1
2012 BUSINESS PLAN AND BUDGET

The Environmental Services Committee recommends:

1. **Receipt of the presentation by Erin Mahoney, Commissioner, Environmental Services; and**

2. **Forwarding the recommendation that the Environmental Services Department's draft 2012 Capital and Operating Business Plans and Budgets be approved, as submitted, to the Commissioner of Finance for consolidation into a report to the Finance and Administration Committee meeting on January 12, 2012.**

1. RECOMMENDATIONS

It is recommended that:

1. The Environmental Services Committee consider and approve the draft 2012 Capital and Operating Business Plans and Budgets for Water and Wastewater Services and Waste Management Services as submitted.

2. The Committee's recommendations be forwarded to the Commissioner of Finance for consolidation into a report to the Finance and Administration Committee meeting on January 12, 2012.

2. PURPOSE

This report provides a summary of the 2012 Capital and Operating Business Plans and Budgets for Water and Wastewater Services and Waste Management Services for consideration and recommendation to Finance and Administration Committee and adoption by Regional Council on January 26, 2012.

3. BACKGROUND

The 2012 Business Plan and Budget was tabled on November 17, 2011

The consolidated 2012 Capital and Operating Business Plan and Budget was tabled with Regional Council on November 17, 2011. It was received and referred to Standing Committees for their consideration and recommendation.

The Committees' recommendations on the Capital and Operating Business Plans and Budgets will be reported to the Finance and Administration Committee on January 12, 2012. The Finance and Administration Committee's recommendations will then be submitted to Regional Council with budget approval currently scheduled for January 26, 2012.

4. ANALYSIS AND OPTIONS`

Operating Business Plans and Budgets

Environmental Services proposed budget includes $432.2 million in gross operating expenditures and $40.8 million in net operating expenditures

The 2012 Operating Business Plan and Budget includes the cost of providing base service, mandatory or legislated requirements, annualization and growth and/or service enhancements to York Region.

The operating budgets for the noted departments are found in the 2012 Operating Business Plan and Budget document as outlined in Table 1 below.

Table 1
2012 Operating Budget

Department	Page No.	2012 Gross Operating Expenditures (incl. Contribution to Capital) ($000s)	2012 Net Tax Levy (incl. Contribution to Capital) ($000s)
Waste Management Services	173	58,683	40,767
Water and Wastewater Services[1]	204	373,557	0

[1] Water & Wastewater Operating expenditures (including Corporate Allocations) are recovered from User Rates. A portion of the Water & Wastewater operating expenditures fund Conservation Authorities

Capital Business Plans and Budgets

Multi-year commitments for capital projects are approved as part of the budget process

The capital budget includes projects for new infrastructure in support of growth and development within York Region and for the rehabilitation or replacement of existing infrastructure.

The 2012 request includes the approved 2012 Total Project Budget Authority, which is Council's authorization for departments to spend on capital projects. Total Project Budget Authority is granted based on contractual and other clear or certain commitments to capital projects.

Total Project Budget Authority (TPBA) of $1,773.8 million is requested for Environmental Services capital projects

Tables 2 to 4 below list all budget amounts for which Total Project Budget Authority is being requested for 2012. These tables include a list of branches, their multi-year budget spending authority required between 2012 and 2021 and associated financing sources. In addition, page references to the Capital Business Plan and Budget document are noted.

Table 2
2012 Total Project Budget Authority (TPBA)
Water Services

	Page No.	2012 & outyears ($000s)
TPBA - Gross Capital Expenditures	198	**702,730**
Financing Sources:		
Reserves	204	45,847
Debenture Proceeds	204	645,741
Development Charges	204	382
User Rates	204	10,760
Total Water Services		**702,730**

Table 3
2012 Total Project Budget Authority (TPBA)
Wastewater Services

	Page No.	2012 & outyears ($000s)
TPBA - Gross Capital Expenditures	252	**982,605**
Financing Sources:		
Reserves	257	17,988
Debenture Proceeds	257	739,511
User Rates	257	46,600
Other Recoveries	257	178,506
Total Wastewater Services		**982,605**

Table 4
2012 Total Project Budget Authority (TPBA)
Waste Management Services

	Page No.	2012 & outyears ($000s)
TPBA - Gross Capital Expenditures	290	**88,553**
Financing Sources:		
Reserves	293	39,812
Debenture Proceeds	293	48,741
Total Waste Management Services		**88,553**

Link to Key Council-approved Plans

The 2012 Business Plan and Budget was prepared concurrently with the 2011 to 2015 Strategic Plan. The Budget was influenced by strategic priorities outlined in the Strategic Plan and, as a result, the 2012 Business Plan and Budget as presented is supportive of the objectives outlined in the Strategic Plan.

5. FINANCIAL IMPLICATIONS

The above noted operating budgets in Table 1 total $40.8 million or 4.9% of the Region's total 2012 proposed net operating budget.

The proposed 2012 Total Project Budget Authority for Environmental Services noted in Tables 2 to 4 reflect additional commitment of $1,773.8 million in 2012 and future years. Expenditures not identified as part of Total Project Budget Authority but contained within the ten year capital plan are provided for planning purposes and will be brought forward for formal approval in subsequent budget years.

As per Council's approval in May, 2011, a 10% rate increase for water and wastewater has been included in the 2012 budget. This rate increase reflects operating cost pressures including rehabilitation and replacement needs.

6. LOCAL MUNICIPAL IMPACT

The Region provides essential services to the residents and businesses in York Region. The challenge of meeting growing demands for service and improving service delivery is addressed through the Region's business planning process. The Region's investments help area municipalities realize their growth, planning and public service objectives.

All three services in Environmental Services are two tier service delivery and provided to residents and business in collaboration with the local municipalities.

7. CONCLUSION

This report sets out the proposed 2012 Capital and Operating Business Plans and Budgets for Water and Wastewater Services and Waste Management Services, as summarized in Tables 1 to 4 above. To facilitate the completion of the budget process, it is recommended that the Committee's recommendations be forwarded to the January 12, 2012 Finance and Administration Committee for consolidation and recommendation to Regional Council on January 26, 2012.

For more information on this report, please contact Kelly Strueby, Director Business Planning and Budgets at Ext. 1611.

2012 Business Plan and Budget

Presentation to Environmental Services Committee

Erin Mahoney

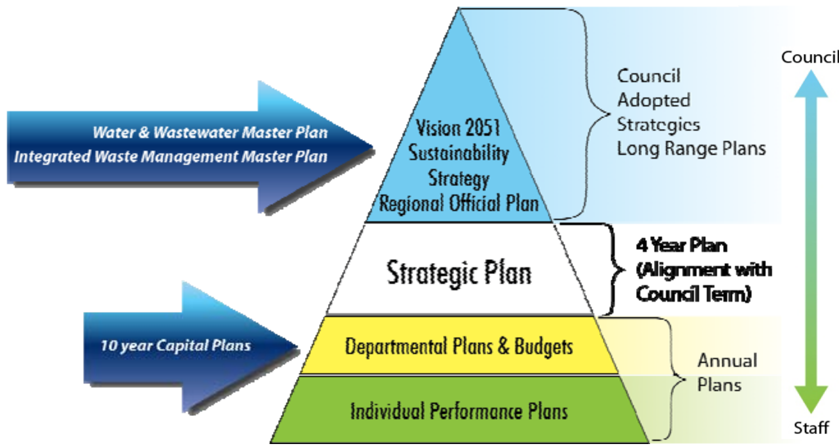
December 7, 2011

Proven results in delivering quality environmental services

Agenda

- Overview
- Waste Management Budget
- Water & Wastewater Budget
- Recommendations and Next Steps

Environmental Services Delivery Aligned with Regional Strategies



Environmental Services 2012 Key Budget Drivers

Delivering Quality Environmental Services Under the *New Normal*

The *New Normal* is continued transformation to ensure the right balance between growth and operations oriented Environmental Services – delivering infrastructure to accommodate substantial growth and effectively operating the system in a highly regulated industry

DELIVERING CRITICAL INFRASTRUCTURE

REALIZING OPERATIONAL EXCELLENCE

COLLABORATION AND PARTNERSHIPS VITAL TO SUCCESS

Environmental Services Strategic Directions

Prudent investment in assets supports operational excellence today and building critical infrastructure to service growth tomorrow

Environmental Services

Core Service Delivery Responsibilities

- Providing drinking water, wastewater and waste management services to 1.1 million residents in collaboration with local municipalities
- Leadership in managing over 360,000 tonnes of solid waste per year
- Managing $3.0B in existing capital infrastructure
- Complying with complex Provincial regulations
- Driving ambitious $4.3B 10 year capital program
- Implementing a focused asset management approach for infrastructure renewal supported by multi-year business plan
- Growing our influential educational and advocacy programs to reduce per capita water use and waste generation

Environmental Services continues to implement York Region's infrastructure needs while ensuring environmental protection and sustainability into the future

Environmental Services

Service Volume Indicators

	2005	2011	% Chg
Actual Gross Cost of Capital Delivery	$265.1M	$518.9M	95.7%
Budgeted 10 Year Capital Plan	$1.54B	$3.8B	146.8%
Number of Facilities Managed	106	143	34.9%
Kilometres of Water and Sewer Mains Maintained	400 km	590 km	47.5%
Built Assets	$1.2B	$3.0B	150.0%
WDO Diversion Rate	33%	59%	78.8%
Total Water Saved Daily	20.3 MLD	24.5 MLD	20.7%

Driving Value for Money in Environmental Services - Reducing Costs

- Deferring $61M in Toronto/York Cost Shared Water Infrastructure from 2011/2012 to beyond 2021 through Joint Optimization Study
- Deferring and reducing capital costs through implementation of water conservation and Inflow/Infiltration reduction strategies
- Optimizing mix of purchased water from Toronto and Peel based on water pricing
- Driving efficient Material Recovery Facility operations with low cost per tonne and high recovery rates
- Delivering energy cost savings of $1.27M from 2006-2010
- Revised delivery and tendering strategy to reduce capital costs for YDSS Connection Project (est. $20M)

Reducing costs, increasing revenues and optimizing business processes deliver value for money

Driving Value for Money in Environmental Services – Increasing Revenues

- Received $93M in Building Canada Funding for Duffin Creek
- Obtained $17.1M in Stimulus Funding for water treatment plant expansion, new CEC and MRF upgrades
- Continuous Improvement funding for promotion of Regional plastic recycling
- Sewer Use over-strength and hauled waste fee increases for full cost recovery
- Cost recovery for implementing source water risk management program
- Increasing cost effectiveness of CECs by implementing “one-stop-shopping” and higher cost recovery for residual waste

Provincial / Federal funding contributions to key capital projects reduce debt pressures

Optimizing Business Processes and Driving Improvements

- Integrated ISO Management Systems and DWQMS accreditation for Quality and Environmental Compliance
- Implementing data systems and automation to use staff resources effectively
- Life cycle costing reviews on major capital projects to account for initial capital and long-term operating costs
- Capital Planning and Delivery business 98% outsourced
- Securing high WDO funding for excellent system performance
- Asset management strategy and implementation
- Process optimization at water and wastewater facilities
- Robust operator training programs

REALIZING OPERATIONAL EXCELLENCE

MANAGE FINANCES PRUDENTLY

Environmental Services' Team works with local municipalities in integrated service delivery adapting proven strategies to produce improved results that residents value

Waste Management
Budget

Share Of Regional Tax Dollar

Waste Management 5 %

	$
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

Only 5 cents of each regional tax dollar funds diverse, resilient waste management services

2011 Key Accomplishments

- Executed Co-Owner's Agreement for Energy from Waste Facility and issued Notice to Proceed to Covanta
- Initiated Integrated Waste Management Master Plan and completed 22 public events
- Launched 'Bindicator' tool, a web-based searchable database providing more user friendly services
- Opened Elgin Mills Community Environmental Centre
- Successfully secured additional source separated organics capacity from WeCare and Orgaworld
- Contributed $6.8M to Solid Waste Reserve as part of long-term strategy for sustainable asset management

INVESTING FOR GROWTH

COLLABORATION AND PARTNERSHIPS VITAL TO SUCCESS

Driving leading edge diversion through long-term planning and diverse resilient Waste Management services

Planned Initiatives 2012 & 2013

- ❑ Complete Region’s first Integrated Waste Management Master Plan in partnership with local municipalities and stakeholders
- ❑ Proactive contract management of highly outsourced business ($43M of annual expenditures across 14 contracts)
- ❑ Optimize McCleary Court Community Environmental Centre to include weigh scales and Municipal Special and Hazardous Waste

COLLABORATION AND PARTNERSHIPS VITAL TO SUCCESS

REALIZING OPERATIONAL EXCELLENCE

Diversified waste management solutions vital to achieve Region’s diversion target

Planned Initiatives 2012 & 2013

- ❑ Operate Elgin Mills Community Environmental Centre to increase accessibility to sustainable waste management services and upgrade Georgina Transfer Station to CEC-like facility
- ❑ Securing reliable short and long-term source separated organics processing capacity
- ❑ Advance construction of Energy From Waste facility in partnership with Durham Region

INVESTING FOR GROWTH

REALIZING OPERATIONAL EXCELLENCE

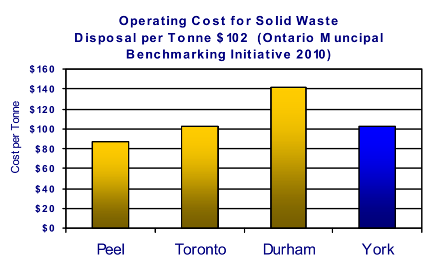
Optimizing Community Environmental Centre network provides more user friendly services to residents

Business Challenges

- Unresolved Stewardship Ontario funding for Municipal Special and Hazardous Waste
- Funding the Capital Program within recently approved Annual Repayment Limits
- No Development Charge revenue for growth related projects impacts tax levy
- Contractor performance critical to processing capacity for source separated organics and residual waste

Population growth, service levels, leading edge diversion targets and provincial funding issues are key factors driving the business plan

Benchmarks with other Municipalities
Waste Management Operating



Comparison of GTA Blue Box Performance, 2010

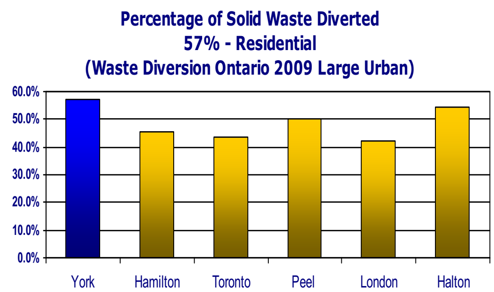
Municipality	Tonnes Marketed	Net Cost/tonne
Halton	41,736	$162.97
Hamilton	40,272	$178.18
York	78,493	$183.90
Durham	45,162	$184.60
London	25,485	$224.71
Peel	90,367	$245.49
Toronto	155,010	$273.69

York Region's Material Recovery Facility compares favourably with other large blue box processing facilities

Benchmarks with other Municipalities
Waste Management Operating

Source Separated Organics Program
(Processing only – 2009 Data)

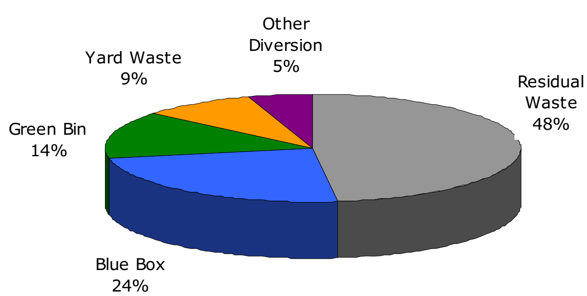
Municipality	Residue Rate	Overall Diversion Rate
Halton	7%	54%
Durham	4%	51%
York	15%	57%
Peel	5% – 10%	50%
Toronto	20%	42%



York Region residents divert 10% – 12% more than residents in Durham, Halton or Peel. Move to compostable bags focused on residue reduction.

Waste Diversion Ontario (WDO) Diversion Rates

UNVERIFIED WDO DIVERSION (2010) 52%

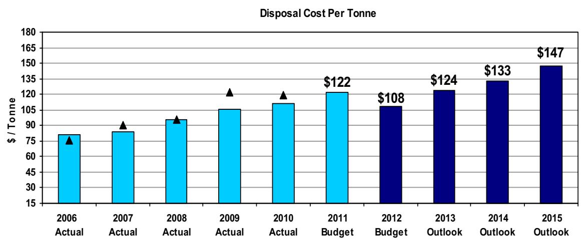


WDO Diversion Rate

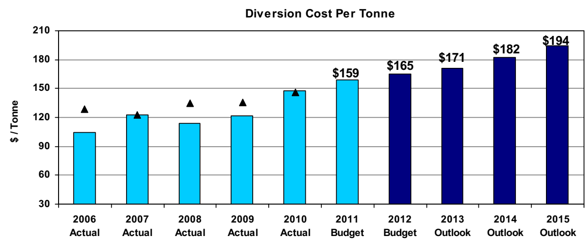
2004	25%
2005	33%
2006	40%
2007	46%
2008	53%
2009	57%
2010	52% Unverified
2011	59% Forecasted
2012	61% Budgeted

While Source Separated Organics facility shutdowns affected 2010 diversion, York on track to deliver 59% diversion target in 2011

Benchmarking Waste Management

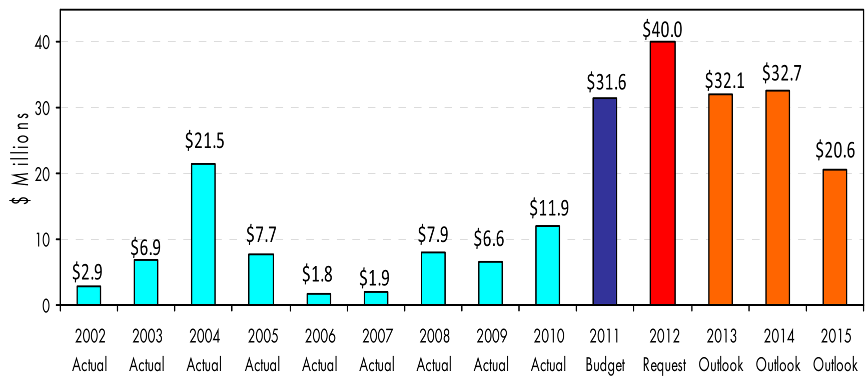


Outlook year increases are influenced by debt financing of the EFW and SSO facilities



Waste Management
Capital Budget

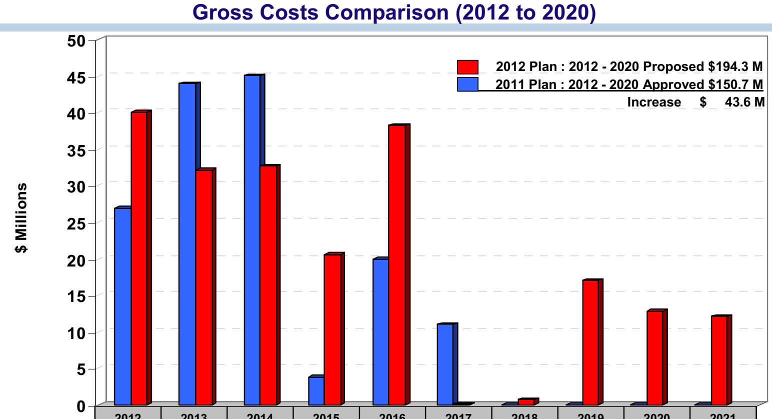
Capital Program Cost History
Waste Management



Region expands Waste Management asset ownership with construction of Durham-York Energy Centre and potential Source Separated Organics Facility

2011 Plan Compared To 2012 Plan
Waste Management

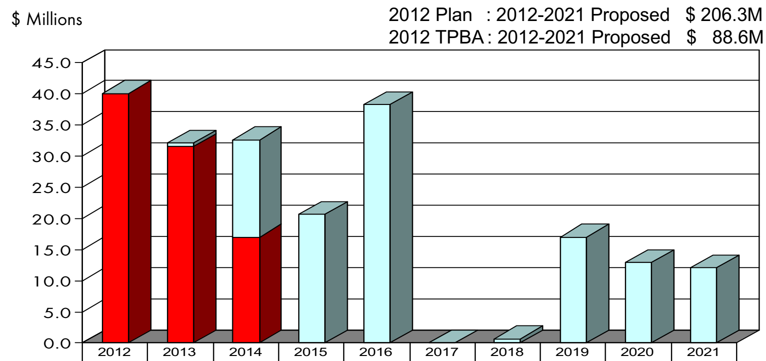
Gross Costs Comparison (2012 to 2020)



	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
2011	26.9	44.0	45.0	3.8	19.9	11.0	0.0	0.0	0.0	-
2012	40.0	32.1	32.7	20.6	38.2	0.1	0.7	17.0	12.9	12.1

2011 Capital Plan　2012 Capital Plan

2012 Ten Year Capital Plan Highlighting Total Project Budget Authority (TPBA)-Waste Management

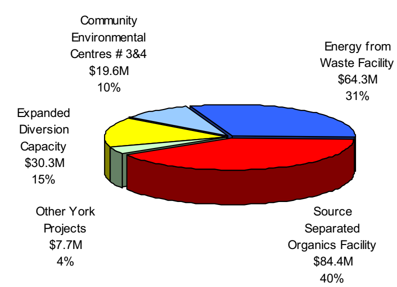


	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Capital Plan	40.0	32.1	32.7	20.6	38.2	0.1	0.7	17.0	12.9	12.1
Remaining Forecast	0.0	0.6	15.6	20.6	38.2	0.1	0.7	17.0	12.9	12.1
TPBA	40.0	31.5	17.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

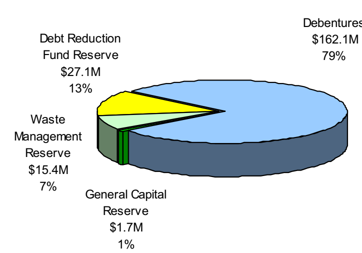
TPBA   Remaining Forecast

2012 Waste Management 10 Year Capital Plan

10 Year Capital Expenditures
$206.3 Million



10 Year Capital Funding
$206.3 Million



Building waste reserves through contribution of more than $3M from Blue Box revenue in 2012

Waste Management
Operating Budget

2012 Net Operating Budget Pressures
Waste Management

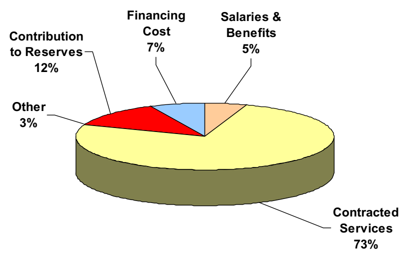
How the tax levy increase breaks down

	$ M	%
2011 Net Operating Budget	39.7	
Enhancements	0.0	0.0
Growth	0.9	2.3
Annualization	(0.1)	(0.3)
Mandatory/Legislative	0.0	0.0
Base/Reductions/Efficiencies/Cost Savings	0.3	0.7
Increase/(decrease)	1.1	2.7
2012 Net Operating Budget	40.8	

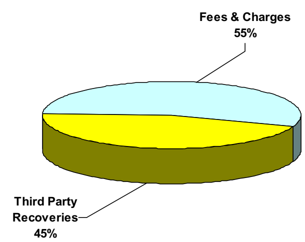
Program efficiencies mitigated impact of $0.9M tax levy increase due to uncertain provincial funding of Municipal Special and Hazardous Waste program

2012 Budget Overview Waste Management Operating

2012 GROSS EXPENDITURES $58.7 Million



2012 GROSS REVENUES $17.9 Million

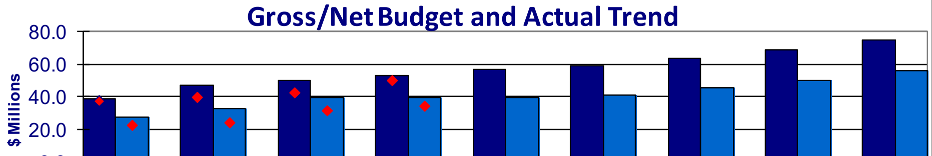


Contracted Services represent over 73% of 2012 operating expenditures

Waste Management

Operating Budget Trend

Gross/Net Budget and Actual Trend



	2007 Gross	2007 Net	2008 Gross	2008 Net	2009 Gross	2009 Net	2010 Gross	2010 Net	2011 Gross	2011 Net	2012 Gross	2012 Net	2013 Gross	2013 Net	2014 Gross	2014 Net	2015 Gross	2015 Net
Budget	38.6	27.4	47.0	32.7	49.9	39.2	52.9	39.2	57.0	39.7	58.7	40.8	63.4	45.1	68.7	49.9	74.9	55.7
Actual	37.4	22.6	39.8	24.2	42.7	31.6	50.2	34.4										

Year

Blue Box revenues reduce annual Waste Management operating costs

2011/2012 Waste Management Net Program Costs

Cost Per Tonne Summary	2011 Budget					2012 Budget				
	MT		Budget		$/MT	MT		Budget		$/MT
Residual Waste	130,437	$	15,033,967	$	115	132,732	$	13,571,600	$	102
Net Blue Box (net of market revenue)	91,479	$	6,341,241	$	69	93,729	$	6,065,400	$	65
Yard Waste	32,036	$	2,202,500	$	69	34,273	$	2,506,100	$	73
Asian Longhorned Beetle	6,114	$	518,867	$	85	7,161	$	591,500	$	83
Household Hazardous Waste/Electronics (net of revenue)	**3,150**	**$**	**145,995**	**$**	**46**	**3,530**	**$**	**1,332,382**	**$**	**377**
Source Separated Organics	92,194	$	16,434,700	$	178	95,767	$	17,876,500	$	187
Other at public drop off	6,652	$	1,528,013	$	230	8,730	$	1,718,400	$	197
Total	**362,062**	**$**	**42,205,283**	**$**	**117**	**375,923**	**$**	**43,661,882**	**$**	**116**

Uncertain Stewardship Ontario funding for Municipal Special and Hazardous Waste results in $331/MT increase in 2012

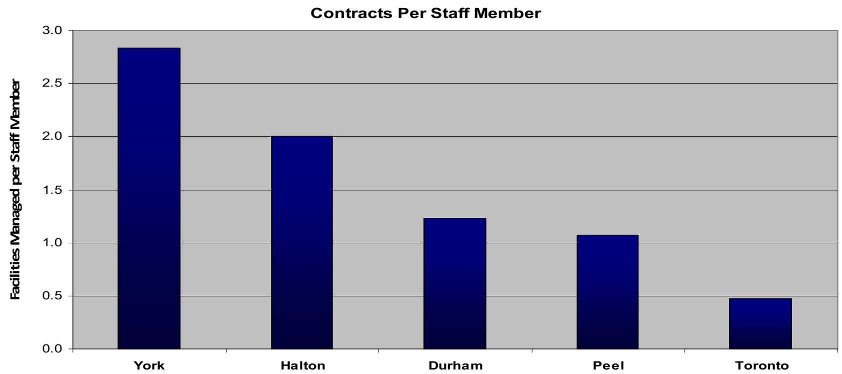
Integrated Waste Management Plan Will Inform Future Actions

- Commitment to Council, local municipalities, our stakeholders and public that approved Master Plan recommendations will be implemented
- Continued collaboration with local municipalities will result in superior service to our residents, enhanced commitment to action by all partners and consistent communication
- Support for changes arising from the Master Plan vital to success, including serving growing Multi-Residential population, handling Construction and Demolition waste, IC&I Waste and Sustainable Funding models

SM4RT LIVING
YORK REGION'S INTEGRATED WASTE MANAGEMENT MASTER PLAN

Integrated Waste Management Master Plan is one of the most comprehensive plans in North America

Waste Management Staff Manage More Contracts Per Person



Over 70% of Waste Management operating costs result from third-party contractors with limited staff resources to review contractor performance

Waste Management Staffing Request

Resource request to implement the Integrated Waste Management Master Plan, drive capital delivery and manage contractors by adding 1 staff in Capital Planning & Delivery and 2 staff in Environmental Promotion & Protection

1 Design Technologist
1 Manager, Integrated Waste Programs
1 Contract Management Engineer

Purpose of new staff:

- Support delivery of $206M ten year capital plan
- Provide Regional coordination and implement the Waste Management Master Plan
- Manage performance of York Region's third-party operating contractors
- Audit performance of third-party contractors

Challenges 2012 & Beyond

- Debt financing the capital program will have a large impact on the tax levy in outlook years
- Economic conditions influence revenues generated from the sale of blue box recyclables
- Organics processing issues continue to challenge the Region’s ability to achieve diversion targets; source separated organics tonnages have increased by about 53% in 5 years
- Region continues to pursue infrastructure ownership to balance reliance on external contractors for service delivery

REALIZING OPERATIONAL EXCELLENCE

Recommendations from Master Plan will position the Region to face long-term challenges associated with driving waste reduction and incremental gains in diversion

Water & Wastewater
Budget

Water & Wastewater - Key Objectives

- ❑ Operational excellence in delivering high quality water and returning treated water to environment
- ❑ Implementing one of the biggest capital programs in North America to service growth
- ❑ Proactively manage assets
- ❑ Manage risk through Integrated Management Systems to comply with Acts and Regulations
- ❑ Leverage automation to optimize labour requirements
- ❑ Winning awards and recognition for our team members and projects along the way

Water and Wastewater service delivery supports both growth needs and operational excellence

York Region

Water & Wastewater

Overview

- ❑ Complex water system includes 4 treatment plants, 40 wells, 42 storage facilities and 312 kilometres of watermain
- ❑ Wastewater system includes the York Durham Sewage System, 8 wastewater treatment plants and 278 kilometres of sewer
- ❑ Inter-Municipal agreements with Toronto, Peel and Durham
- ❑ Enhanced treatment technology to meet new regulatory needs - membranes planned for Lake Simcoe wastewater plants
- ❑ Smooth 10 year capital spending while still delivering required service capacity

Delivering sustainable services for a growing Region through sound capital budgeting and asset management

York Region

2011 Key Accomplishments

- All nine Drinking Water Works Permits and Municipal Drinking Water Licenses received, including full scope accreditation
- 99.85% score on MOE inspections for water facilities
- 100% of licensed operators met regulatory training requirements
- Implemented enhanced chamber inspection program as part of Inflow & Infiltration Reduction Program
- Council approved annual 10% combined rate increase in 2012 to 2015
- Commenced construction of Southeast Collector

About 15 days annual training per operator impacts on-line time for operations

2011 Key Accomplishments (cont'd)

- Completed Keswick watermain and sanitary forcemain
- Preferred alternative recommended for Upper York Sewage Solutions Project
- Commenced design of Duffin Creek Stages 1 & 2 upgrades
- Tendered Newmarket, Aurora and Richmond Hill regional sewer rehabilitation
- Completed $36 million in stimulus funded projects
- Spending an estimated $420 million in Water and Wastewater capital projects
- Approximately $3 billion under construction

Developed new fee and rate structure for industrial discharges, hauled wastewater and information requests to support full cost recovery

Planned Initiatives for 2012 & 2013

- Implement a Hub reporting strategy to improve performance measurement to proactively manage risk and evaluate efficiencies of work practices
- Explore innovative approaches for reclaiming water, recovering nutrients and generating energy from wastewater to ensure sustainability in servicing future growth
- Develop a Risk Management Program to meet Section 47 of the *Clean Water Act* to protect drinking water source waters
- Commission Duffin Creek Stage 3 Solids Expansion
- Advance construction of Southeast Collector
- Peel and Toronto Cost Shared Works Assessment to optimize capital expenditures
- Growing asset management strategy to include expanding asset base

REALIZING OPERATIONAL EXCELLENCE

DELIVERING CRITICAL INFRASTRUCTURE

Continuing to drive operational excellence while delivering infrastructure to support mandated growth

Planned Initiatives for 2012 & 2013 (cont'd)

- Implement enhanced Inflow & Infiltration and Long-term Water Conservation Strategies
- Statutory standard of care in effect in 2013
- Implement updated Sewer Use Bylaw to focus on proactively preserving our infrastructure assets
- Advance Duffin Creek Stage 1 & 2 upgrades
- Meet conditions of Southeast Collector Approval
- Achieve operator training requirements
- Reporting on Drinking Water Quality Management System
- Compliance with conditions on Intra-basin Transfer approval
- Collaboration with local municipalities in delivery of water and wastewater services

PROACTIVE ASSET MANAGEMENT

MEETING LEGISLATIVE REQUIREMENTS

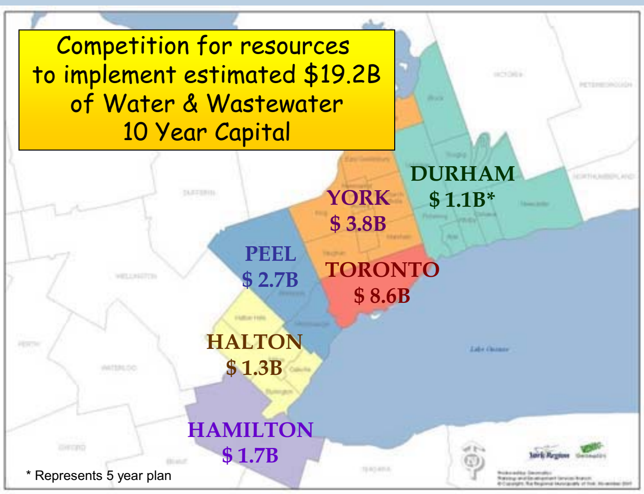
2012 budget request ensures we are on track to deliver on Provincial conditions of approval

Business Challenges

- Delivering on over 120 active capital projects in 2012
- Funding the Capital program within recently approved Annual Repayment Limits
- Financial and technical compliance with regulatory requirements: *Safe Drinking Water Act*, *Clean Water Act*, Public Sector Accounting Board and *Water Opportunities Act*
- Meeting approval conditions of Southeast Collector and Duffin Creek including I&I reduction and Water Conservation
- Additional resources required to maintain compliance with regulations, York Region ISO programs and the Drinking Water Quality Management Standard
- Maintaining current levels of service

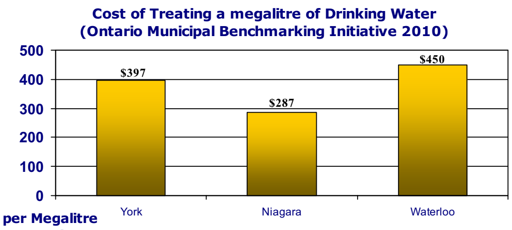
Increasing regulatory requirements drive higher costs to deliver water and wastewater services

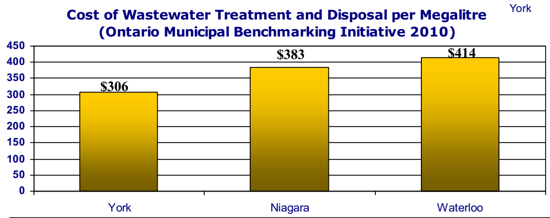
10 Year Water & Wastewater Capital Programs in GTAH - 2011



* Represents 5 year plan

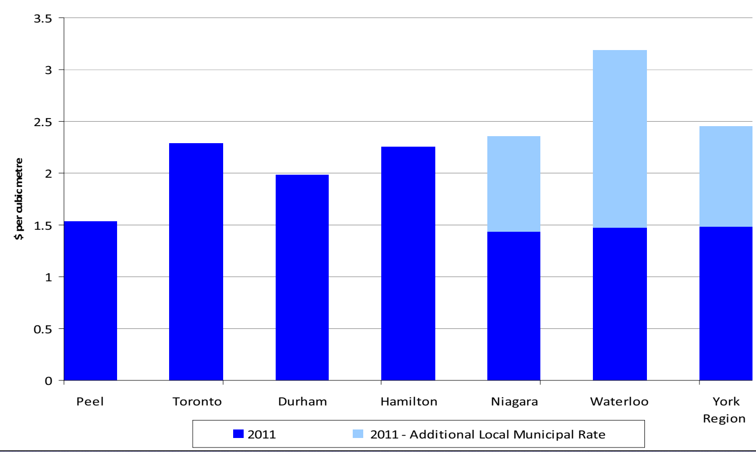
Benchmarks with other Municipalities Water & Wastewater Operating





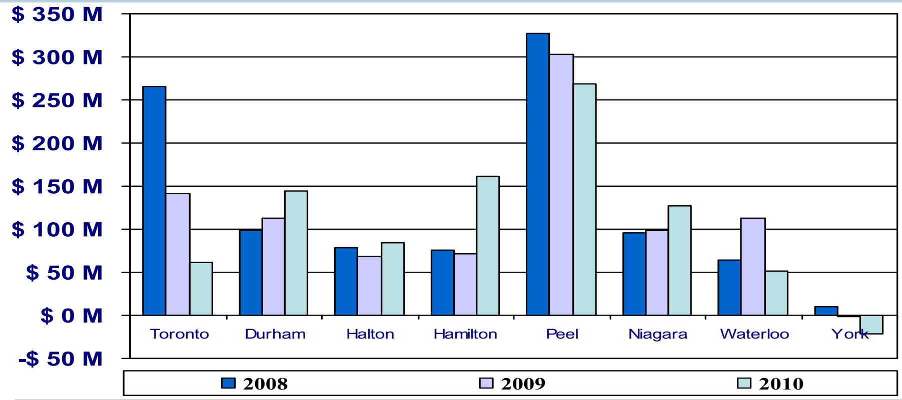
York Region's costs for treating water and wastewater are comparable to other two tier Regions

Water & Wastewater 2011 Municipal Rate Comparison



2011 Retail rate in York is comparable to other Municipalities

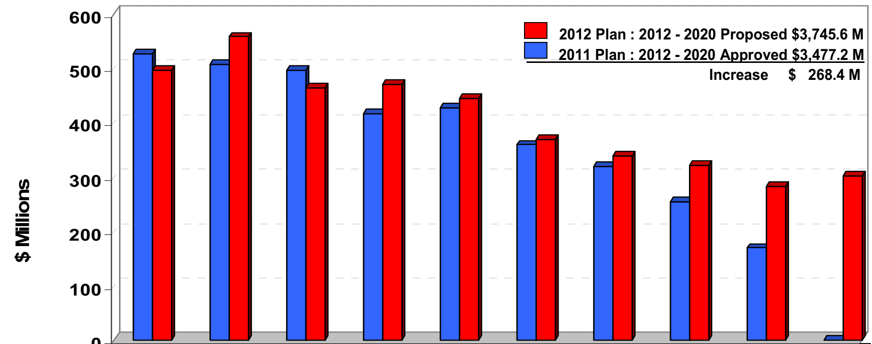
Water & Wastewater Reserve Balances



Council approved rate increases build reserves to sustainable levels in 2020 and beyond.
Collateral benefits to credit rating and debt capacity.

Water & Wastewater Capital Budget

2011 Plan vs 2012 Plan
Water & Wastewater



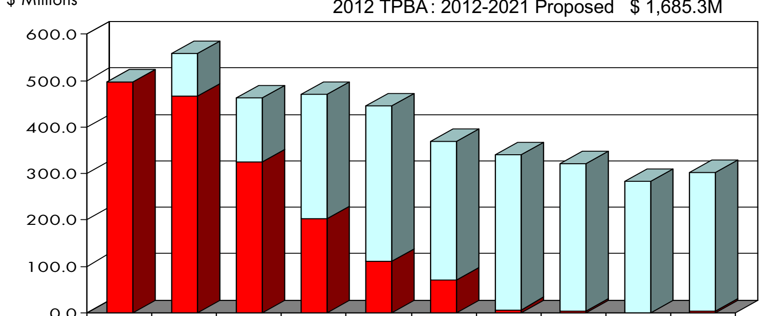
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
2011	526.0	507.9	496.3	416.5	426.7	359.3	320.1	254.7	169.7	0.0
2012	497.0	557.5	463.0	470.8	444.7	369.3	339.7	321.5	282.1	302.2

2011 Capital Plan 2012 Capital Plan

York Region

2012 Ten Year Capital Plan Highlighting Total Project Budget Authority (TPBA) - Water & Wastewater

2012 Plan : 2012-2021 Proposed $ 4,047.7M
2012 TPBA : 2012-2021 Proposed $ 1,685.3M



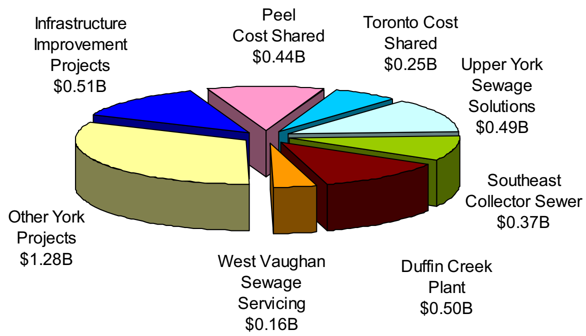
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Capital Plan	497.0	557.5	463.0	470.8	444.7	369.3	339.7	321.5	282.1	302.2
Remaining Forecast	0.0	90.7	138.7	268.0	333.9	299.2	333.1	318.1	281.8	299.0
TPBA	497.0	466.8	324.3	202.8	110.8	70.1	6.6	3.4	0.3	3.2

TPBA Remaining Forecast

York Region

2012- 2021 Capital Plan Water & Wastewater

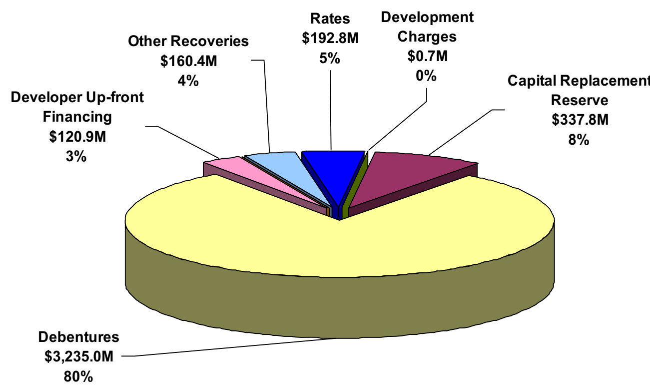
2012 – 2021 Capital Plan $4.0B



84% of 10 year plan is driven by growth projects

2012 – 2021 Capital Financing Water & Wastewater

2012 – 2021 Capital Financing $4.0B



97% of debentures recoverable through development charges

Bringing Certainty to Capital Delivery

- Over 120 active capital projects with 56 in construction during 2012
- Over 70% of 2012 capital expenditures will be committed by the end of 2011 and over 90% will be committed by end of Q2 2012
- 10 year capital delivery plan coordinated with Debt Management Strategy and Strategic Plan

Prioritization criteria focused on Return on Investment and alignment with Strategic Plan

Water & Wastewater Operating Budget

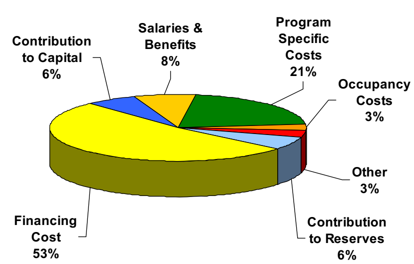
2012 Gross Operating Budget Pressures Water & Wastewater

	$ M	%
2011 Gross Operating Budget	318.2	
Enhancements	0.0	0.0
Growth	3.3	1.0
Annualization	21.4	6.7
Mandatory/Legislative	0.2	0.1
Base/Reductions/Efficiencies/Cost Savings	6.0	1.9
Increase/(decrease)	30.9	9.7
2012 Gross Operating Budget	349.1	

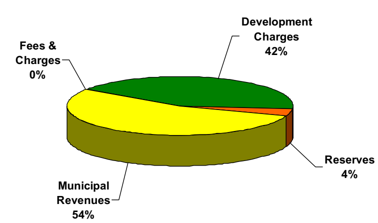
Capital financing costs represent 60% of the 2012 increase in operating expenditures

2012 Budget Overview Water & Wastewater Operating

2012
GROSS EXPENDITURES
$378.8 Million

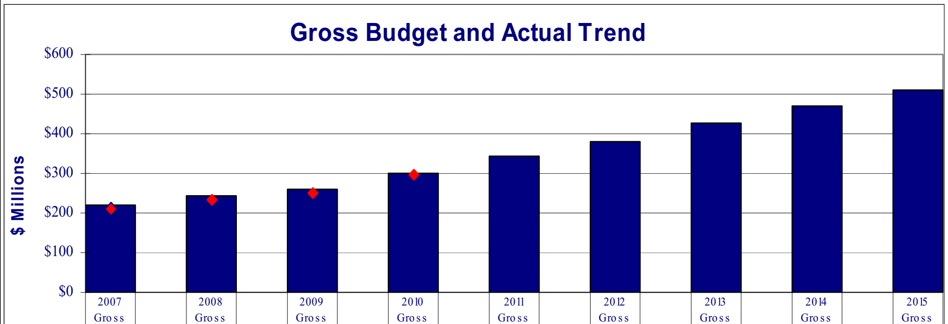


2012
GROSS REVENUES
$378.8 Million



Gross operating expenditures driven by financing costs with staffing only 8% of expenditures

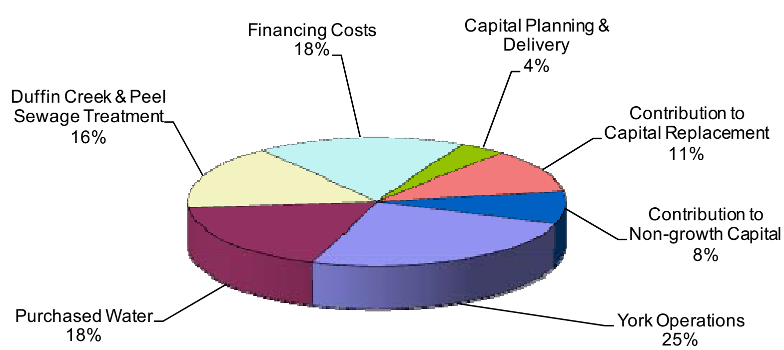
Water & Wastewater Operating Budget Trend



	2007 Gross	2008 Gross	2009 Gross	2010 Gross	2011 Gross	2012 Gross	2013 Gross	2014 Gross	2015 Gross
Budget	$220.5	$242.3	$260.7	$299.7	$344.8	$378.8	$425.4	$470.6	$510.3
Actual	$210.7	$231.7	$249.1	$297.2					

Operating Budget increase to 2015 driven by financing cost of capital to service growth

Anatomy of the Water/Wastewater Rate



2012 combined wholesale rate is $1.636 (effective April 1, 2012)

Water & Wastewater Staffing Request

Resource request to drive $4B ten year capital program, meet regulatory reporting, continue operational excellence and enforce new sewer use bylaw by adding 4 staff to Capital Planning & Delivery, 4.5 staff to Strategy & Business Planning, 5 staff to Operations, Maintenance & Monitoring and 2 staff to Environmental Promotion & Protection

Purpose of new staff:

- Support delivery of $4B ten year capital plan
- Maintain operational excellence and meet all regulatory reporting requirements
- Advance asset management strategy and protect aging infrastructure
- Optimize procurement process of critical spare parts inventory
- Educate residents and increased enforcement of sewer use bylaw
- Community Outreach programs to reduce water per capita consumption

1	Program Manager – PMO
1	Project Manager – Cost Shared Capital
1	Technologist
1	Modeling Engineer
1	Program Manager – Finance
1	Financial Analyst
1	Asset Management Specialist
1	Business Support Coordinator
0.5	Web Administrator
1	Operations Electrician
1	Instrumentation Technician
1	Materials Management Coordinator
1	Process Optimization Engineer
1	Program Manager, Asset Inspections
1	Community Outreach Specialist
1	Senior Bylaw Enforcement Officer

Challenges 2012 & Beyond

- Operating and maintaining an increasing and more complex asset base
- Maintaining compliance leadership
- Increased pressure on rates and reserves
- Competition for resources and funding delivery of massive capital program
- Aging infrastructure
- Maintaining current levels of service
- Challenges in transformation from suburban/rural communities to large urban centres

Balancing operational excellence today with investing for growth tomorrow

Mitigating Budget Impacts in Environmental Services

- Revisited 10 year capital plan to smooth capital spending and comply with new Annual Repayment Limits while still delivering required service capacity
- Leverage automation to optimize labour requirements
- Use outsourcing for specialized, fixed duration services
- Increased blue box revenue contribution to Waste Management reserves to reduce future reliance on debt financing
- Driving energy management program to realize energy savings
- Enhanced Long-term Water Conservation and Inflow & Infiltration Strategies to defer capital

Focus on reducing costs, increasing revenue and optimizing business processes

Delivering Quality Environmental Services Under the *New Normal*

2012 is crystallizing around:

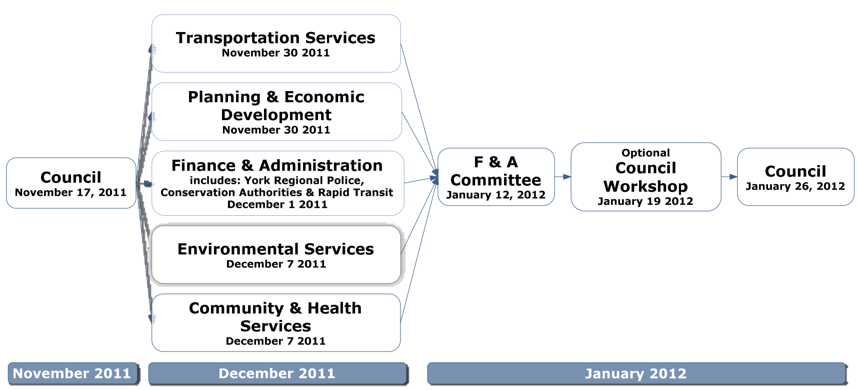
- **Capital delivery** that is the product of massive engineering and construction effort delivered collaboratively with local municipalities, regional partners, province, key stakeholders and the public
- **Operational excellence supported by effective resources and technology** that provide at-a-glance views of Region's complex systems, operations and performance
- **Resource matching** with Environmental Services growing program and asset needs; matching resource levels with pressing Regional needs to deliver on our growing requirements
- **Community engagement and outreach** is critical to ensure our public is engaged in the value and complexity of delivering quality water, wastewater and waste management services
- **Global, Canadian and Ontario Best Practices** being implemented to meet a growing wave of demand in a Region where service level expectations and regulatory requirements continue to increase in a fiscally constrained climate

Balancing growth and operational excellence
while being driven to global best practices

Next Steps

- ❑ Recommend the 2012 Draft Business Plan and Budget presentation be received
- ❑ Forward recommendations pertaining to Capital and Operating Budgets to Finance & Administration Committee on January 12, 2012

2012 Budget – Council/Committee Review Process



Questions and Answers