# 1
# 2008 OPERATING BUDGET UPDATE

**The Transit Committee recommends the adoption of the recommendations contained in the following report, April 3, 2008, from the Commissioner of Finance and Chief Administrative Officer, and recommends that the following initiative set out in Attachment 1 be forwarded to the Commissioner of Finance for inclusion in his consolidated report to the Finance and Administration Committee:**

**a) YRT1 - Additional Service**

## 1. RECOMMENDATIONS

It is recommended that:

1. Committee give consideration to the list of additional initiatives set out in Attachment 1 and further detailed in Attachment 2.

2. Committee consider the initiatives that are within their area of responsibility recommended by the Chief Administrative Officer and Commissioner of Finance, as identified in column G of Attachment 1, and forward its recommendation to the Commissioner of Finance to prepare a consolidated report to Finance and Administration Committee for its April 17, 2008 meeting.

## 2. PURPOSE

As a result of a Provincial announcement to provide additional public transit funding, Finance and Administration Committee suggested that some further budget initiatives might be considered by Standing Committees as part of the 2008 Regional operating budget while staying within the existing overall tax increase of 4%. This report provides information on a number of potential initiatives for the consideration of the Committee.

## 3. BACKGROUND

### York Region will receive one-time transit funding of $7,852,638

In the 2007 Ontario Economic Outlook and Fiscal Review (Fall Economic Statement), the Province committed to additional funding to improve and expand public transit across Ontario. On February 29, 2008 the Ministry of Transportation of Ontario announced that York Region will be receiving $7,852,638 as part of this commitment.

This funding is to be used for municipal transit capital expenditures, and audited by the municipality's external auditor and reported to the Ministry on an annual basis. Council approved a by-law at its meeting of March 27, 2008 to accept this funding and the conditions related to it.

### Application of additional transit funding reduces current operating budget tax levy requirements

As presented at Finance and Administration Committee on March 6, 2008, it is proposed that the Provincial funding for transit be applied to 2008 capital projects thereby replacing the existing approved funding. Doing so reduces the amount of Provincial gas tax funding required within the transit capital budget by $5.3 million and furthermore, reduces tax supported debt requirements by $2.5 million.

The $5.3 million of Provincial gas tax previously applied to transit capital can be applied to fund increased transit operating costs, as these costs are eligible for provincial gas tax under the legislated requirements of the program. This would result in a reduction of 0.8% to the proposed tax levy increase of 4.0%.

### Finance and Administration Committee asks Standing Committees to receive and review proposals for additional operating initiatives

At Finance and Administration Committee on March 6, 2008, following the discussion on applying $5.3 million of Provincial gas tax funding to the transit operating budget, Committee proposed the consideration of additional operating initiatives up to $5.3 million, therefore maintaining the proposed net tax levy increase at no more than 4.0%.

Committee asked that each Standing Committee review items that had not been included in the original budget which would provide direct service to the public.

## 4. ANALYSIS AND OPTIONS

### Requests for additional 2008 Operating Initiatives

Departments were requested to identify additional program costs for the consideration of Committee.

Additional expenditures of up to $5.3 million, after the application of funding, would result in a net tax levy increase of no more than 4.0%. Recommendation of additional expenditures over and above $5.3 million would result in a tax levy increase greater than 4.0%. For reference, approximately $657,000 represents 0.1% of tax levy.

A listing of all initiatives to be considered by the various standing Committees is included as Attachment 1 to this report. A detailed description of each initiative related to this Committee is also provided in attachment 2.

Table 1 summarizes the costs of additional initiatives that have been submitted by Regional departments for consideration by specific Standing Committees.

**Table 1**
Summary of All Additional Initiatives Submitted by Departments

| Standing Committee | 2008 Request | Tax Levy Increase | Additional (Reduced) 2009 Requirement |
|---|---|---|---|
| Transportation & Works | $ 300,000 | 0.04 % | $200,000 |
| Planning & Economic Development | 350,000 | 0.05 % | (100,000) |
| Transit (incl. Rapid Transit) | 995,925 | 0.15 % | 948,843 |
| Health & EMS | 509,352 | 0.08 % | 635,036 |
| Solid Waste | 746,500 | 0.11 % | 52,800 |
| Community Services & Housing | 3,393,300 | 0.52 % | (730,000) |
| Finance & Administration | 2,440,000 | 0.37 % | 0 |
| **Total** | **$8,735,077** | **1.33 %** | **$1,006,679** |

As noted above, the requests exceed the $5.3 million available and if approved would result in a tax increase of 4.5%.

### A proposal to limit initiatives resulting in an overall tax levy increase no more than 4.0%

The CAO and Treasurer reviewed the detailed list of additional initiatives submitted by Regional staff and, with the objective of keeping the overall net tax levy increase within 4.0%, have recommended specific initiatives to be brought forward for consideration in the 2008 operating budget.

While all of the initiatives that were requested have merit and provide benefit to the taxpayers of the Region, the focus of the recommendation was to address some of the areas that were highlighted at the Council workshop in February with an emphasis on direct community benefit. As well, every effort was taken to not create additional overall budget pressure for 2009 through the annualization of costs.

Staff included recommendations for increases in Social and Community Services, Health, Transportation, Transit and Solid Waste programs.

It is also recommended that priority CSH3 – Regional Rent Supplement Program be considered as a pre-approval for 2009 and funded in 2009 through the savings from the one-time grant program for social housing priority CSH1. The Rent supplement program was seen as priority but it was also recognized that it would take some time before the program could actually generate the units and therefore if pre-approval is given it will allow staff time to ensure the effectiveness of the program for delivery in 2009.

While the remaining initiatives cannot be accommodated within the $5.3 million envelope, they will be seen as priority items for inclusion in the 2009 operating budget.

Table 2 summarizes these initiatives and the impact on the 2008 and 2009 operating budgets. These initiatives represent 60% of the total additional initiatives proposed by Regional staff.

**Table 2**
Initiatives Recommended by CAO and Treasurer

| Initiative | 2008 Net Impact | Tax Levy Increase | Additional (Reduced) 2009 Requirement |
|---|---|---|---|
| Affordable Housing Initiative | $2,700,000 | 0.4 % | $(2,700,000) |
| Base funding for community programs | 600,000 | 0.1 % | 900,000 |
| Rent Supplement Units | 0 | 0.0 % | 1,000,000 |
| Transit Routes (additional service hours) | 995,925 | 0.1 % | 948,843 |
| Additional Paramedics | 509,352 | 0.1 % | 635,036 |
| Solid Waste – HHW additional service | 431,500 | 0.1 % | (31,500) |
| Roads Capital Delivery staff | 0 | 0.0 % | 0 |
| **Total** | **$5,236,777** | **0.8 %** | **$752,379** |

These initiatives total $5.2 million, representing a 0.8% increase, bringing the proposed overall net tax levy increase to 4.0% which is within the 3.2% - 4.0% range proposed by Finance and Administration Committee on March 6, 2008. The funds for the Roads capital delivery staff is contained within the 2008 Roads budget and represents a small portion of the additional $3.3 million in tax levy funding that was approved by Council as part of the 2008 Capital budget approval.

As noted in the chart the incremental impact in 2009 of these additional initiatives is $0.7 million, however the transit funding had already been included in the 2009 forecast and therefore the impact on the 2009 tax increase will remain the same as had been originally forecast.

## 5. FINANCIAL IMPLICATIONS

### Impact of additional initiatives on the proposed 2008 net tax levy

The total initiatives proposed by Regional staff total $8.7 million, and would represent a net tax levy increase of 1.3%. If all of these initiatives were recommended as presented, the overall 2008 net tax levy increase would be 4.5%.

To maintain a net tax levy increase of no more than 4.0%, the additional initiatives must not total more than $5.3 million, or 61% of the initiatives submitted.

The initiatives proposed by the CAO and Treasurer total $5.2 million in 2008 costs, representing an additional 0.8% tax levy increase, resulting in an overall net tax levy increase of 4.0%.

### Impact of 2008 initiatives on the 2009 Outlook Net Tax Levy

One of the criteria for consideration of additional initiatives is that there should not be annualized cost pressures in 2009.

While the incremental impact in 2009 of the recommended additional initiatives is $0.7 million, the transit funding for 2009 had already been included in the 2009 forecast and therefore the impact on the 2009 tax increase will remain the same as had been originally forecast.

## 6. LOCAL MUNICIPAL IMPACT

The Region provides essential services to the residents and businesses in all area municipalities within York Region. The 2008 operating budget endeavours to address the challenge to meet growing demands for service at a reasonable tax levy requirement.

## 7. CONCLUSION

On January 24th staff presented Council with a proposed net tax levy increase of 4.0%. On February 29, 2008 the Provincial Government announced additional transit funding. Application of this funding was discussed at the March 6, 2008 meeting of Finance and Administration Committee. As a result of additional funding and the resulting impact on the tax levy, Standing Committees were asked to consider additional initiatives to be included in the 2008 operating budget while maintaining a net tax levy increase of no more than 4.0%.

The Chief Administrative Officer and Regional Treasurer propose additional initiatives that total $5.2 million, resulting in an overall 2008 net tax levy increase of 4.0%.

A final 2008 operating budget report, including the transit funding and additional initiatives recommended by Finance and Administration Committee on April 17, 2008 will be submitted to Regional Council for consideration and adoption on April 24, 2008.

For more information on this report, please contact Kelly Strueby at Ext. 1611or Kelly Fenchak at Ext. 1680.

The Senior Management Group has reviewed this report.

*(The attachments referred to in this clause were included in the agenda for the April 10, 2008 Committee meeting.)*