4
2006 BUSINESS PLAN AND BUDGET MID-YEAR PROGRESS REPORT

The Finance and Administration Committee recommends the adoption of the recommendation contained in the following report, August 16, 2006, from the Commissioner of Finance and the Chief Administrative Officer:

1. RECOMMENDATION

It is recommended that this report outlining mid-year program highlights and financial results be received for information.

2. PURPOSE

The purpose of this report is to provide Council with a mid-year status report on progress towards the objectives outlined in the 2006 Business Plan and Budget. Regular performance and service monitoring ensures that York Region's $1.6 billion service mandate will be delivered to taxpayers in a cost efficient and effective manner. Appended to this report are corporate mid-year summaries and year-end projections of operating and capital financial results.

3. REPORT HIGHLIGHTS

Operating Programs

- York Region's 2006 gross operating budget is $1.1 billion of which 99% is projected to be spent by year-end.
- As of June 30, 2006, 92% of the year to date gross operating budget has been expended.
- Transportation & Works and Viva is forecasting to be fully spent by year-end as a result of a $2.2 million unfavourable variance in Transit offset by $1.0 million in Roads Transportation, $1.2 million in Solid Waste Management.
- Police are forecasting to be 100% spent by year end.
- Community Services and Housing has forecasted a $2.2 million favourable variance largely due to Employment and Financial Support (Social Assistance).
- Net operating expenditures (tax levy funded) are 91% of budget at mid-year and are estimated to be 101% of budget at year-end.

Capital Programs

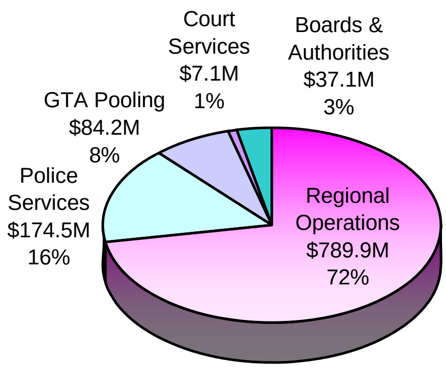
- York Region's 2006 gross capital expenditure budget is $740 million (including funds approved in previous years of $223 million) of which 91% is dedicated for Transit, Roads Transportation and Water and Wastewater. The remaining expenditures are primarily for Police, EMS, Long Term Care and Housing Services.
- At mid year, 39% of budgeted capital projects are tendered, under construction or complete, and approximately 79% of total capital projects are deemed to be on schedule.
- At year end, gross capital expenditures are projected to total 71% of the budget.

4. BACKGROUND

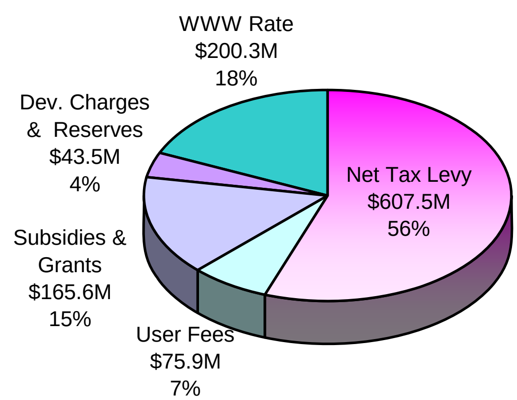
On December 15, 2005, Regional Council approved the 2006 Business Plan and Budget. The detailed business plan identifies work initiatives within the framework of a total gross budget of $1.6 billion approved in 2006 plus $223 million approved in prior years, but not spent in those years and a net tax levy funded budget of $607.5 million.

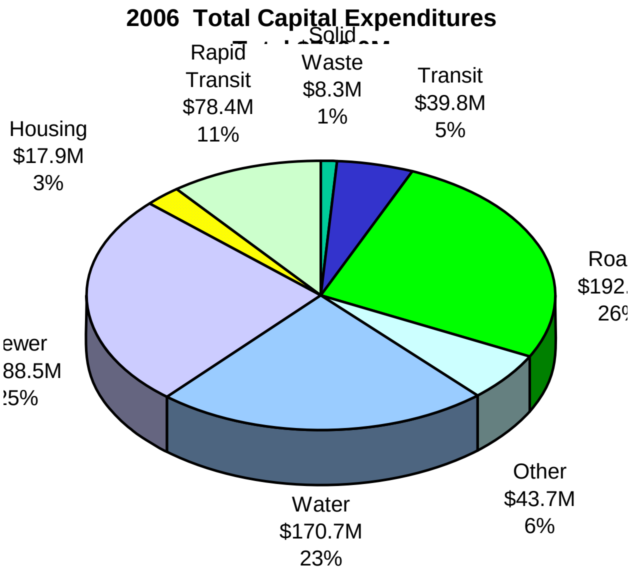
The graphs below identify the 2006 Regional operating and capital budgets and the various Regional funding sources.

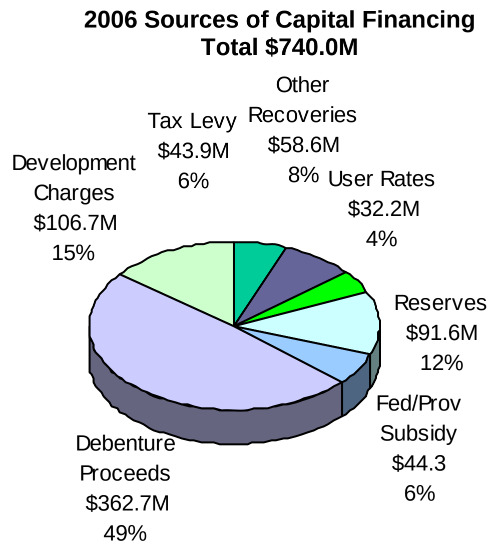
2006 Gross Operating Expenditures
Total $1,092.8M



2006 Operating Funding Sources
Total $1,092.8M







5. ANALYSIS AND OPTIONS

5.1 Economic Overview

York Region continues to be one of the fastest growing municipalities in Canada with a forecasted population of 952,500 at year-end, an increase of 34,100 from December 2005. A total of 10,391 building permits were issued for new residential units in 2005, representing a 12% decrease from 2004. Total construction value was $2.9 billion for 2005, ranking York Region among the highest in Canada. York Region's Ontario Works program average monthly social assistance caseload has increased from 4,525 in 2005 to a projected 4,775 cases in 2006.

The Greater Toronto Area's annual inflation rate is consistent with the national Consumer Price Index published by the Bank of Canada. The Consumer Price Index (CPI) was 1.8% for the 12-month period ending June 30, 2006. The increase in the Non-residential Construction Price Index for Toronto, for the 12 month period ending March 31, 2006 was 6.2%.

Program Highlights

The following are major program highlights to date for 2006:

- Receipt of $5.1M in additional EMS funding from the Province of Ontario, a significant step towards true 50/50 EMS cost sharing. These new funds have been allocated towards equipment replacement for future years.
- As a result of a pilot project, Council approved the addition of one permanent Emergency Medical Services Operations Supervisor. The position is assigned to hospital emergency departments to minimize offload delay times.
- Rates for Child Care Fee Assistance increased 3% effective January 1, 2006, with an estimated cost of $420K which has been approved within the 2006 Budget.
- Council approved a revised investment policy to promote best practices in the administration of the Region's surplus funds and investments, which totalled approximately $953 million as of December 31, 2005.

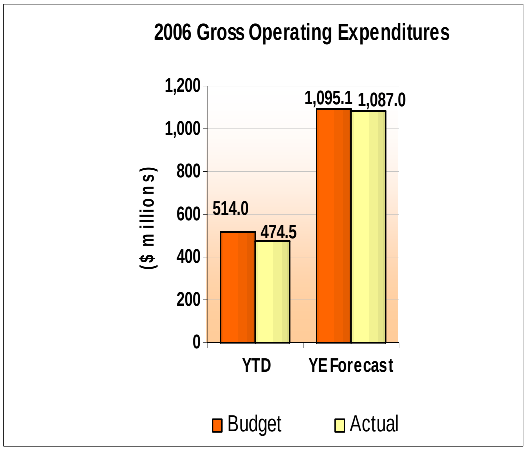
The following are major program highlights to date for future impact:

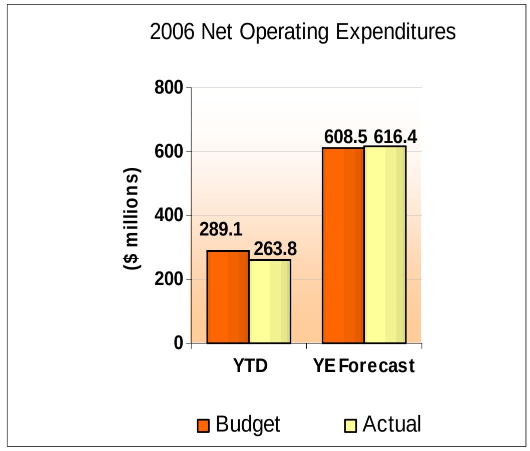
- Council approved the consultants' recommendation on the Durham York Residual Waste Study to proceed with managing residual waste by thermal treatment with energy recovery.
- Reinforcing the concept of '1 System' linking YRT with Viva, Council approved the recommendation to re-brand all 346 YRT buses which will span 6 years and cost $686K.
- YRT's newly approved Five Year Service Plan provides for an increase of 1.5 million service hours, the addition of 84 new vehicles (30 Viva and 54 YRT) and a total ridership target of 26.9 million by 2010.

5.2 Operating Program Overview

At June 30, 2006, Regional net operating expenditures are 91% of the mid-year budget of $289.1 million. A significant portion (31%) of this variance is due to timing of tax levy contribution to capital. Year-end net expenditures are forecasted to be 101% of budget.

However, it should be noted that year end forecasts prepared at mid year are often higher than actual year end results. For example, in 2005, the mid-year forecast for year-end expenditures was 99% of budget, compared to actual year end expenditures of 95%.

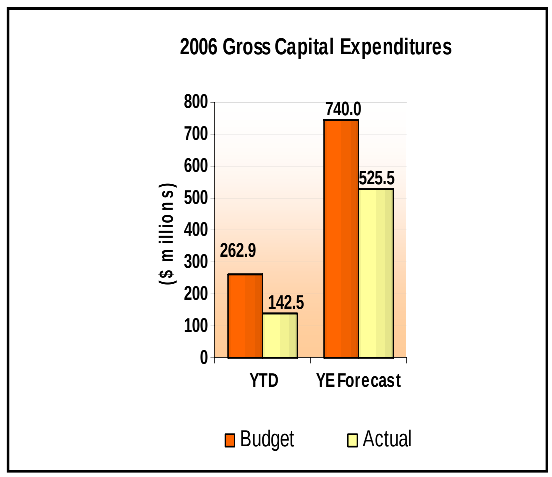




Attachments 1 and 2 contain corporate mid-year summaries and year-end projections of operating expenditures by service area. A detailed analysis of key financial issues and operating variances is included in Section 6 of this report.

5.3 Capital Program Overview

As of June 30, 2006, Regional gross capital expenditures are 19% of the annual budget of $740 million and 54% of the year to date budget of $262.9 million. The following graph summarizes the total Regional year-end gross capital expenditures, year end are forecasted to be 74% of budget. As with Operating, in 2005, mid-year forecast for year expenditures for Capital, was 75% of budget, compared to actual year-end expenditures of 61%. Attachments 3 and 4 contain corporate year-end projections of capital expenditures by service area.



Capital Project Milestones

A status review of all capital projects determined that as of June 30, 2006, approximately 79% of total capital projects are projected to be on schedule for year end. Table 1 below summarizes the progress of York Region’s total 370 capital projects currently approved.

Table 1
Progress Status Summary of Capital Projects

Progress Status	Number of Projects	% of Total Capital Projects
Project Complete	39	11%
Tender / Construction	104	28%
Pre-Construction Phase	175	47%
Project Deferred/Planned Start in Q3 & Q4	52	14%
Total	**370**	**100%**

6. 2006 PROGRAM ANALYSIS: OPERATING & CAPITAL

6.1 Operating Program Analysis

Table 2 outlines the significant factors that result in a projected year end unfavourable variance of $7.9 million for Regional Programs.

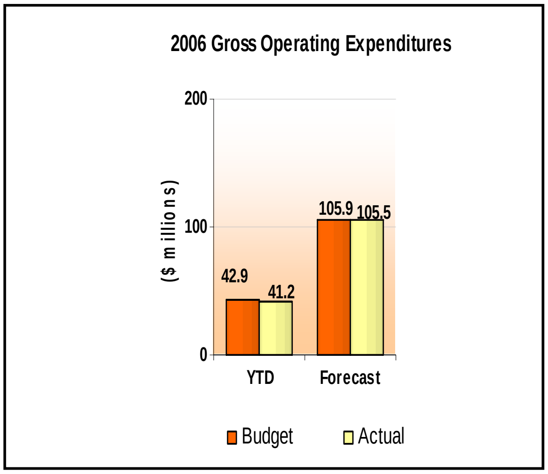
Table 2
Key Operating Variances
Projected for Year End 2006
(Millions $)

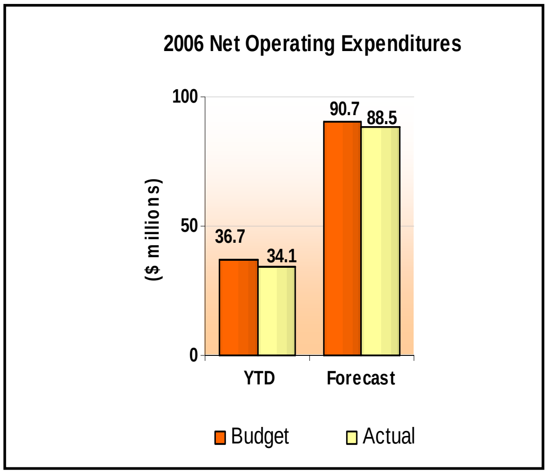
Department/Service	Under/ (Over) Net Program Expenditures
Operations	
Roads Transportation	$1.0
Solid Waste Management	$1.2
Transit YRT & VIVA	($2.2)
Health Services	$0.2
Community Services & Housing	$2.2
Planning	$0.3
Admin Support	$0.3
Emergency Services	$0.1
Financial Items	$0.4
Subtotal	$3.5
Extraordinary items	
GTA Pooling	($8.0)
Insurance	($3.4)
Subtotal	($11.4)
Total Operating	($7.9)

It should be noted that the year end projection shown above reflects operating results only. Supplementary taxes are not included in this figure; however, based on recent trends, supplementary taxes would more than offset the projected operating deficit. For example, in 2005, the Region received $20 million in supplementary tax revenues. While data is not yet available, 2006 supplementary taxes are currently anticipated to be in the range of $15 million.

Significant Departmental year end variances are noted below:

Roads and Solid Waste





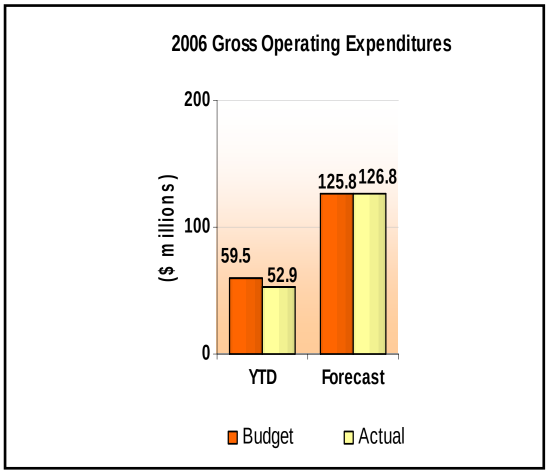
Roads Transportation – Operating ($1.2 million)

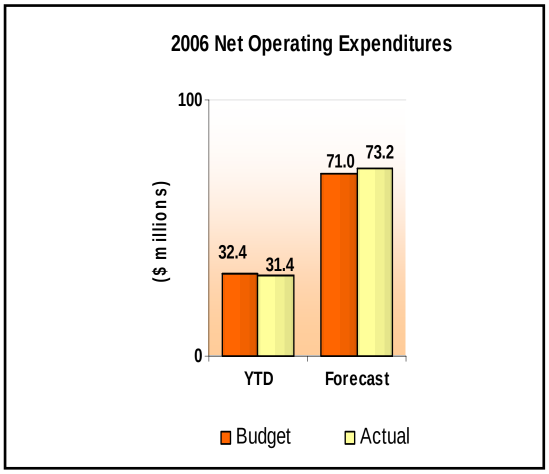
- Salary gapping accounts for approximately $0.4 million of this forecasted favourable variance, with the remainder largely explained by winter salt usage and snow removal under budget by $0.5 million and debenture administrative charges under budget by $0.5 million.

Solid Waste Management ($1.2 million)

- The favourable net variance is the result of a $2.2 million fully funded, gross over-expenditure partially offset by gross savings of $1.3 million due to lower than anticipated tonnage at the Markham Transfer Station.

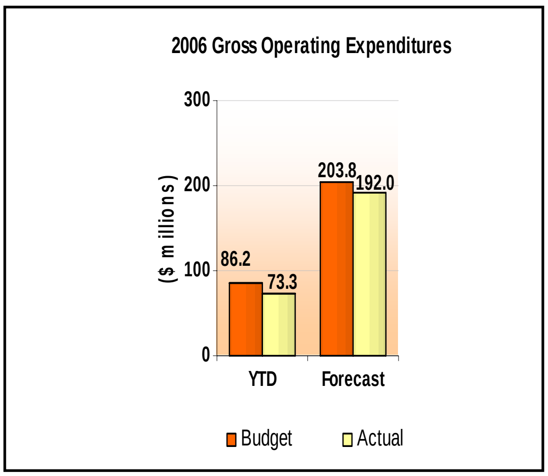
York Region Transit + VIVA Rapid Transit ($2.8 million unfavourable)





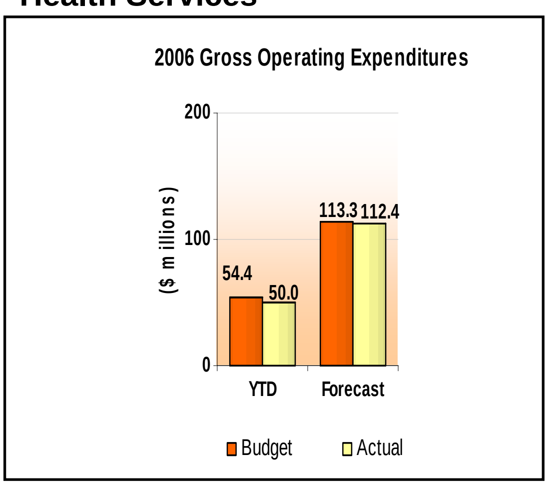
- YRT operations are forecasted to have a net surplus of $2.4 million. This is due to two factors:
  - $2.0 million over-expenditure as a result of higher contractor and TTC costs offset by $0.8 million in salary gapping and winter maintenance savings and
  - Projected revenue $3.6 million higher than budget as a result of higher ridership. This favourable forecast is more than offset by a revenue budget shortfall of $4.9 million for Viva and $0.3 million operating savings.
- Viva ridership and revenue is lower than budget due to a delay in the introduction of Viva service to Cornell at the request of the local community and Markham Council, ramp-up of ridership on the green and orange routes which are now tracking to meet the revised ridership forecast, new development projections for occupancy later than anticipated in new communities, such as Markham Centre, and higher than anticipated congestion growth and unexpected service delays.

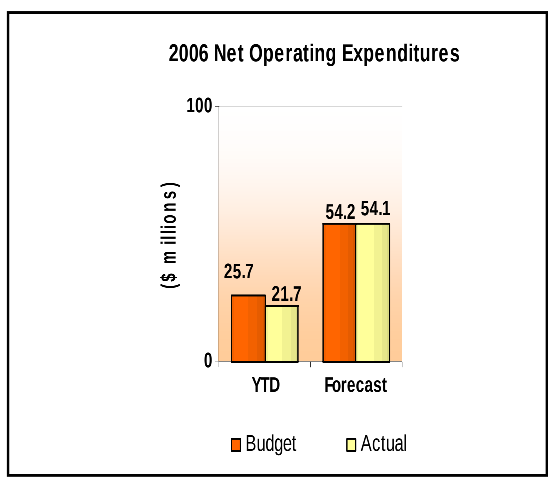
Water & Wastewater (Rate Funded)



- This budget is expected to be under spent by $11.8 million, due to project deferrals ($3.2 million), lower water purchases from Toronto ($2.8 million), savings in sludge management ($2.6 million), delay in the commissioning of the sewer main to Peel ($1.6 million) and the remainder due to salary gapping and other operation cost savings. These under expenditures are partially offset by increased purchases from Peel ($1.0 million).
- Any surplus at year end is contributed to the water and sewer rate-supported reserves.

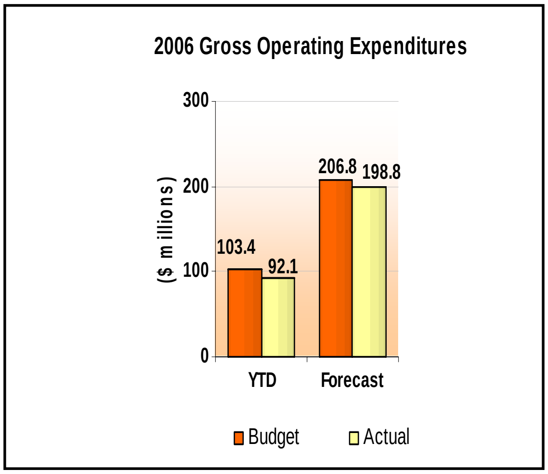
Health Services

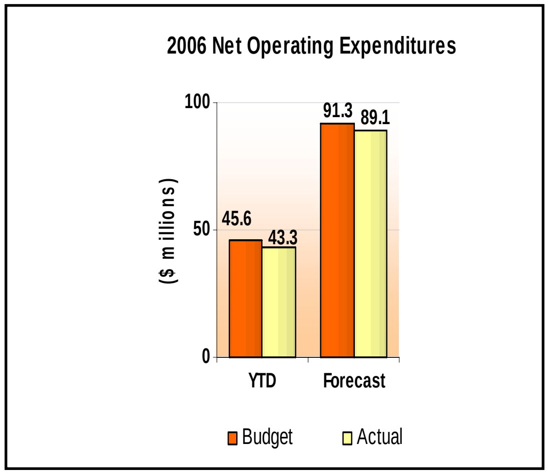




- Overall Health Services is expecting to have a net favourable variance of $0.2 million by year end. Approval of the Region's 2006 budget is still pending from the Ministry of Health; this could affect the Public Health Department's anticipated year end surplus.

Community Services & Housing





Employment and Financial Support ($1.6 million)

- Ontario Works monthly average cost per case for client benefits is expected to be lower than budgeted ($0.3 million gross, $0.6 million net). Delays in opening of hostel beds will result in an under expenditure of $0.7 million gross and $0.1 million net and delays in issuing emergency shelter stabilization payments ($0.2 million gross and net). Additionally, delays in the capital projects at 62 Bayview will delay the contributions to capital by $0.15 million net.

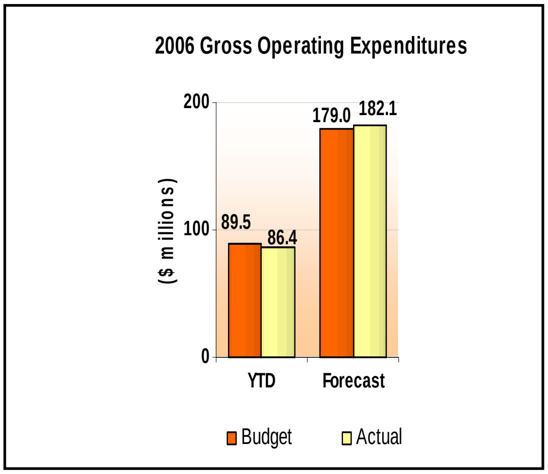
Housing Services ($0.2 million)

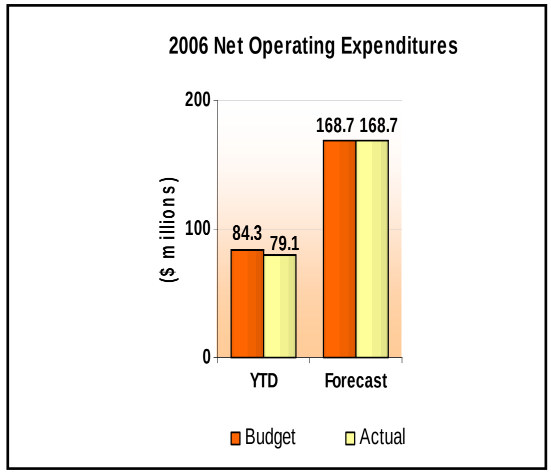
- Salary gapping of $0.2 million and Rent Supplement savings of $0.2 million is forecasted to be offset by projected housing provider repair costs exceeding budget by $0.3 million net. SCIPI and NHI program expenditures are forecasted to exceed budget but are offset by 100% funding ($0.4 million).

Family and Children's Services ($0.4 million)

- Forecasted expenditures for Best Start are reduced by $6.2 million to offset the same reduction in provincial funding. The forecasted favourable variance is a result of salary gapping.

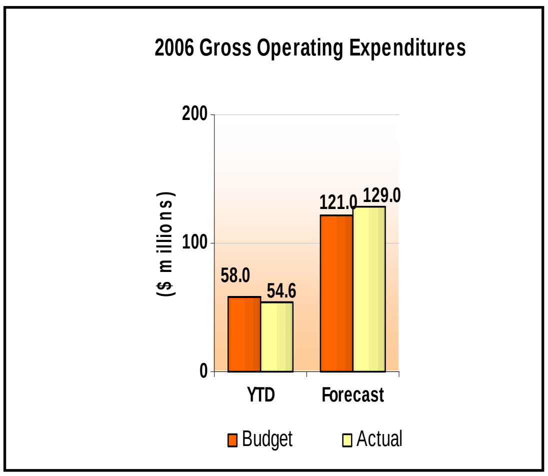
Police Services

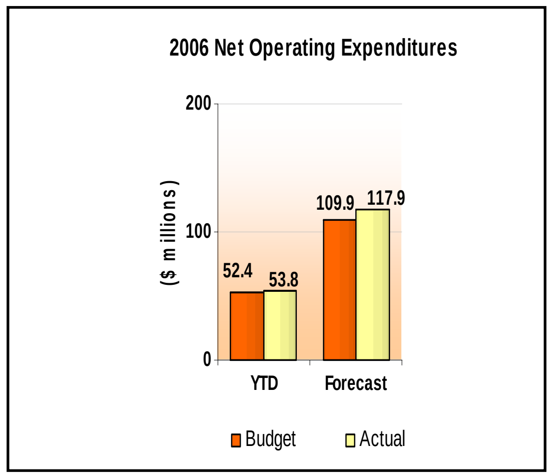




- York Region Police are expecting to fully spend the annual net budget of $169 million. Salaries and benefits are expected to exceed budget by $1.0 million as a result of contract rates and overtime. This, together with expected excess fuel expenses of $0.3 million is forecasted to be offset by favourable revenue variance due to increased volumes of services for external fees. An unbudgeted Municipal Technology Grant of $1.8 million will be offset by corresponding IT expenditures.

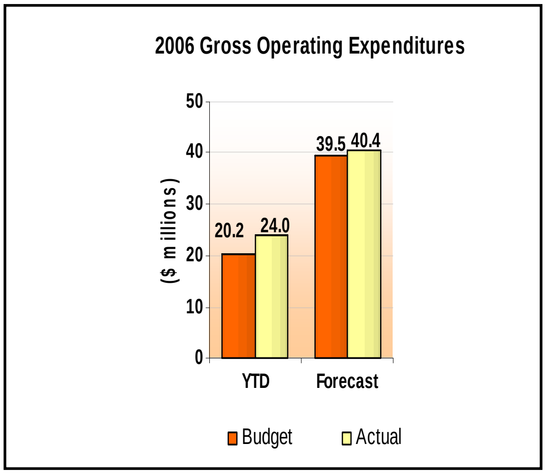
Boards, Authorities & GTA Pooling ($8 million unfavourable)

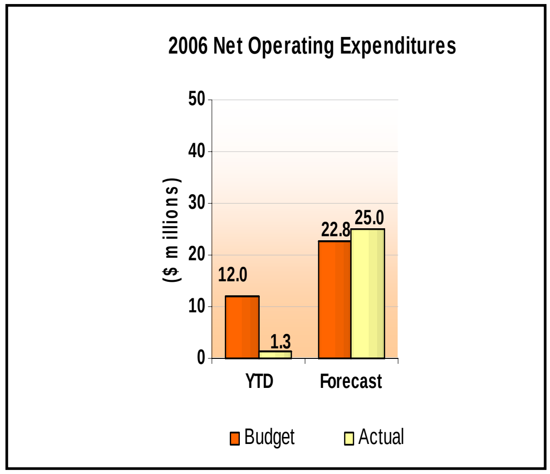




- Boards, Authorities & GTA Pooling are expected to be on budget at year end with the exception of GTA Pooling which is expected to be $8 million higher based on the most recent estimates received from the Province.

Other ($2.3 million unfavourable)





- The unfavourable variance of $2.3 million is largely due to unbudgeted expenditures of $3.4 million for supplemental assessment for unfunded insurance claim liabilities. This item is the subject of a separate report to Finance and Administration Committee. The over expenditure for insurance is in part offset by under expenditures in Planning, Emergency Services, Finance and other Non-Program Items.

6.1.1 Salary and Benefits Expenditures

Salaries and benefits account for $338.6 million or 31% of York Region's 2006 gross operating expenditure budget of $1.1 billion.

As a result of delays in filling new and vacated positions, salary gapping (the under-expenditure of salary and benefit dollars) is projected to exceed the budgeted gapping of $3.1 million. Salary gapping savings are realized in departmental budgets while the salary gapping reduction is budgeted at the corporate level.

6.2 Capital Program Analysis

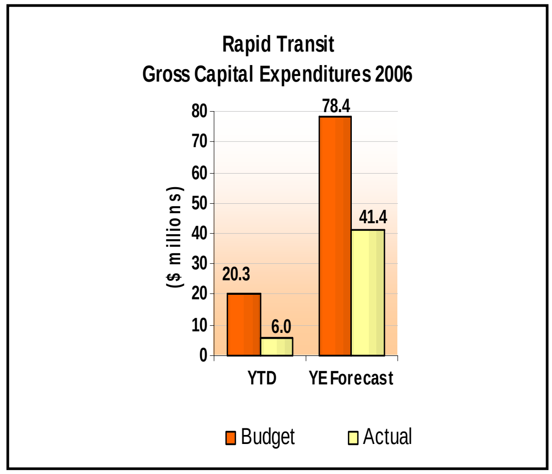
The following graphs show year to date and year-end projections of capital expenditures for the major service areas of the Region's capital program. It should be noted that the Transportation and Works department consisting of Transit Services, Roads Transportation, Solid Waste and Water and Wastewater accounts for 92% or $678 million of the total Regional gross capital expenditure budget of $740 million.

Transit Services

Rapid Transit

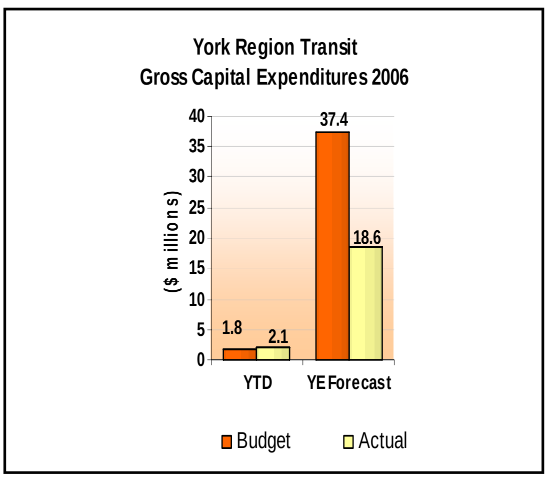
Year to date expenditures are 29% of year to date budget, while year end expenditures are expected to be 53% of budget (or $37 million under budget) due to the following:

- $20 million land acquisition budget for the YRTP Maintenance (Langstaff) Facility was not utilized in the first half of 2006.
- During this period, the acquisition team was assembled and they are now in a position to acquire land for the Langstaff facility in the last half of 2006.
- $7 million budgeted for other land acquisition will be delayed into 2007 due to ongoing due diligence work.
- The total $17.4 million budgeted amount for Highway 7-Yonge St to Markham Centre, Cornell Terminal and the Yonge St-Highway 7 to Bernard will not be utilized in 2006 due to not receiving anticipated funding from senior levels of government. These projects will be rebudgeted in 2007 using 100% Regional funds.



- Construction for the Quickstart program budgeted at $13 million is expected to be completed in 2006 with the exception of $5.3 million for the Richmond Hill Center pedestrian bridge. It is anticipated that this will be constructed in 2007.

York Region Transit

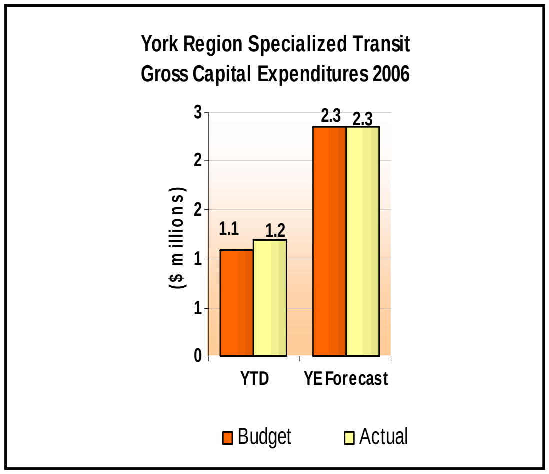


- Year end expenditures are 53% of the year end budget of $39.8 million. Year to date expenditures have exceeded year to date budget by $403,000 due to specific projects being expended earlier in the year than anticipated.
- Eighteen conventional buses have been ordered for delivery in 2006. Nine are scheduled for delivery in November and the remaining nine buses were received in early 2006.
- Land is currently being sought for the proposed Transit Vehicle Garage budgeted at $6.1 million and will delay the project to 2007. An update will be provided in the third quarter.
- Hybrid Bus initiative is unlikely to proceed in 2006 due to funding issues with the Federal government.
- The Transit Management System (TMS) projects are not anticipated to be completed in 2006 and will be carried forward into 2007. The vendor for the conventional bus system was recently approved in June 2006 by Council and it is anticipated that the contract will begin in Q3. In addition, Council approval is

scheduled to be given for the vendor of the Security equipment project in October 2006. Work will begin shortly afterwards and continued into the following year.

Specialized Transit

- Gross annual budget of $2.3 million is expected to be fully spent at year end.
- Two specialized buses have been ordered for 2006 and expected to be delivered in November.

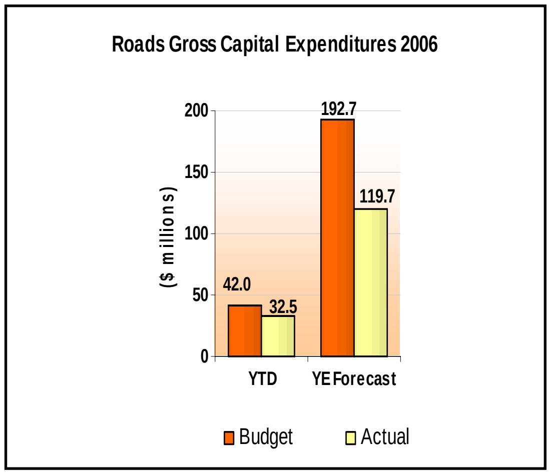


Transportation & Works (excluding Transit Services)

Roads

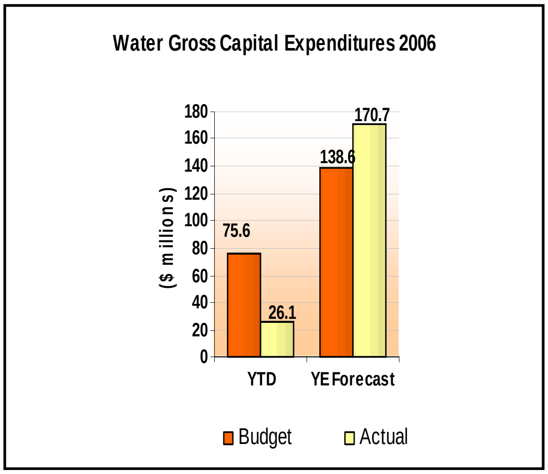
Gross expenditures to date are $32.5 million, representing 77% of the mid-year budget. It is expected that the expenditures for the Roads department will be 62% of the Gross budget for 2006 by year end. Some key roads projects that will be under spent include:

- 9th Line- Hwy 407 to 16th Ave ($11.8 million) is delayed due to an outstanding cost sharing agreement with an adjoining developer. Awaiting permit from Ministry of Transportation of Ontario (MTO). Design is underway and the tender is expected in the third quarter 2006.
- 19th Ave-Yonge to Leslie ($8.7 million) is deferred to coincide with the construction of the 19th Ave YDSS trunk sewer.
- Weston-Major Mackenzie to Teston and Teston, Weston to Jane ($8.8 million) took longer than anticipated due to MTO approval delays.
- Major Mackenzie-Woodbine to Kennedy ($5.7 million) is delayed due to consultant delays in completing the detailed design. Tender is expected in the summer of 2006.
- Bathurst-King to Wellington ($4.6 million) was delayed to co-ordinate with construction of the Bathurst



Feedermain. Construction is underway and expected completion is in the fall 2007.

- Dufferin-Steeles to Glen Shields ($3.7 million) detailed design is delayed due to change in scope to include pedestrian bike lanes. Environment Service Review (ESR) is to be filed in the summer of 2006.
- York Peel Boundary Study ($3.2 million) is delayed due to renegotiation of a cost share agreement with Peel and Ministry of Transportation of Ontario (MTO).

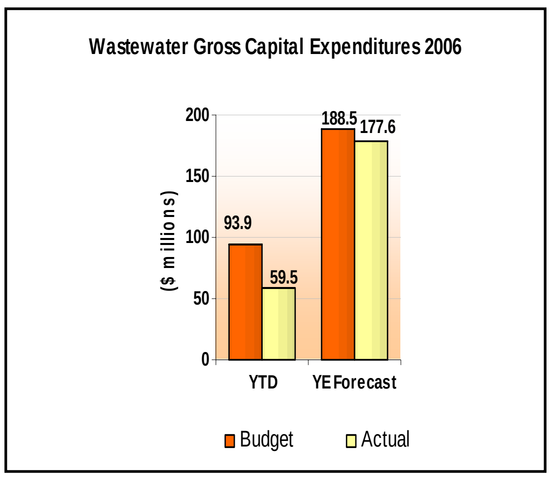


Water

- Year to date expenditures for Water Capital projects are 35% of the $75.6 million year to date budget due to project deferrals to the second half of the year. Delays in key projects have been primarily caused by various contractor issues, Environmental Assessments and/or coordination with other roadwork projects.
- Tendering and scheduling delays have impacted the timing of projects, resulting in a projected forecast of 81% of the $170.7 million annual budget. Property acquisition issues have also been a source of delay for PD6 Major Mackenzie Watermain from Pugsley to Markland ($8.5 million).

Wastewater

- Wastewater capital program expenditures are forecast by year-end to be $177.6 million or 94% of budget. Nobleton Sewage Study Environmental Assessment is scheduled to be under budget by $6.9 million due to detailed design delays resulting from extensive negotiations with developers who are constructing the treatment plant on behalf of the Region.
- Year to date expenditures are 63% of the $93.9 million year to date budget due to key projects being delayed due to external factors such as contractor issues, environmental assessments and construction schedules. Most of the projects are expected to be completed by the year end.



Solid Waste:

- The Solid Waste Management Capital program is forecasted to spend 24% of the approved annual budget of $8.3 million. The $6.3 million variance is primarily due to the Vaughan Community Environmental Centre's original site being rejected by the City of Vaughan Council. Negotiations are continuing into Q3 to determine a new site and construction is anticipated to be completed in November 2007. The remaining $2.3 million is not being utilized in 2006 due to projects having lower than anticipated costs.

Housing Services Division:

- 67% of the year to date budget of $8.1 million has been spent. The year-end forecast is $12.7M versus a total approved budget of $16.1 million (78.9%).
- The primary projects with budget variance impact are Leeder Place and Tom Taylor Place. The Leeder Place project has been delayed due to delay in receiving Ministry of Environment (MOE) approvals. The YTD Budget of $1.1 million is only 1.3% spent and the year-end forecast for this project is now $64 million versus a full-year budget of $2.1 million. The Tom Taylor Place project expenditures have been slower than expected as a result in delays in a decision as to whether or not to be Leadership in Energy & Environmental Design (LEED) certified and over optimistic timelines established during the 2006 budget cycle. This project will be tendered in the third quarter, with construction to start later this year. The YTD budget of $1.4 million is only 1.6% spent and the year-end forecast for this project is now $1.8 million versus a full-year budget of $2.8 million.

Information Technology:

- 31% of the year to date budget of $2.9 million has been spent. The year-end forecast is $5.7 million versus a total approved budget of $10 million. The Data Centre Facilities upgrade project is in progress and a long term strategy for the Data Centre is under development. Three Enterprise Resource Planning (ERP) projects are currently on hold – Budget System Enhancements, Human Resource Management Self Service Options, and Data Management.
- The Data Centre Facilities project has not spent any of its $0.5 million YTD budget and it is expected that $0.2 million of the $1.4 million annual budget will be spent. The ERP project has spent $0.1 million of its YTD budget of $0.4 million and it is expected that $0.4 million of the full year budget of $1.7 million (25%) budget will be spent.

Health Services

Long Term Care:

- The year end forecast is $0.5 million or 52% of the annual capital budget. The year to date actual expenditure is 42% of the year to date budget.
- Hadley Grange Alternative Community Living project will be delayed pending on ministerial directives to continue. The status of Newmarket Health Centre Phase V will be updated by the end of the year. Restructuring of Newmarket Health Centre, Renovation of Maple Day Centre, and 32-Bed Expansion in Newmarket Health Centre will be completed by the end of 2006.

Emergency Medical Services (EMS):

- The year end forecast is $4.1 million or 56% of the annual capital budget. The year to date actual expenditure is 21% of the year to date budget. Approximately half of the planned projects are on schedule.
- The Paramedic Response Stations at Maple, Keswick, Pefferlaw and Queensville have been delayed due to extended negotiation timeframes for planning, architectural drawings, the purchase of land and necessary approvals. These projects are anticipated to be completed by 2007 year end.

Property Services:

- The year end forecast is $8.6 million or 82% of the annual capital budget. The year to date actual expenditure is 37% of the year to date budget.
- Three of the Building Condition Audit (BCA) projects (i.e. 62 Bayview, 55 Eagle and 22 Prospect) are on hold pending decision on Strategic Accommodation Plan (SAP) in 2007. The balance of the BCA projects is on schedule. The chillers in the Administration Centre will be upgraded instead of replaced resulting in savings.
- Rehabilitation projects on specific T&W facilities will be deferred to 2007 due to operational issues. The majority of facility rehabilitation projects are expected to be complete by the end of 2006.

York Regional Police:

- The year end forecast is $10.8 million or 76% of the annual capital budget. The year to date actual expenditure is 62% of the year to date budget.
- Rotor replacement for the police helicopter has been delayed into 2007 in accordance with the revised maintenance schedule.
- The implementation of forensic identification project and upgrade of computer network security will be deferred to 2007 due to longer than expected purchasing process.

Other:

- Year to date budget of $0.2 million has not been utilized for Court Administration and Planning and Economic Development. Court Administration ($0.3 million) is expected to be fully spent by year end. The Planning renovation/partial re-location has been delayed pending Property Services Consultant Study.
- Employment will be forecasted to be 25% at year end due to delays in coordination of the renovation project. It is anticipated that the project will be carried into 2007.

6.4 Potential 2007 Business Plan and Budget Impacts

The 2006 Mid-Year Progress Report provides a strategic starting point for the 2007 Business Plan and Budget. Some potential factors affecting the 2007 budget include:

- Continued population growth in 2007 of approximately 34,100 new residents, requiring additional operating and capital resources to keep pace with growth;
- Continued construction growth, particularly in the residential sector;
- Anticipated 2007 GTA Pooling requirements in excess of the capped budget;
- Increased budget requirements for transit, particularly debt repayment costs;
- Annualization of operating costs and debt financing costs for other capital initiatives;
- Continued increased investment in Roads resurfacing and acceleration of the Roads Transportation Capital Plan to address congestion;
- Infrastructure rehabilitation and replacement to ensure a state of good repair for Regional assets;
- Additional capital reserve fund contribution to reduce the heavy reliance on new debt for capital projects;
- Increased provincial subsidy for Public Health Services and increased base funding for EMS;
- Additional resources for York Regional Police, as outlined in the 2004-2008 Five Year Staffing Plan;
- Continued implementation of the source separated organics waste program throughout the Region.

As summarized above, a number of previous commitments have been made, including funding for transit, Police staffing and debt repayment, and will significantly influence 2006 budget development.

6.5 Assessment Growth

As of June 31, 2006 assessment growth is 1.3%. It is anticipated that 2006 full year assessment growth will be approximately 2.6%. Assessment growth of 2.6% would generate approximately $16 million in additional tax revenues, which could be applied against increases in 2007 expenditures driven by growth.

7. LOCAL MUNICIPAL IMPACT

The 2006 Business Plan and Budget Mid-Year Progress Report summarizes the status of York Region's key service areas and communicates to the local municipalities a year-end estimate of service delivery and resource utilisation.

The Region's 2007 Business Plan and Budget cycle has commenced and it is anticipated the operating, rate and capital budgets will be delivered to Council in December of 2006 for committee review and final approval in the first quarter of 2007.
Budget information will be provided to local municipalities for their business planning processes for shared services such as water, wastewater, and transportation.

8. LINK TO VISION 2026

Reflecting on the goals outlined in Vision 2026, Regional business units commit to business objectives and work initiatives through the multi-year business planning and budget process. To ensure progress has been made towards the goals of Vision 2026 and the needs of the York Region community are continually being met, service delivery is evaluated through quarterly progress reporting and key performance indicators.

9. CONCLUSION

The 2006 Mid-Year Progress Report provides a comprehensive status review of the resources utilized to complete service objectives identified in the 2006 Business Plan and Budget.

As of June 30, 2006, total net expenditures for Regional operations are 91% on target for a $2.3 million surplus. Year-end projections indicate that total net expenditures will be $616 million or 101% of budget resulting from extraordinary items of $11.4 million for GTA Pooling and Insurance for a forecast deficit of $7.9 million.

The financial projections and program highlights contained within the 2006 Mid-Year Progress Report provide the foundation for the Region's 2007 Business Planning and Budget process.

The Senior Management Group has reviewed this report.

(The attachment referred to in this clause was included in the agenda for the September 7, 2006 Committee meeting.)