6
2012 BUDGET DIRECTION

The Finance and Administration Committee recommends the adoption of the recommendation contained in the following report dated May 26, 2011, from the Director of Financial Services and Deputy Treasurer.

1. RECOMMENDATION

It is recommended that:

1. Regional Council approve the proposed timetable for the 2012 budget.

2. PURPOSE

This report provides an overview of the 2012 Regional Business Plan and Budget process and proposed key milestones for budget development. The report also highlights forecasted tax levy pressures and seeks approval of the timetable.

3. BACKGROUND

The 2012 Business Plan and Budget will be the second budget to be addressed by Council in 2011

Due to the start of a new term of Council, the 2011 budget was tabled in January 2011 and approved in March. It is recommended that the 2012 budget process follow a timetable such that the budget be tabled in November, Committee reviews in December and anticipated approval in January 2012.

2012 is the second year of an operating multi-year business plan presented to Council

The business plan and budget process involves the development, review and approval of the annual Operating, Capital and Rate budgets.

As a result of two budget processes in 2011, staff implemented a multi-year business planning process as part of the 2011 operating budget process. With this multi-year budget focus Committee and Council was advised of tax levy pressures expected in 2012 as a result of delivering on service commitments and capital plans.

Council recommended further consideration be given to debt reduction in 2012

During discussions and review of the 2011 budget by Regional Council, the significance of the Region's reliance on debt financing to deliver capital programs was discussed. The Region relies heavily on debt to finance a significant number of capital projects that are required to respond to growth in the Region. In 2007, $11.8 million was contributed to a debt reduction reserve to address future implications. The amount of tax levy set aside to reduce the reliance on debt has remained at $11.8 million per year. Including the 2011 approved budget, this reserve has accumulated to $59.0 million and, in a report to May 5, 2011 Finance and Administration Committee, it was recommended to be used to fund a number of capital projects that would have otherwise been funded through tax levy debt.

4. ANALYSIS AND OPTIONS

The 2012 budget development process begins in June 2011

As outlined in Table 1 below, June represents the beginning of the next business plan and budget development process with the official kick off of the 2012 budget process. The 2012 business plan and budget is proposed to be tabled with Regional Council in November with adoption anticipated in January.

Table 1
2012 Budget Proposed Timelines

Date	Activity
March 2011	Council approved 2011 budget
2012 Budget Process	
June 2011	Budget direction confirmed
November 17, 2011	Table with Council
December, 2011	Committee Reviews
January 27, 2012	2012 Council Adoption

2012 operating budget should be developed using the existing Base, Growth and Enhancement framework

The operating budget should continue to be developed using the existing Base (includes annualization and mandatory), Growth and Enhancement framework. Base pressures represent those items required to maintain existing service levels, full year impact of prior year decisions and implications of decisions made by other levels of government. The expectation is that the 2012 base budget increases would maintain existing service levels within an inflation based goal. Current inflation as measured by the Consumer Price Index is averaging approximately 2.0%.

Growth and Enhancement requests reflect increases in service level related to population growth or provision of new or enhanced levels of service. These items will be presented to Committee and Council separately to provide Council with a strategic view of what is proposed for various services to accommodate growth. It is anticipated that York Region's population will grow by approximately 2.3% in 2012.

Supplementary information on performance measures, scorecards and benchmarking will be incorporated into the 2012 business planning and budget process

Performance measures, scorecards and benchmarking was a topic of discussion at the May 5th, 2011 Finance and Administration Committee. Committee members expressed an interest in incorporating discussions on performance measurement into the budget review process. As part of the 2012 budget process, staff will review the existing format and presentations of this information so as to include discussion during the budget presentations at the December committee meetings.

On May 19, 2011, Council approved staff to develop the 2011-2015 Strategic Plan. A key feature of this Plan is performance measurement, including a monitoring and reporting plan. Work is underway to align and integrate the budget process with the development of the Strategic Plan. The 2011-2015 Strategic Plan will be brought forward for Council's consideration in October 2011.

Staff propose that consideration be given to direct December Committee agendas to budget discussions and urgent issues

The current timelines propose that the 2012 budget be tabled at Regional Council in November, presented to Committees in December and be approved at Regional Council in January. The Regional budget has grown in size and complexity over the years, and the issue of sufficient review time was raised at the May 5, Finance and Administration meeting. To provide for enough time to present the proposed budget to Committees and allow time for a thorough review and discussion it is proposed that the December meetings be devoted to budget discussion and urgent items only. Non-urgent reports would go forward to the November or January meetings.

2012 initiatives and key pressures were identified as part of the 2011 budget process

Emphasis was placed on growth and enhancement requests for both 2011 and 2012 and included as part of 2011 Committee presentations. Committees were presented with key drivers forecasted for 2012 as part of 2011 budget presentations. The forecasted 2012 net tax levy increase, based on departmental forecasts and capital spending forecasts, was 4.8% after adjusting for anticipated assessment growth of 2.5%. Key drivers of the forecasted 2012 net tax levy increase are outlined in Table 2.

Table 2
Key drivers of the forecasted 2012 tax levy increase

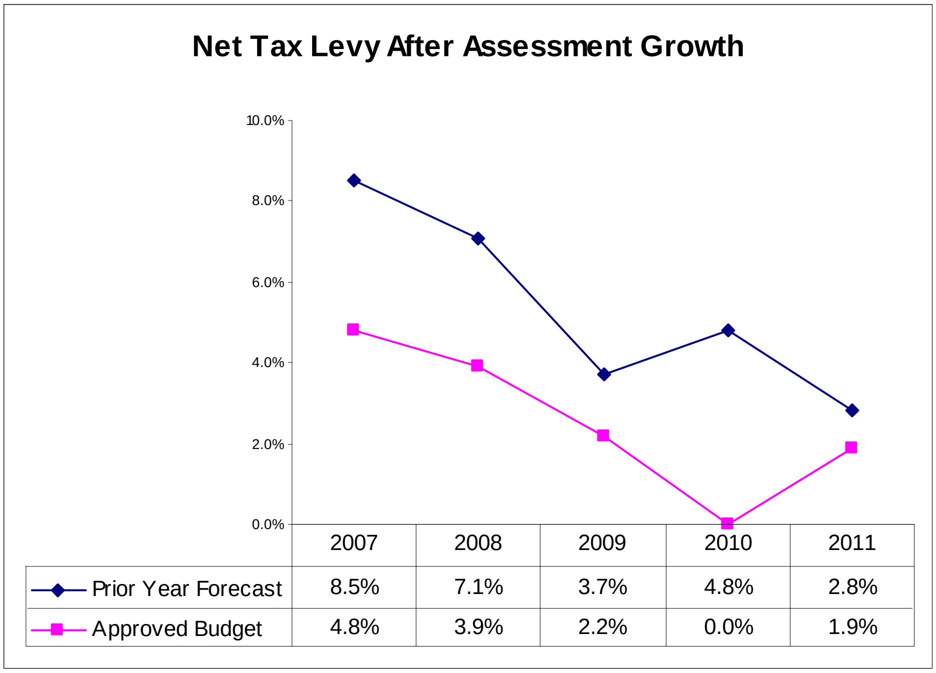
Inflationary base increases, less reductions (salaries, benefits, utilities, contract costs)	3.4 %
Mandatory commitments	0.3 %
Provincial uploading, increased funding	(1.9) %
Debt repayment	1.1 %
Full year impact of 2011 initiatives incl. Transit contract costs	0.4 %
Contribution to capital projects and capital asset replacement	1.6 %
Full year costs of 2011 Police staffing and new 2012 staff	0.5 %
Community & Health Services multi year plan	0.4 %
Response to system growth and demands (Solid Waste, Roads, Transit, EMS)	1.2 %
Enhanced levels of service to Regional programs	0.3 %
Forecast assessment growth	(2.5) %
2012 forecast net tax levy increase	4.8 %

2012 pressures are mitigated by such things as:

- Deferral of capital programs
- Applying debt reduction funding to capital projects as an alternative to using tax levy
- Assessment growth
- Funding from other levels of government
- Reduction in GTA Pooling

Graph 1 shown below illustrates the historical comparison between the tax levy forecast as part of the previous years' budget process and the actual tax levy that was approved for that year. A number of factors contribute to outlook forecast tax levy increases which are later adjusted to reflect economic conditions and business direction from Council during the annual budget review process.

Graph 1
Historical Comparison of
forecast tax levy increase and approved tax levy



Notwithstanding the preliminary 2012 forecast tax levy increase of 4.8%, the business planning and budget review process allows for thorough review of existing budgets to identify efficiencies and cost reductions to mitigate additional pressures. As well, prior to Standing Committee reviews, staff conduct a thorough review of the proposed budget to ensure that the initiatives presented are aligned with Council direction.

5. FINANCIAL IMPLICATIONS

While there are no direct financial implications associated with this report, the budget will establish expenditures and funding for the provision of Regional services in 2012. Confirmation of budget direction will ensure a streamlined and effective budget review process at both staff and Committee levels.

6. LOCAL MUNICIPAL IMPACT

There are no direct local municipal impacts associated with this report.

7. CONCLUSION

The 2012 business plan and budget represents the second year of a multi year operating budget that was presented to Council as part of the 2011 budget process. In particular, new initiatives planned for 2012 were highlighted as part of the 2011 budget process in order to provide Council with more accurate forecasted estimates early in the process.

It is proposed that the 2012 budget be tabled with Regional Council in November 2011 with approval in January 2012.

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

The Senior Management Group has reviewed this report.