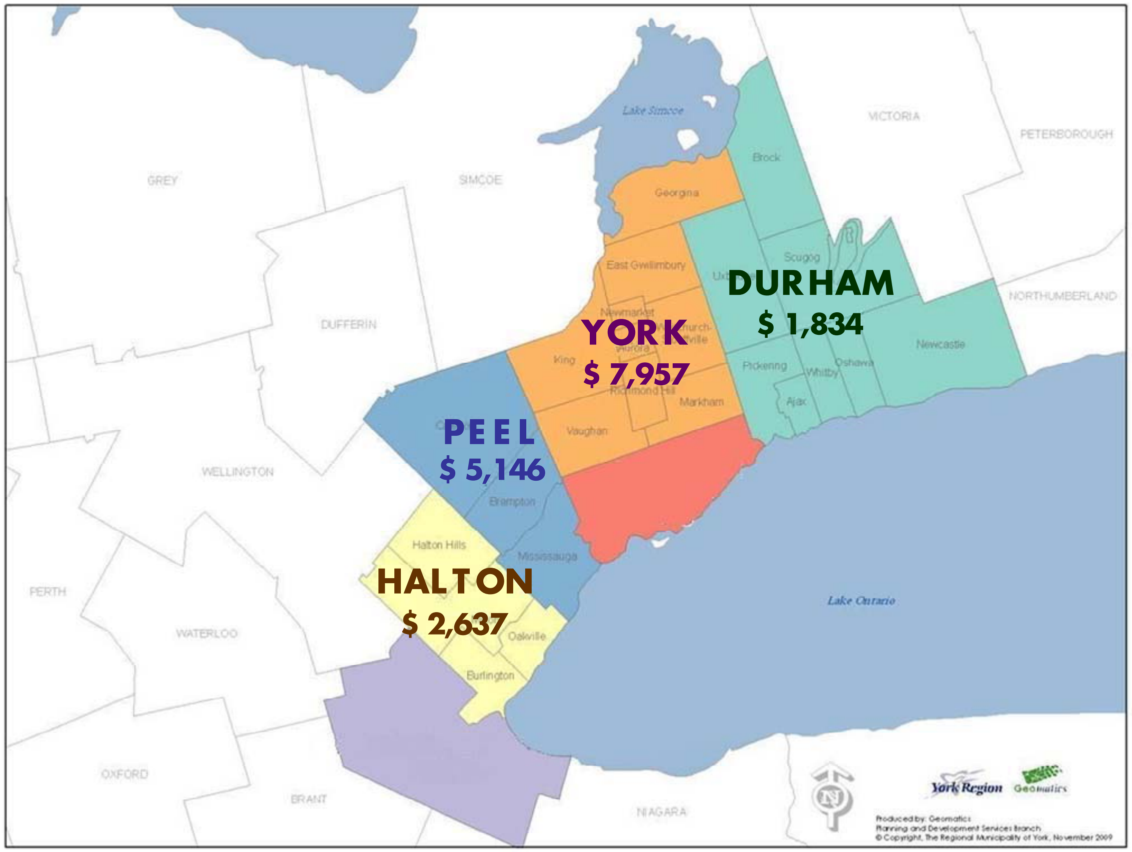
The operating budget has been growing to accommodate population increases and improve services

2012 Capital Budget Is At A Record $1.2 Billion



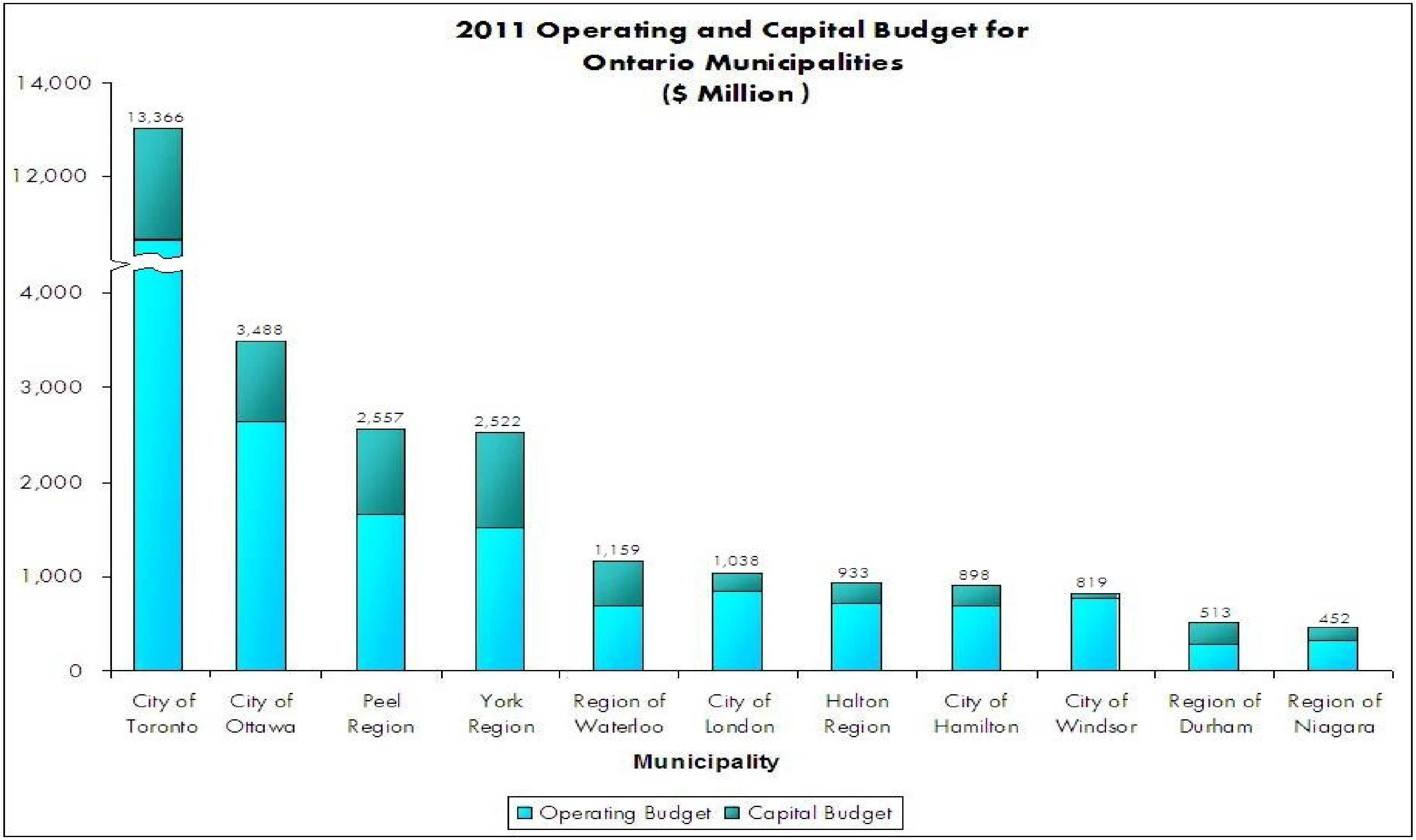
Increasing capital investment is required to support growth in the Region

York Region's Ten-Year Capital Plan is the Largest Among the GTA's 905 Regions



* All figures are in millions
Figures reflect 10 year capital plans, except Durham, which is 5 years

York Region's 2011 Budget Was The Fourth Largest in Ontario

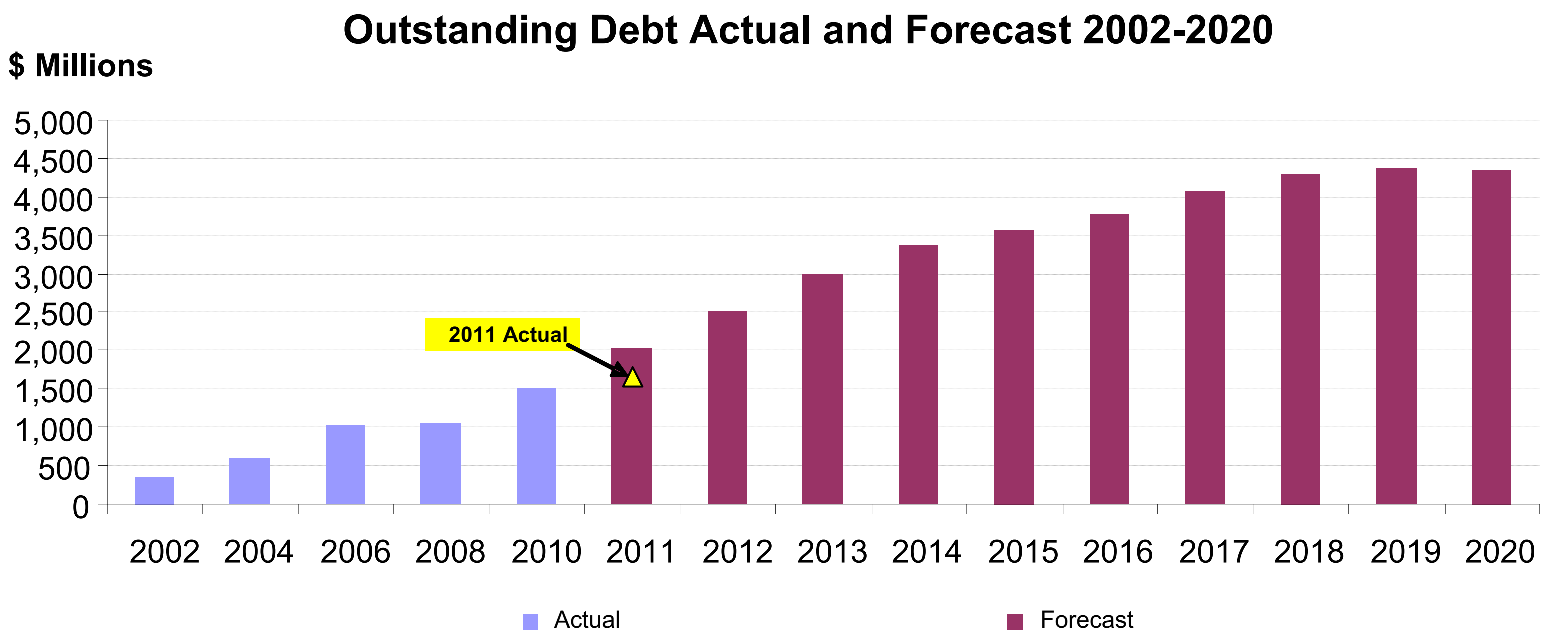


New Annual Repayment Limit Regulation Enacted For York Region

- In June 2011 the province amended the Annual Repayment Limit regulation under the *Municipal Act* to allow York Region to include 80% of its average development charge collections over the last three years in its ARL calculation

- The new regulation requires two main things of the Region:
  - A Long-Term Debt & Financial Obligations Management Plan must be adopted or affirmed by Council as part of each annual budget
  - The Region must maintain a high credit rating

Debt Will Rise To Support New Infrastructure and Growth



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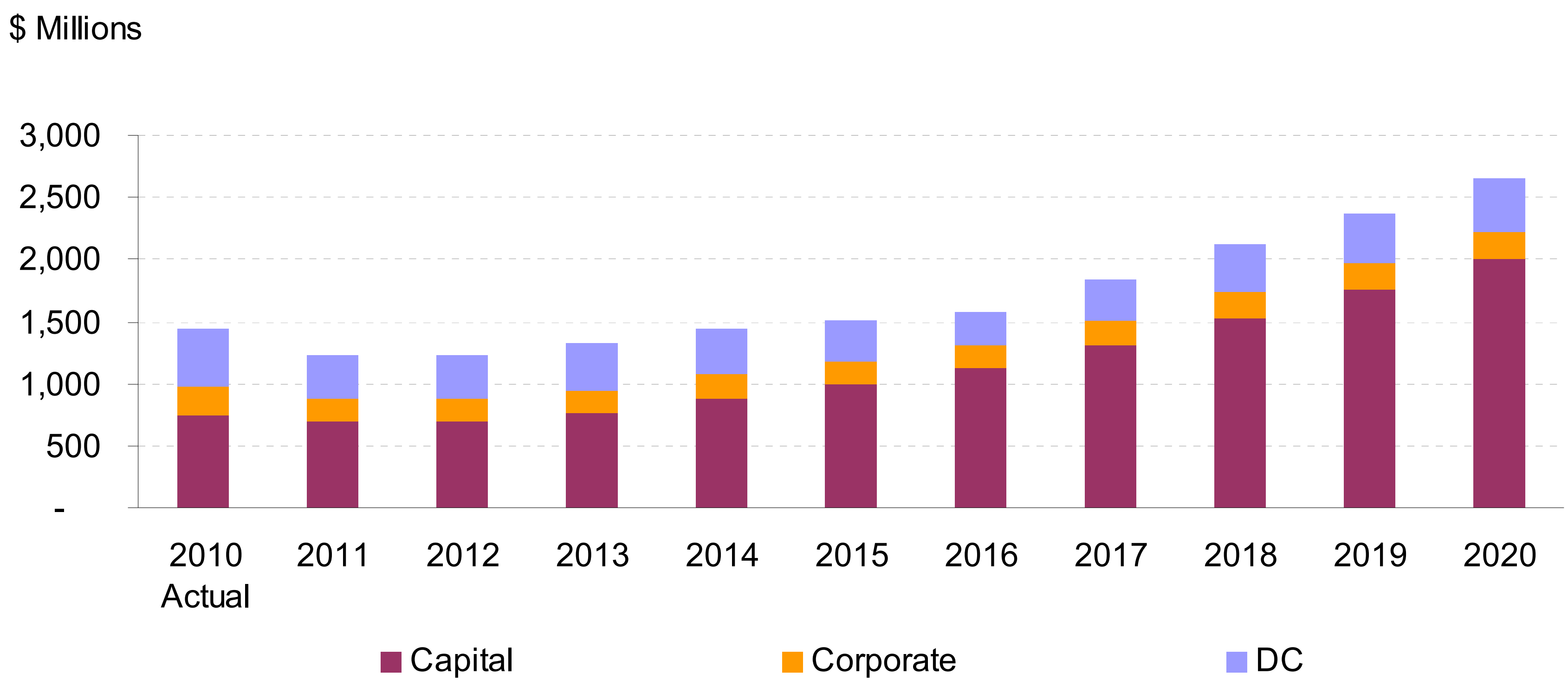
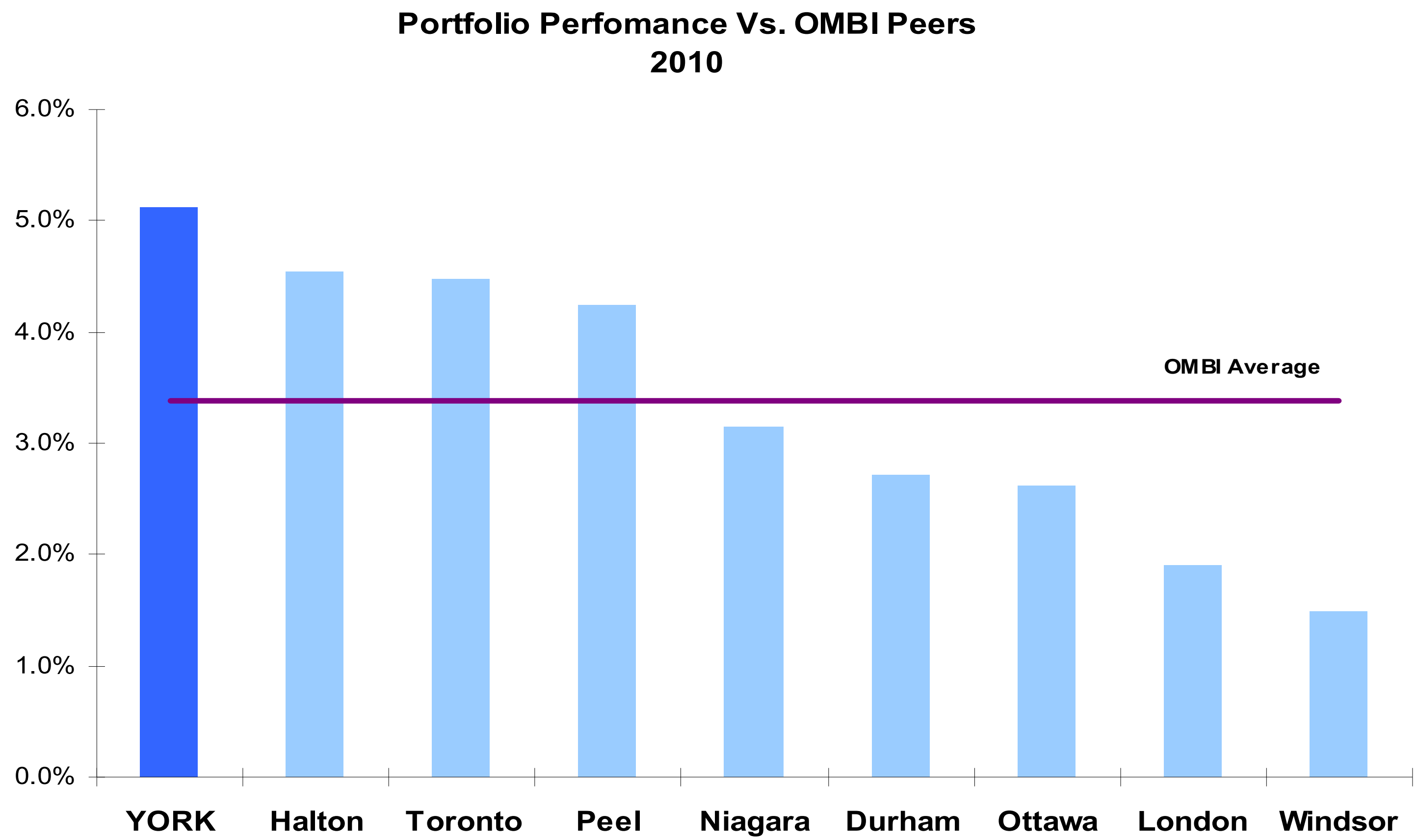
High And Growing Reserve Balances Support The Credit Rating



York Region has healthy reserve balances

The Region Actively Invests To Earn Good Returns



The Region has had the highest investment returns among its OMBI peers in each of the last 3 years

Staffing Request To Increase Fiscal And Debt Management Capacity

Purpose of new staff would be:

1. ARL regulation compliance and new annual debt management plans
2. Better oversight and management of reserves
3. Improved DC and other revenue forecasting
4. Multi-year fiscal planning
5. Improved capital budgeting
6. Inter-jurisdictional budget and fiscal analysis
7. Corporate expenditure management analytics
8. Improved fiscal pressure and risk analysis
9. Analysis of specific fiscal and expenditure issues (i.e., hospital funding)

3.5 staff in Business Planning & Budgets and 3.0 staff in Policy, Risk and Treasury

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1 Manager, Fiscal Policy

1 Senior Policy Advisor

1 Senior Economist

1 Economist

2 Finance & Reserve Specialists

0.5 Senior Budget Advisor

Finance: Changes to Net Expenditures

	$ M	%
2011 Net Operating Budget	9.4	
Enhancements	0.0	0.0
Growth	0.5	5.7
Annualization	0.0	0.0
Mandatory/Legislative	0.0	0.0
Base/Reductions/Efficiencies/ Cost Savings	0.8	7.5
Increase/(decrease)	1.3	13.2
2012 Net Operating Budget	10.7	

The proposed 2012 Net Operating Budget is $10.7M

Information Technology Services

Information Technology Services: Changes to Net Expenditures

	$ M	%
2011 Net Operating Budget	15.8	
Enhancements	0.0	0.0
Growth	0.4	2.3
Annualization	0.2	1.5
Mandatory/Legislative	0.0	0.0
Base/Reductions/Efficiencies/ Cost Savings	0.8	5.0
Increase/(decrease)	1.4	8.8
2012 Net Operating Budget	17.2	

The proposed 2012 Net Operating Budget for Information Technology is $17.2M

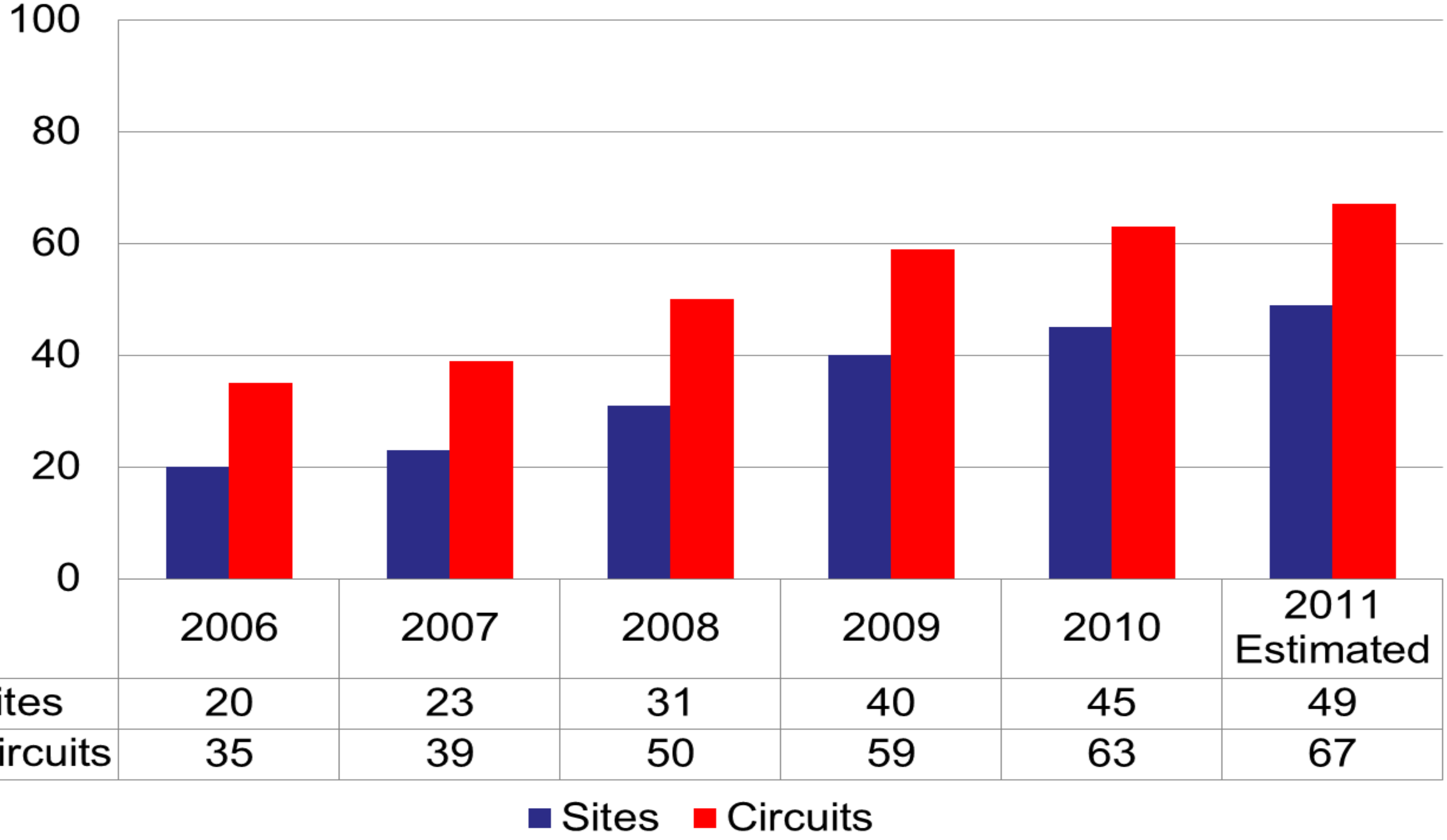
IT Annualization

- $245,000 for two FTEs:
  - 1 Senior Business Support Analyst:
    - Operation and support of new Business Intelligence Systems including YRT Data Warehouse now in service and expanding
    - Business Intelligence Systems are dashboards and scorecards (and the technical infrastructure to support them), which are used to improve business decision making and track organizational performance
  - 1 Portal Architect:
    - In-house operation and management of new ePortal System
    - Portal development is a multi-phase project. The first phase, consisting of the external portal for Markham and the internal portal for York Region, is up and running
- These FTEs are in place, and the annualization requests represent the transition from the capital phase of the project to continuing operations

IT Growth

- $350,000 increase in telecommunication expenses is primarily due to two factors:
  - An increase in the number of sites and devices serviced
  - An over-estimate last year of the savings expected to be realized from the new Bell contract ($665,000 actual, $840,000 estimated)

Number of Regional Networked Sites and Circuits



	2006	2007	2008	2009	2010	2011 Estimated
Sites	20	23	31	40	45	49
Circuits	35	39	50	59	63	67

Other Items

Office of the Regional Chair and Council: Changes to Net Expenditures

	$ M	%
2011 Net Operating Budget	1.96	
Enhancements	0.0	0.0
Growth	0.0	0.0
Annualization	0.0	0.0
Mandatory/Legislative	0.0	0.0
Base/Reductions/Efficiencies/ Cost Savings	0.06	3.3
Increase/(decrease)	0.06	3.3
2012 Net Operating Budget	2.02	

The proposed 2012 Net Operating Budget for the Office of the Chair and Regional Council is $2.02M

Office of the CAO: Changes to Net Expenditures

	$ M	%
2011 Net Operating Budget	3.9	
Enhancements	0.0	0.0
Growth	0.0	0.0
Annualization	0.0	0.0
Mandatory/Legislative	0.0	0.0
Base/Reductions/Efficiencies/ Cost Savings	0.2	5.2
Increase/(decrease)	0.2	5.2
2012 Net Operating Budget	4.1	

The proposed 2012 Net Operating Budget for the Office of the CAO is $4.1M

Additional Items Referred to the Finance and Administration Committee

	2011 ($)	2012 ($)	Description
GO Transit	2,500,000	2,500,000	DC funding for GO Transit Capital Projects
Hospital Capital Funding	12,706,000	13,049,000	Capital Funding for Four Hospitals in the Region
MPAC	15,702,000	16,400,000	Municipal Property Assessment Corporation services
GTA Pooling	26,400,000	13,200,000	Equalization and Social Housing Pooled Costs
Asset Replacement	50,936,000	64,530,000	Funding for major asset rehabilitation and replacement
Financial Items	7,023,000	18,204,000	Non-program items managed at the corporate level