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2008 OPERATING BUDGET UPDATE

The Finance and Administration Committee recommends the adoption of the recommendations contained in the following report, April 3, 2008, from the Commissioner of Finance and the Chief Administrative Officer, subject to recommendation 2 being amended to read as follows:

- “2. Committee recommend the approval of the consolidated list of additional initiatives recommended by the Standing Committees, as set out in the revised Attachment 3”**

1. RECOMMENDATIONS

It is recommended that:

1. Committee consider the list of additional initiatives set out in Attachment 1 and further detailed in Attachment 2.
2. Committee consider the consolidated list of additional initiatives recommended by Standing Committees, as set out in Attachment 3, to be provided on April 17, 2008, and forward its recommendation to Regional Council for approval.
3. The Commissioner of Finance forward a comprehensive report to Regional Council’s meeting of April 24, 2008 that details the 2008 Operating budget being recommended for adoption.
4. The Commissioner of Finance be authorized to make any necessary adjustments, within the total approved budget, to reflect organizational changes, collective bargaining adjustments and any other re-allocation of costs.

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 be considered by Standing Committees as part of the 2008 Regional operating budget while staying within the existing overall tax increase of 4%.

The Finance and Administration Committee will also consider the recommendations made by the various Standing Committees and recommend any additions to be included in the 2009 budget being recommended to Council.

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%.

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 3.9% 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.

Standing Committees to review additional initiatives and recommend to Finance and Administration Committee

Standing Committees are now in the process of reviewing the proposed additional initiatives as outlined in Attachment 1. The outcome of these reviews is not known at this time as the reviews are on-going. The reviews will be completed April 16th and a schedule summarizing the recommendations will be compiled and provided to the Finance and Administration Committee on April 17th. The format of the summary that will be provided is shown in Attachment 3.

5. FINANCIAL IMPLICATIONS

Committee decisions will determine the impact on the 2008 Operating Budget.

The results of the deliberations by the Finance and Administration Committee on the additional items referenced in this report will determine the impact on the total 2008 Operating Budget. The tax levy required to support this budget will then be determined and will form part of a comprehensive report to be submitted to Regional Council for consideration and adoption on April 24, 2008.

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 3.9%.

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 information outlined in this report is provided to assist Committee members in addressing the remaining outstanding items and referrals which require consideration and decision.

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 3.9%.

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. 1611 or Kelly Fenchak at Ext. 1680.

The Senior Management Group has reviewed this report.

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