2013 Budget and 2014 Outlook

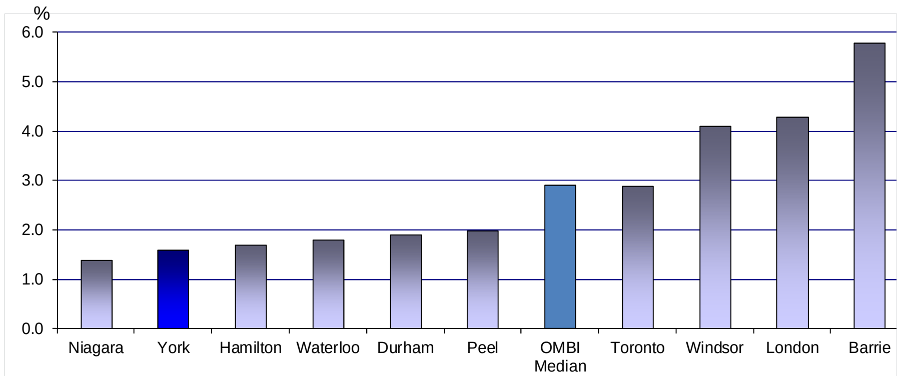
Presentation to Finance and Administration Committee

Bill Hughes

November 29, 2012

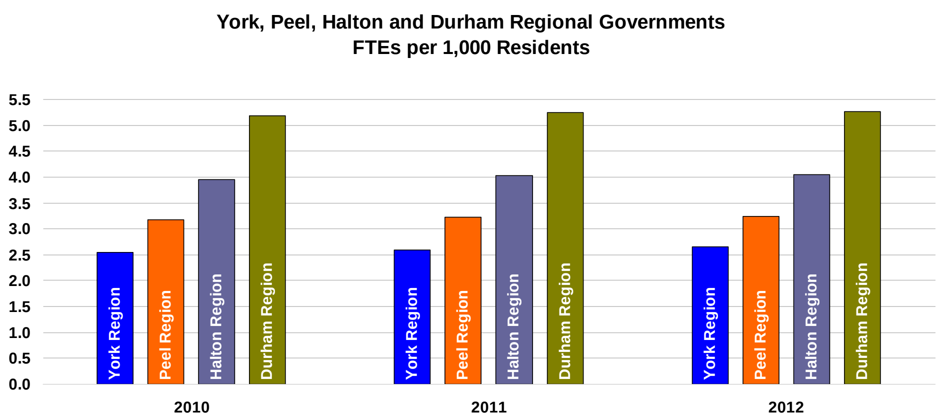
Follow-up on Council Questions at Budget Tabling

Operating Costs for Governance & Corporate Management as a Percent of Total Municipal Operating Costs for 2011



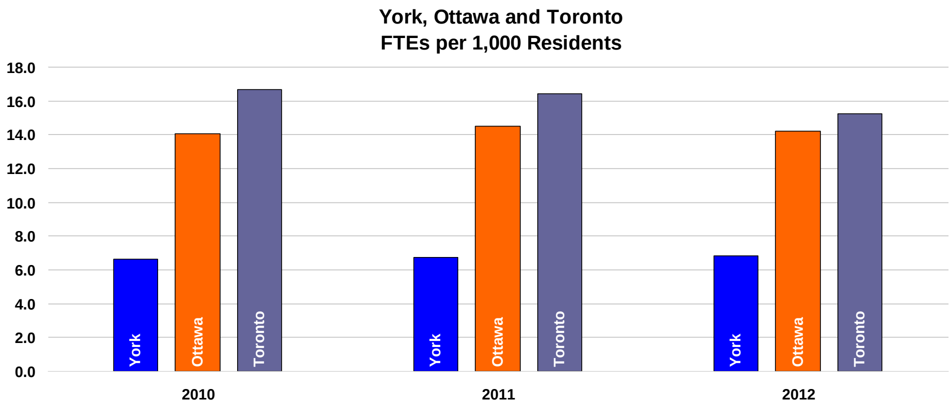
Source: OMBI 2011, FIR

Staff (FTEs) per 1,000 Residents



Source: Budget Documentation

Staff (FTEs) per 1,000 Residents



* York includes FTEs employed by regional and local municipal governments

Source: Budget Documentation

Operating Surpluses and Disposition to Reserves

$ Millions	2007	2008	2009	2010	2011
Total Surplus	18.2	33.3	30.5	49.5	39.7
Disposition of Surplus to Reserves					
Social Assistance	0.4				
Social Housing	0.5	3.5	6.1	3.3	3.2
Working Capital	0.2	0.9	1.5	0.8	0.8
Non-profit Housing	0.7				
General Capital	16.4	19.8	16.5	42.4	35.7
Tax Stabilization		9.1			
Insurance			6.4		
Benefits				3.0	

Finance

Finance Organization

Finance
Bill Hughes

- Office of the Budget
  Kelly Strueby
- Treasury Office
  Ed Hankins
- Controllership Office
  Warren Marshall
- Supplies & Services
  Stan Gal
- Information & Technology Services
  Karen Close (A)

Finance Proposed 2013 and 2014 Expenditure Changes

	2013		2014	
	$ Millions	%	$ Millions	%
Opening Net Operating Budget	10.7		10.9	
Base (incl. Reductions/Efficiencies/Cost Savings)	(0.2)	(1.4)	(0.1)	(0.5)
Mandatory	-	-	-	-
Annualization	-	-	-	-
Growth	0.4	3.7	0.4	3.2
Enhancements	-	-	-	-
Net Operating Budget	10.9	2.3	11.2	2.8

Finance Department Continues to Face Significant Demands

- Significant improvements to the budgeting process is under way
- Management of a large capital plan with multiple funding sources
- Debt management plan to comply with the Annual Repayment Limit
- Prudent financial management to maintain a high credit rating
- Management of large, growing and numerous reserves
- Reliance on development charge revenue
- Need for more rigorous analytical and revenue forecasting capacity
- Multi-year reforms to procurement and payment processes

Managing the Region's finances prudently is a strategic priority in the 2011 to 2015 Strategic Plan

Staffing Request to Streamline Financial Processes and Enhance Analytics

Purpose of new staff:

1. Improve DC and other revenue forecasting
2. Improve efficiency of financial processes
3. Strategic advice and resource for the Finance Commissioner
4. Enhance liquidity and cash management
5. Improve budget analytics
6. Improve tangible capital asset accounting
7. Improve DC accounting and administration

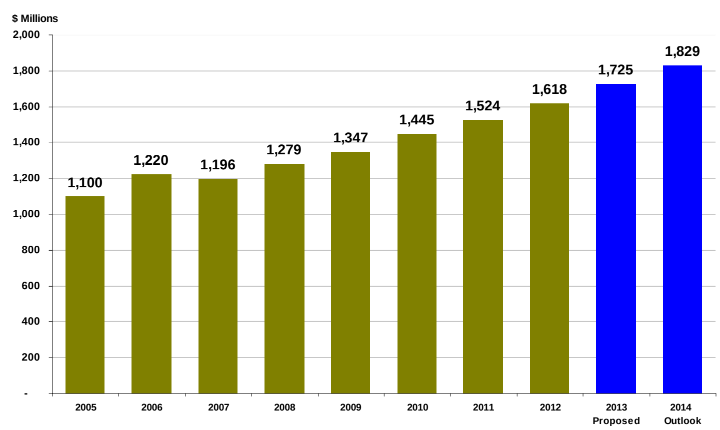
2013 Proposed Staffing Request

1 Revenue Specialist
1 Procurement Systems Analyst
1 Senior Policy/Financial Analyst
1 Head, Strategy & Policy

2014 Proposed Staffing Request

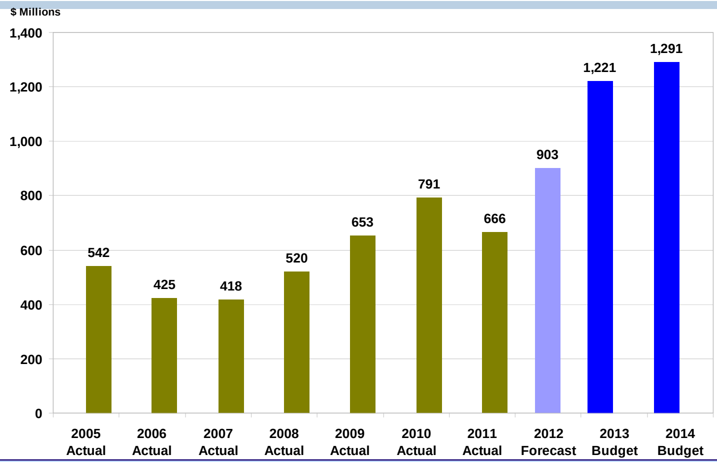
1 Cash Management Analyst
1 Sr. Budget Advisor
2 Sr. Accountants

2013 Operating Budget is at a Record $1.7 Billion



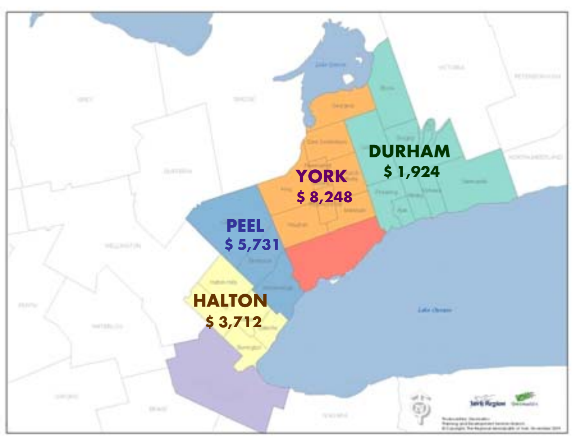
The operating budget continues to grow to accommodate population increases and enhanced services

2013 Capital Budget is at a Record $1.2 Billion



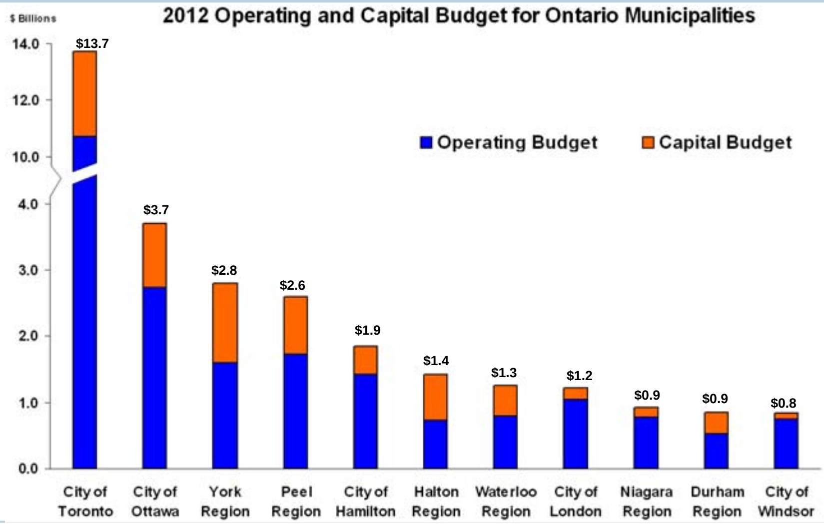
The Capital Plan reflects robust spending on growth-related projects

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

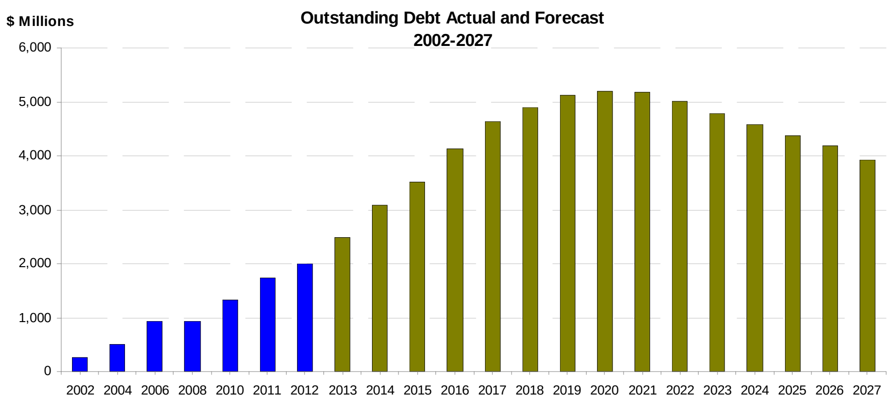


*** All figures are in millions**
Figures reflect 10 year capital plans, except Durham, which is 5 years

York Region's 2012 Budget was the Third Largest in Ontario

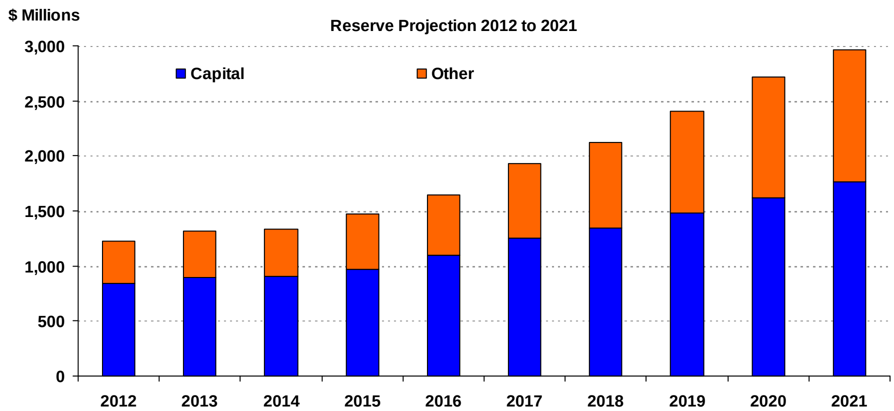


Debt Will Rise to Support New Infrastructure and Growth



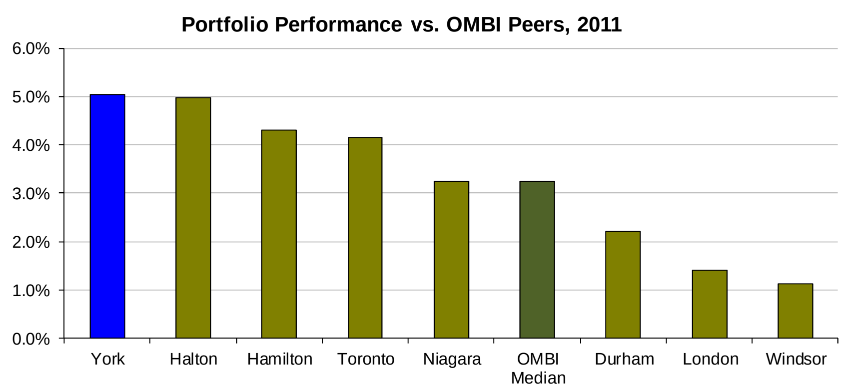
Debt levels are forecast to rise for the next eight years, in line with the Region's capital construction program, and then begin to fall

High and Growing Reserve Balances Support the Credit Rating



The Region's reserves are expected to grow significantly over the next ten years

The Region Actively Invests to Earn Good Returns



The Region continues to maintain the highest investment returns among its OMBI peers

Information Technology Services

IT Services Challenged to Keep Pace with Technological Advances

- Keeping pace with demands for new technologies to increase effectiveness of York Region departments
- Containing technology costs while responding to Regional growth
- Developing a technology strategy built on standards, common applications, reliable infrastructure and a secure computing environment
- Cultivating and supporting partnerships with local municipalities

IT Services Proposed 2013 and 2014 Expenditure Changes

	2013		2014	
	$ Millions	%	$ Millions	%
Opening Net Operating Budget	19.2		19.6	
Base (incl. Reductions/Efficiencies/Cost Savings)	0.2	1.2	0.3	1.5
Mandatory	-	-	-	-
Annualization	-	-	-	-
Growth	0.1	0.5	-	-
Enhancements	0.1	0.5	-	-
Net Operating Budget	19.6	2.2	19.9	1.5

Staffing Request to Support System and Application Growth

Purpose of new staff:

1. Technical support for new Microsoft Data Centre Management Software
2. Technical support for new Microsoft Software for management of IT assets, automated service requests and software deployment
3. Support for increased number of computing devices and applications
4. Technical support for Electronic Content Management system, Business Intelligence and a new Customer Relationship Management system

2013 Proposed Staffing Request

1 Sr. Support Analyst
1 Technical Specialist
1 Support Analyst

2014 Proposed Staffing Request

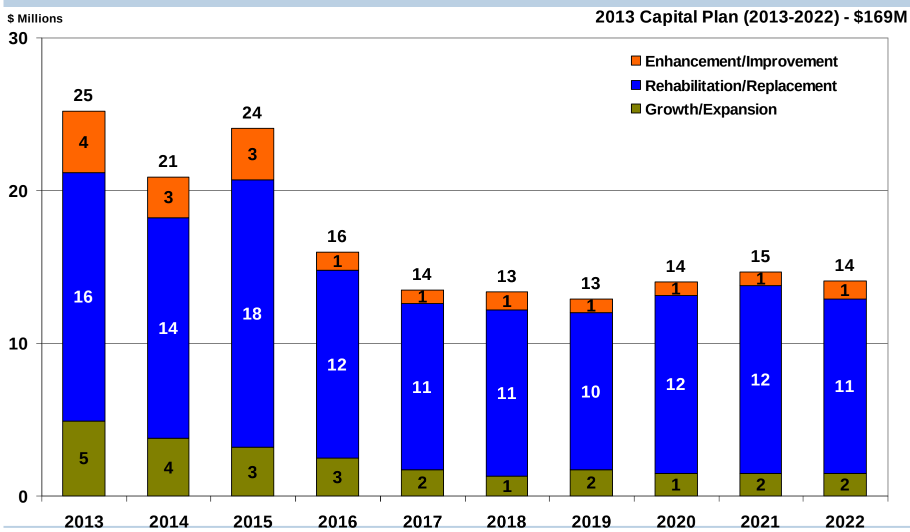
1 Technical Specialist
1 Sr. Business Support Analyst

Proposed Capital Budget – IT Services

2013 Capital Budget	$ Millions
2013 Capital Budget	25
10-Year Plan	169
2013 Capital Spending Authority	70

2014 Capital Budget	$ Millions
2014 Capital Budget	24
2014 Incremental Capital Spending Authority	16

10-Year Capital Plan by Need Category



Major 2013 / 2014 IT Capital Projects

	$ Millions	
	2013	**2014**
IT Equipment – PCs & Printers	7.9	5.3
Regional Fibre Network	2.9	3.7
Telecommunications	2.2	1.6
IT Equipment – Data Centres	1.2	1.1
Electronic Content Management	2.3	2.4
Customer Relationship Management	2.3	1.5
Application Development & Integration	1.5	0.6
Asset Management Systems	1.2	1.0
E-Portal	1.0	0.7

Other Items

Chair's Office Proposed 2013 and 2014 Expenditure Changes

	2013		2014	
	$ Millions	%	$ Millions	%
Opening Net Operating Budget	2.0		2.0	
Base (incl. Reductions/Efficiencies/Cost Savings)	-	-	-	-
Mandatory	-	-	-	-
Annualization	-	-	-	-
Growth	-	-	-	-
Enhancements	-	-	-	-
Net Operating Budget	2.0	1.7	2.0	0.1

Additional Items Referred to the Finance and Administration Committee

$ Thousands	2012	2013	2014	Description
GO Transit	2,500	2,500	2,500	DC funding for GO Transit Capital Projects
Hospital Capital Funding	13,071	13,332	13,599	Capital Funding for four hospitals in the Region
MPAC	16,400	16,900	17,400	Municipal Property Assessment Corporation services
Capital Asset Replacement	38,029	47,947	60,033	Funding for major asset rehabilitation and replacement
Debt Reduction Strategy	11,801	11,801	11,801	Mitigate need to purchase additional debt
Financial Items	11,564	21,828	22,271	Non-program items managed at the corporate level
GTA Pooling	13,200	0	0	GTA Pooling savings end in 2013

Reserve Policy

Decision Points With Respect to Increased Reserve Contributions

- Does the Committee wish to consider increased contributions to the Capital Asset Replacement Reserve?
- Does the Committee wish to use any of the increased Assessment Growth to contribute to reserves?

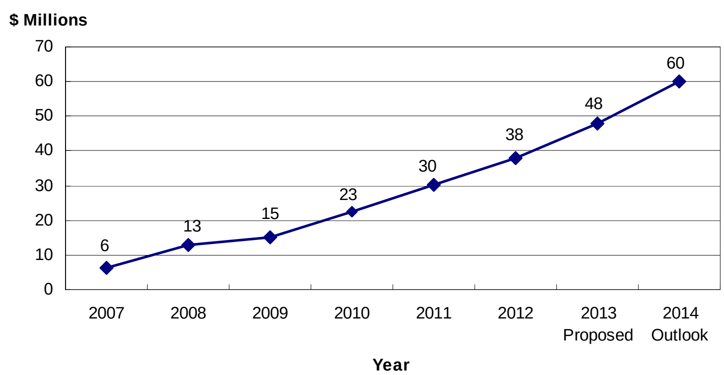
Strategy for Building Asset Replacement Reserves

- Council has been increasing its contribution to capital asset replacement reserves by 1% of the annual tax levy each year
- Operating surpluses also help build reserves, in accordance with Council's approved surplus policy
- Water and wastewater rate increases will help build reserves for asset rehabilitation and replacement

Proposed New Policy

- Increase contributions to capital asset replacement reserve by a further 0.2% per year until it reaches 2%
- Increase already built into proposed budget:
  - 1.2% in 2013
  - 1.4% in 2014

Growth in Capital Asset Replacement Reserve Contributions



Contributions to the Capital Asset Replacement Reserve increase by 1.0% of the tax levy annually, with a proposed 0.2% annual increment beginning in 2013

Revised Assessment Growth

- The Municipal Property Assessment Corporation (MPAC) advised the Region of final assessment growth of 2.23% for 2013

	Assessment Growth
Tabled on November 15, 2012	2.00%
Presented on November 20, 2012	2.23%
Change	0.23%

- Net amount to be apportioned after additional hospital allocation is $1,870,810

Potential Additional Reserve Contributions from Additional Assessment Growth

	$ Millions	Rationale for Option
Capital Asset Replacement Reserve	?	Funds could be allocated to the Capital Asset Replacement Reserve, bringing the total 2013 contribution to $49,818,000
Solid Waste Reserve	?	Funds could be allocated for future upgrades and replacement of buildings and equipment at waste management facilities. This would help compensate for a reduction in the contribution in 2014
Other	?	
Total	1.871	

Next Steps


Transportation Services
November 28, 2012
Finance & Administration
includes: York Regional Police, Conservation Authorities, YRRTC
November 29, 2012
Council
November 15, 2012
Environmental Services
December 5, 2012
Community & Health Services
December 5, 2012
Presentation to Area Municipalities
November 15, 2012
F & A Committee
January 10, 2013
Optional Council Workshop
January 17, 2013
Council
January 24, 2013