1
2009 CAPITAL BUDGET

The Finance and Administration Committee recommends:

1. **Receipt of the presentation from Lloyd Russell, Commissioner of Finance; and**

2. **The adoption of the recommendations contained in the following report, November 26, 2008, from the Commissioner of Finance:**

1. RECOMMENDATIONS

It is recommended that:

1. Total 2009 Gross Capital Expenditures of $862,093,000 for Regionally Supported programs as outlined in Attachment 1 be approved with the appropriate funding sources as contained in Table 2 of this report.

2. Total 2009 Gross Capital Expenditures of $179,856,000 for Rapid Transit projects fully funded by senior levels of government as outlined in Attachment 1 be approved subject to formal confirmation of funding by Metrolinx / the Province of Ontario.

3. The 10 year Capital Plan years 2010 – 2018 be received with Council approval to occur in subsequent years.

4. The Commissioner of Finance and Treasurer be authorized to:

   a) obtain temporary financing and to issue up to $369,576,000 in new debt financing, for the projects outlined in Attachment 2 in accordance with the Capital Financing and Debt Policy.

   b) enter into bond forward agreements for up to 75% of the debt financing to reduce interest rate exposure where economic benefits could be achieved.

   c) amend the approved 2008 Proposed Debt Issue schedule to specifically include debenture financing of $1,000,000 for project 14780 Strategic Accommodation Plan/Central Service Centre – Pre-Construction Costs.

2. PURPOSE

The purpose of this report is to provide a summary of the 2009 Regional Capital Business Plan and Budget process, to present the 2009 Regional Capital Business Plan and Budget as recommended by the Standing Committees and to seek recommendation by the Finance and Administration Committee for consideration and adoption by Regional Council.

Adoption of the Regional Capital Business Plan and Budget at this time accommodates the timely preparations required for plan development and tender calls for project activity to commence as soon as the construction season permits.

3. BACKGROUND

2009 Regional Capital Budget Process and Milestones

The 2009 Regional Capital Budget Process commenced in the summer of 2008 with Regional staff reviews taking place in the month of September. Upon completion of the Budget reviews by staff and as part of the 2009 Capital Business Plan and Budget process, submissions and presentations were made to Regional Council. Major milestones in the budget process were as follows:

- Departmental submissions and Regional staff reviews in August and September of 2008;
- Draft Capital budget tabled at Regional Council on October 23, 2008;
- Standing Committee Reviews of the Capital budget in November, 2008;
- Final 2009 Capital Business Plan and Budget presentation made to the Finance and Administration Committee on December 4, 2008.

4. ANALYSIS AND OPTIONS

Proposed 2009 Capital Business Plan and Budget

The proposed 2009 Capital Business Plan and Budget was presented and tabled at Regional Council on October 23, 2008. The summary presentation at Council outlined the resource requirements for the directly controlled Regional departments and funding requirements for special purpose bodies. Highlights of the budget include:

- The total 2009 Capital Business Plan and Budget proposes gross capital expenditures of $0.9 billion for Regionally-supported programs plus $0.2 billion for Rapid Transit fully funded projects.

- This compares to projected 2009 gross expenditures of $1.4 billion in the 2008 capital budget. The reduction of approximately $400 million in expenditures can be mainly attributed to the deferral of major projects into future years as a result of capital plan changes and related activities.

- A number of Rapid Transit projects that are to be fully funded by senior levels of government. These projects account for $0.2 billion in 2009 and are subject to formal confirmation of funding by Metrolinx.

Debt reduction provisions, gas tax allocation, further investment in the capital pay-as-you-go program, project deferrals, elimination of the Development Charge discounts, and other related items have significantly reduced the debt creation for the Region compared to earlier capital program projections.

2009 Key Capital Program Highlights

The 2009 Capital Business Plan and Budget includes projects for new capital infrastructure in support of growth and development within York Region. In addition, increasing emphasis is placed on maintaining the investment in current capital asset infrastructure and providing for its eventual rehabilitation and/or replacement, in order to continue delivering the wide variety of services to the residents and businesses of York Region. The key capital improvements for major program areas are outlined below:

York Region Transit:

- Conventional buses – For 2009 - 18 replacement and 31 new, for 2010 - 31 new
- Specialized buses – 2 new and 4 replacement
- Construction of a transit vehicle garage
- Install Variable Messaging Signs, heaters, lighting improvement, bike racks and lockers at terminals

Rapid Transit:

- Spadina Subway Extension
- Davis Drive – dedicated bus lane to support opening of Southlake Regional Health Centre’s new Cancer Centre
- Highway 7 - Richmond Hill Centre to Kennedy
- Yonge Street Subway Extension
- Yonge Street – Richmond Hill Centre to 19th Ave

Roads:
- Road expansions to 4 lanes in built up areas
- Transit supportive road projects
- Road rehabilitation program – resurfacing of 85 lane km & 7 bridge culverts
- Implementation of Intelligent Transportation System Strategy and Pedestrian Cycling Program
- Additional 50 lane km to be constructed
- 4 Intersection Improvements

Water:
- Asset Upgrade & Rehabilitation
- Richmond Hill Elevated Tank #2
- Georgina Water System Woodbine & Ravenshoe
- Peel Water Projects
- 75 km of new transmission mains
- 2 Mega Litres of Storage facilities
- 1 new pumping station

Wastewater:
- Duffin Creek Water Pollution Control Plant (Phase 3)
- YDSS Southeast Collector
- Upper York Sewage Servicing
- Construct York Durham Sewer System Queensville / Holland Landing sewage treatment plant
- Keswick Water Pollution Control Plant

Solid Waste Management:
- Source Separated Organics Facility
- Residual Waste Management Environmental Assessment

Police:
- Construction of Investigative and Support Services Facility
- Acquisition of 12 new and 103 replacement vehicles and 1 specialized Tactical Support Vehicle

Other:
- 13 replacement Ambulances and 4 replacement Paramedic Response Vehicles
- Three new Emergency Medical Service stations in Stouffville, Keswick and Pefferlaw
- Construction of 84 unit affordable housing project in Vaughan
- Pre-Construction of Central Service Centre

Results of Standing Committee reviews

The 2009 Capital Business Plan and Budgets were submitted to the various Standing Committees for their review in November, 2008. The following table summarizes recommendations of Standing Committees:

Table 1
Result of Capital Budget reviews by Standing Committees

Committee	Date	Business Units	Review Result
Transportation & Works	Nov. 5	Roads, Water/Wastewater	Recommended as submitted
Finance & Administration	Nov. 6	Information Technology, Corporate Services, Court Services, York Regional Police	Recommended as submitted
Community Services & Housing	Nov. 12	Housing	Recommended as submitted
Solid Waste	Nov. 12	Solid Waste	Recommended as submitted
Rapid Transit	Nov. 13	Rapid Transit	Recommended as submitted
York Region Transit	Nov. 13	York Region Transit	Recommended as submitted
Health & EMS	Nov. 6	Public Health and EMS	Recommended as submitted

Standing Committees reviews of the 2009 Capital Business Plan and Budgets resulted in no change to Budget as submitted to Regional Council on October 23, 2008.

Bond Forward Rate Agreements

The Region's Capital Financing and Debt Policy as approved by Council in June 2006 authorizes the use of bond forward agreements to reduce interest rate risk exposure relating to the issuance of debentures. A bond forward agreement is a financial contract between the Region and an approved financial institution (typically a Schedule 1 bank) that allows the Region to substantially fix the interest rate of a prospective debenture issue in advance of the issue date. While debentures are still issued to the market at prevailing rates, payments resulting from the forward rate agreement are received from or made to the financial institution effectively fixing the cost at the interest rate negotiated. By entering into bond forward agreements for up to 75% of the debt financing, this reduces interest rate exposure where economic benefits could be achieved.

Relationship to Vision 2026

The 2008 capital budget reflects the Vision 2026 Action Areas of *Being Fiscally Responsible* and *Being Accountable*. The principles of Vision 2026 are represented throughout the budget by the department's proposed capital business plans.

5. FINANCIAL IMPLICATIONS

Debt Financing

New debt financing of $369,576,000 is required to support the 2009 Capital Program. Debt has generally been issued for terms up to 10 years but can be issued for longer terms where appropriate in accordance with the Regional Capital Financing and Debt Policy. The forecast of debt requirements for specific capital projects is summarized in Attachment 2. In addition, an administrative adjustment of $1,000,000 is being recommended to include specific financing authority for the Strategic Accommodation Plan that was approved as part of the 2008 Capital program. This line item was not included in the detailed list although the requirement was approved by Council on December 13, 2007 as the amount was included in the Total Debt Required of $247,508,000.

2009 Capital Financing Sources

The 2009 Regional Capital Business Plan and Budget capital expenditures totals $862,093,000 for Regionally-supported capital programs. These programs will be funded in accordance with Table 2.

Table 2
2009 Capital Funding Sources

Development Charges			$105,192,000	12.2%
Capital Reserve Funds			96,201,000	11.2%
Subsidies & Grants			168,447,000	19.5%
Debt Financing Supported				
	Development Charges	272,441,000		
	Tax Levy	66,280,000		
	User Rates	30,855,000	369,576,000	42.9%
Contribution from Tax Levy			51,016,000	5.9%
Contribution from Water/Wastewater Rate			12,468,000	1.4%
Other Revenues / Recoveries			59,193,000	6.9%
Total 2009 Regionally Supported Capital Budget			**$862,093,000**	
Rapid Transit – Fully Funded			$179,856,000	

A more detailed funding analysis by function is shown on Attachment 4.

Total Project Budget Authority for 2010 – 2018

For the 2009 Capital Business Plan and Budget, the Total Project Budget Authority concept was introduced. This concept is designed to identify projects that are approved in 2009 and as a result cause Regional Council to make a priority commitment to expenditures in future years. Attachment 3 provides a list of all these projects.

The 2009 Capital Business Plan and Budget identifies a commitment to expenditures in future years as illustrated in Table 3 below.

Table 3
2009 Capital Budget – Total Project Budget Authority

Department	2009 Budget ($ 000's)	2010-2018 Budget ($ 000's)
York Region Transit	62,975	21,775
Rapid Transit – Regionally Supported	165,656	379,548
Rapid Transit – Spadina Subway	52,700	994,645
Roads	110,912	223,932
Water	109,784	371,363
Wastewater	270,754	769,164
Solid Waste	4,175	2,600
Emergency Medical Services	2,873	0
Long Term Care	623	0
Housing	10,332	6,885
Information Technology Services	13,803	0
Property Services	8,957	4,685
Court Services	1,417	0
York Regional Police	47,132	28,160
Total Regionally Supported	**862,093**	**2,802,757**
Rapid Transit – Fully Funded	179,856	2,719,218
Total Including Fully Funded	**1,041,949**	**5,521,975**

Project details are included in Attachment 3 for the 2010 – 2018 commitments.

6. LOCAL MUNICIPAL IMPACT

The Region provides capital infrastructure to support the delivery of essential services to the residents and businesses within the local municipalities of York Region. The challenge to meet growing demands with balanced and sustainable capital investment is addressed throughout the 2009 Capital Business Plan and Budget along with the revised 10-year capital plan. The coordination of infrastructure projects, local development, available resources and funding partners are important elements in the Region's capital budget process.

7. CONCLUSION

The proposed 2009 York Region capital budget includes gross expenditures of $862,093,000 for 2009 for Regionally Supported programs.

The proposed 2009 York Region capital budget includes gross expenditures of $179,856,000 for Rapid Transit programs fully funded by senior levels of government. It is proposed that these Rapid Transit programs be approved subject to formal confirmation of funding by Metrolinx.

The total capital expenditures for 2009 and their associated funding from the tax levy or water and wastewater user rates for all capital programs are outlined in Attachment 1.

New debt financing of $369,576,000 is required to support the 2009 Capital Program. A listing of debt requirements by projects within each of the programs is detailed in Attachment 2. An administrative adjustment of $1,000,000 to the 2008 Capital program is required and is also detailed in Attachment 2.

Bond forward agreements will be entered into for up to 75% of the debt financing. This will reduce interest rate exposure where economic benefits could be achieved.

For more information on this report, please contact Kelly Strueby, Director, Business Planning & Budgets at Ext. 1611 or Beth Kodama, Manager, Capital & Development Financing at Ext. 1699.

The Senior Management Group has reviewed this report.

(The attachments referred to in this clause are attached to this report.)