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2005 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 26, 2005, from the Commissioner of Finance and 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 2005 Business Plan and Budget. Regular performance and service monitoring ensures that York Region's $1.5 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 2005 gross operating budget is $971 million of which 97% is projected to be spent by year-end.
- As of June 30, 2005, 89% of the year to date gross operating budget has been expended.
- Transportation and Works is forecasting a $0.6 million unfavourable variance by year end, with $0.7 million in Roads Transportation and $0.7 million in Solid Waste Management, offset by a $0.8 million favourable variance in Transit.
- GTA Pooling is expected to be $0.6 million over budget.
- VIVA is projecting a favourable variance of $0.4 million.
- Police are forecasting a $0.5 million favourable variance.
- Community Services and Housing has forecasted a $2.1 million favourable variance.
- Net operating expenditures (tax levy funded) are 90% of budget at mid-year and are estimated to be 99% of budget at year-end.

Capital Programs

- York Region's 2005 gross capital expenditure budget including funds approved in previous years of $323 million is $900 million of which 94% is dedicated for Transit, Roads Transportation, Solid Waste and Water and Wastewater. The remaining expenditures are primarily for Police, EMS, Long Term Care and Housing Services.
- At mid year, 33% of budgeted capital projects are tendered, under construction or complete, and approximately 73% of total capital projects are deemed to be on schedule.
- At year end, gross capital expenditures are projected to total 75% of the budget.

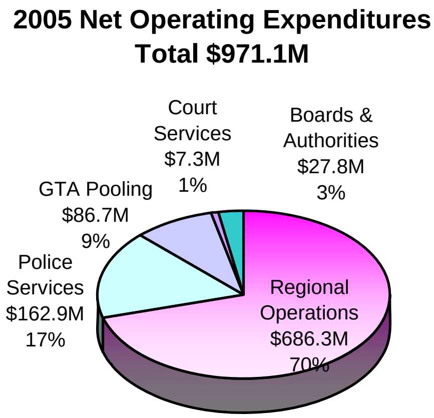
4. BACKGROUND

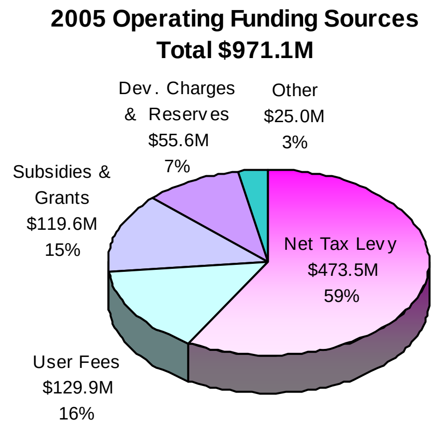
On February 17, 2005, Regional Council approved the 2005 Business Plan and Budget. The detailed business plan identifies work initiatives within the framework of a total gross budget of $1.5 billion approved in 2005 plus $323 million approved in prior years, but not spent in those years and a net tax levy funded budget of $568.1 million.

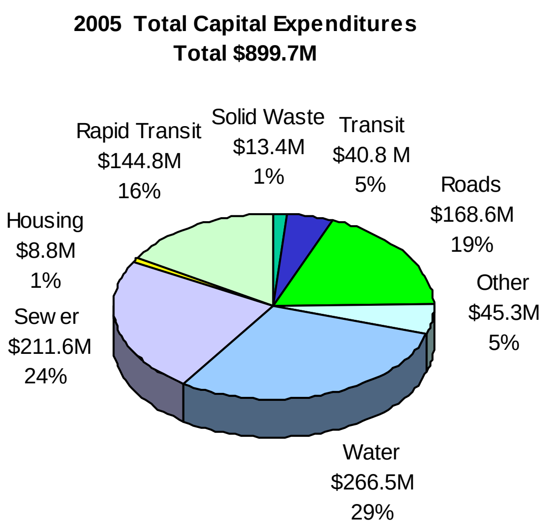
Further adjustments to the gross budget have been made to more accurately reflect planned expenditures. The following adjustments are fully funded through Provincial funding and hence have no tax levy impact.

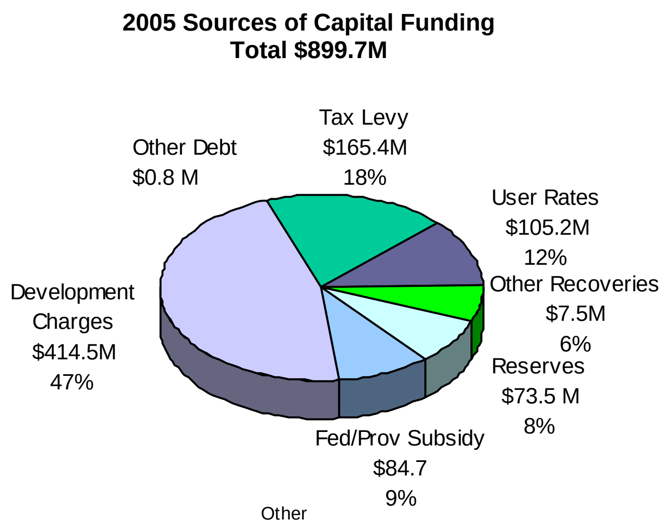
- Public Health ($754 thousand) – Grant money from the MOHLTC for the development of the Ontario Tobacco Strategy,
- Social Assistance ($399 thousand) Provincial funding as a result of the decentralization of the Social Assistance Intake function, and
- Family and Children's Services ($1.273 million) – From the Provincial Strengthening our Partners program.

The graphs below identify the 2005 Regional operating and capital budgets and the various Regional funding sources.









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 922,000 at year-end, an increase of 33,000 from December 2004. A total of 9,306 building permits were issued for new residential units in 2004, representing an 8% decrease from 2003. Total construction value was $2.56 billion for 2004, ranking York Region among the highest in Canada. York Region's Ontario Works program average monthly social assistance caseload has increased from 4,304 in 2004 to a projected 4,600 cases in 2005.

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 1.7% for the 12-month period ending June 30, 2005. The increase in the Non-residential Construction Price Index for Toronto, for the 12 month period ending March 31, 2005 was 6.4%.

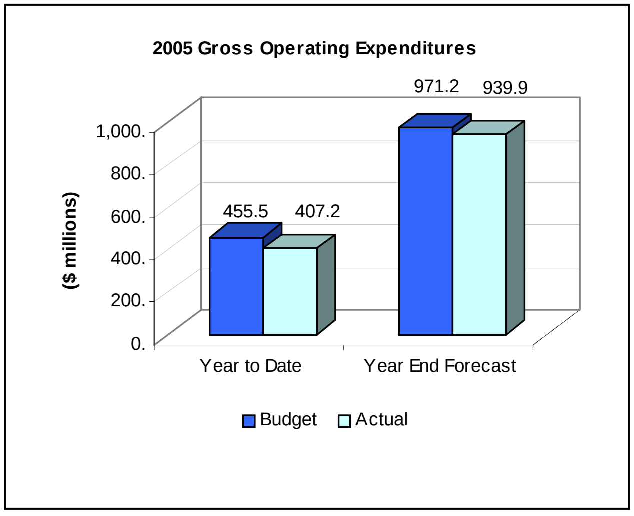
Program Highlights

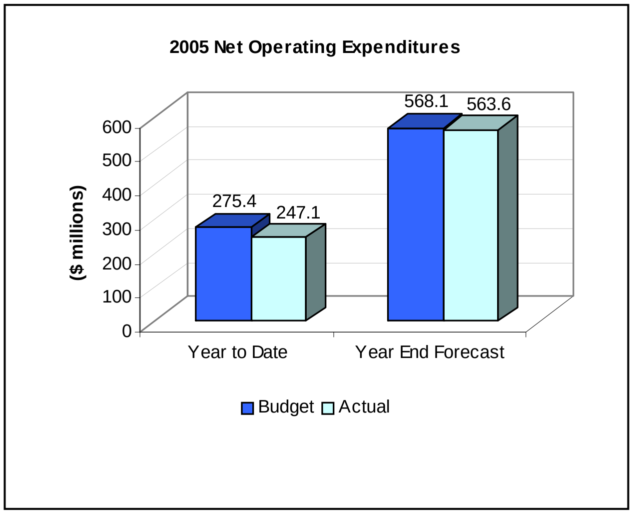
The following are major program highlights to date for 2005:

- Regional Council approved the awarding of a five-year, $112.5 million contract to operate and maintain the fleet of 85 Viva rapid transit vehicles.
- York Region Transit conventional ridership for the first five months of 2005 was 6.3 million, a 12.9 % increase over the same period in 2004.
- The Region approved Moving Forward: York Region's 2005 Accessibility Plan which outlines the initiatives each Regional department will take to improve accessibility and enable the Region to meet the legislated requirements of the Ontarians with Disabilities Act.
- Through a six-month, $1.2 million contract, household organic waste in Markham will be collected and processed.
- York Region opens the new Waste Management Centre in East Gwillimbury.
- The Region has renewed the equipment lease and service agreement for the Heart Alive Program for an additional two years.
- York Region has entered into an agreement with Transport Canada for 50% funding, capped at $250,000, to implement an adaptive traffic control system.

5.2 Operating Program Overview

As of June 30, 2005, Regional net operating expenditures are 90% of the mid-year budget of $275.4 million. A significant portion (72%) of this variance is due to timing of tax levy contribution to capital. Year-end net expenditures are forecasted to be 99% of budget.

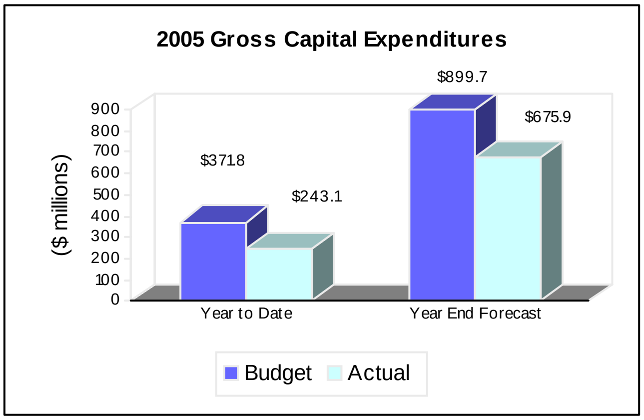




Attachments 1 and 2 contain corporate mid-year summaries and year-end projections of operating expenditures by service area. A detailed analysis of key financial issues and operating variances is included in Section 6 of this report.

5.3 Capital Program Overview

As of June 30, 2005, Regional gross capital expenditures are 27% of the budget of $900 million. The following graph summarizes the total Regional year-end gross capital expenditures forecasted to be 75% of budget. 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 was undertaken as part of the mid-year review process. As of June 30, 2005, approximately 72.6% of total capital projects are on schedule for year end. Table 1 below summarizes the progress of York Region's total 340 capital projects currently approved.

Table 1
Progress Status Summary of Capital Projects

Progress Status	Number of Projects	% of Total Capital Projects
Project Complete	19	6%
Tender / Construction	91	27 %
Pre-Construction Phase	158	46%
Project Deferred/Planned Start in Q3 & Q4	72	21%
Total	**340**	**100%**

6. 2004 PROGRAM ANALYSIS: OPERATING & CAPITAL

6.1 Operating Program Analysis

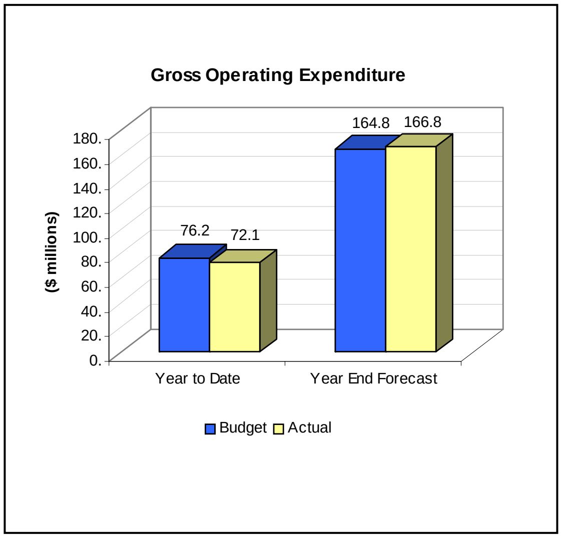
Table 2 outlines the significant factors that result in a projected year end favourable variance of $4.5 million for Regional Programs.

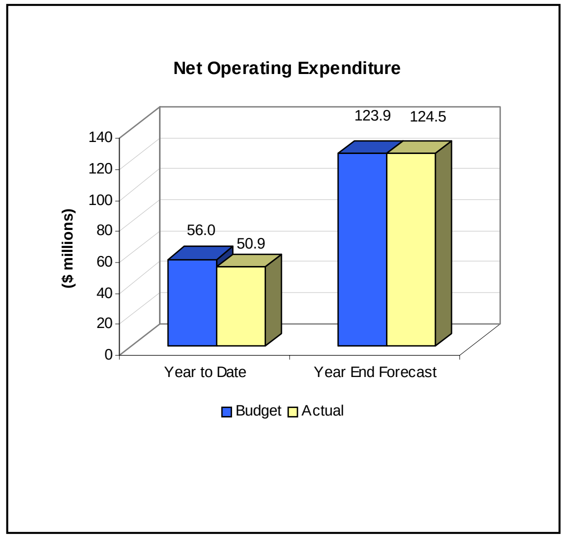
Table 2
Key Operating Variances
Projected for Year End 2005
(Millions $000)

Department/Service		Under/ (Over) Net Program Expenditures
VIVA		$0.4
Emergency Medical Services		$0.2
Community Services & Housing		$2.1
Corporate Services		$1.9
GTA Pooling		($0.6)
Other		$0.6
Police		$0.5
		$5.1
Transit		$0.8
Solid Waste Management		($0.7)
Roads Transportation		($0.7)
	Total T&W	($0.6)
Total Operating		$4.5

Significant Departmental year end variances are noted below:

Transportation & Works (excluding Water & Waste Water)





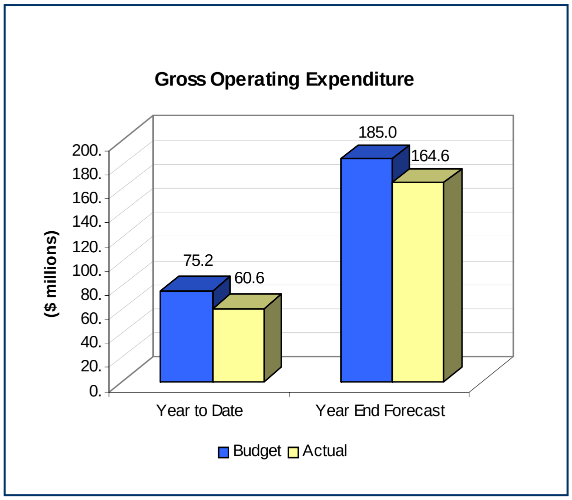
Roads Transportation – Operating ($0.7 million)
The $0.7 million unfavourable variance is related to $0.4 million overage for salt for road winter maintenance due to unseasonable adverse winter weather conditions. As per Council authority, additional costs due to adverse weather will be funded from the Region's general capital reserve. Traffic signal savings anticipated from the conversion from land line to cellular have been postponed in the amount of $0.3 million due to conflicting pressures resulting from the implementation of Viva traffic signals.

York Region Transit $0.8 million
A net favourable variance is anticipated by year end due to revenue projections exceeding budget by $1.2 million offset by a net over expenditure of $0.4 million. The over-expenditure of $1.8 million in contractor payments and fuel escalation costs is reduced by $1.4 million as a result of savings due to delays in service introduction, maintenance savings and prior year adjustments from the TTC.

Solid Waste Management ($0.7 million)
Higher than budget transfer costs for the Blue box Recycling program are largely responsible for a projected unfavourable variance. Lower processing costs, as a result of Kraft paper bags for waste collection, are forecasted to be partially offset by increased advertising and education costs. Additionally, the costs associated with processing Source Separated Organics will increase $64K resulting from Council's decision to redirect materials from Newmarket to Quebec resulting in higher transportation costs.

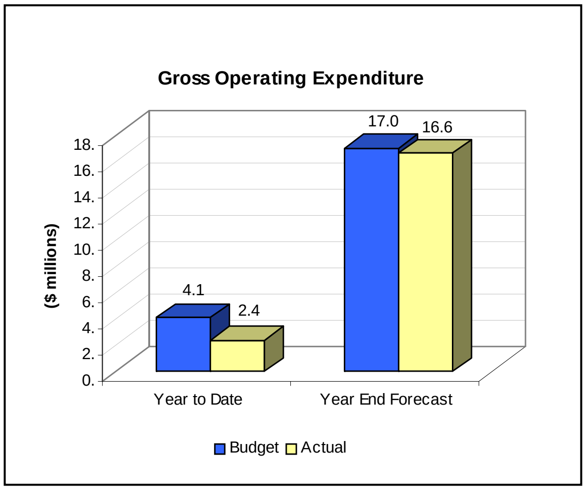
Without the impacts of the adverse weather on salt usage and the delayed savings from the telecommunications conversion project, T&W Commission would have a net positive variance of approximately $0.1 million surplus by year end. The T&W departments will be monitored on a monthly basis in attempts to identify additional expenditure reductions and/or additional revenues in order to alleviate the projected net over expenditures.

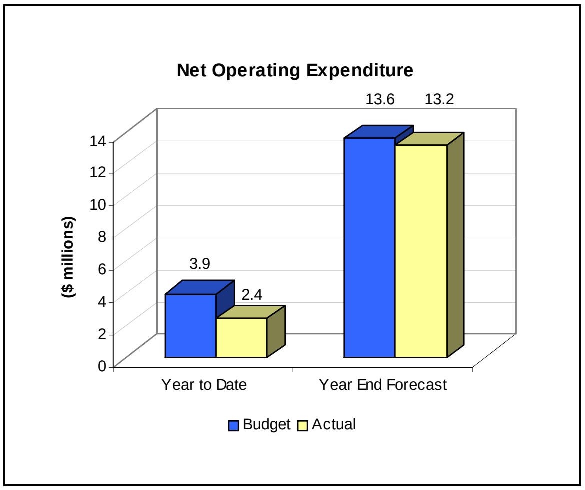
Water & Waste Water



- This budget is expected to be under budget, both expenses and revenue, by $20.4 million due to flow volume, haulage, water treatment, hydro and lab costs less than budget and delays in contribution to capital expenditures.
- Any surplus at year end is contributed to the water and sewer rate-supported reserves.

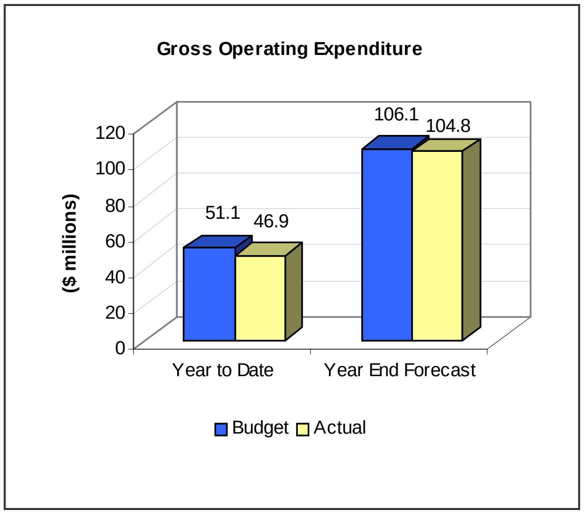
Viva Rapid Transit

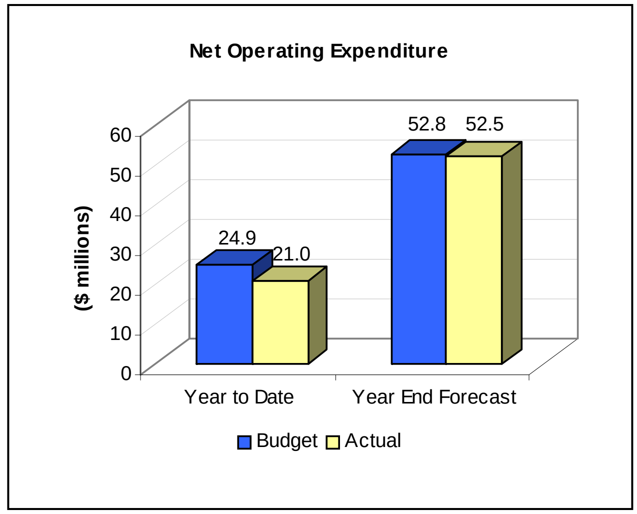




This budget is expected to be under spent by $0.4 million due to reduced transaction costs associated with debt financing.

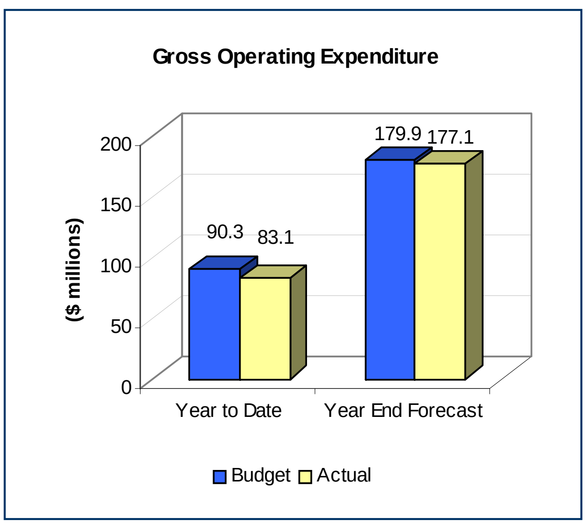
Health Services

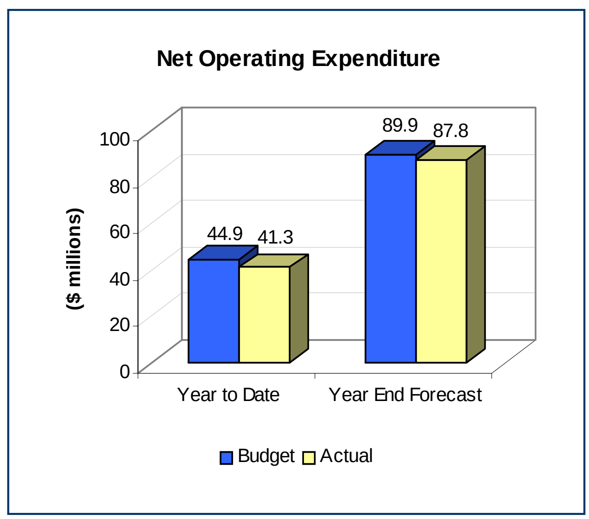




Emergency Medical Services $0.2 million
The projected $0.245 million favourable variance for EMS is primarily attributable to salary gapping resulting from delays in filling new and vacant positions.

Community Services & Housing





Social Assistance $1.2 million

Postponement in the opening of new hostel beds to 2006 together with OW caseload running 100 cases lower than budget and salary gapping are factors contributing to the expected favourable variance of $1.2 million by year end.

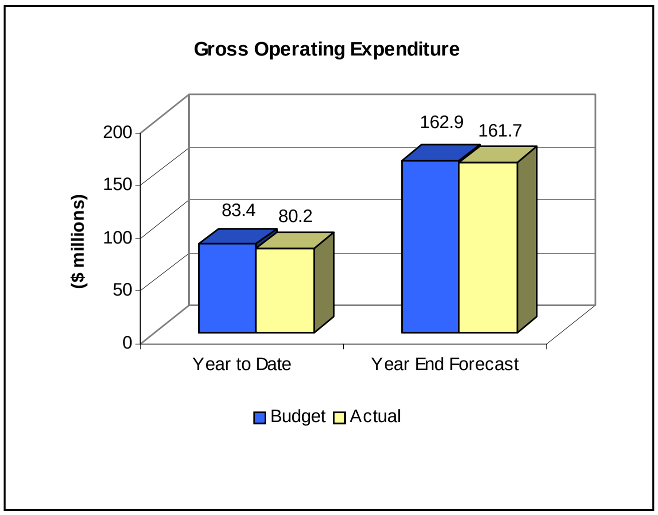
Housing and Residential Services $0.5 million

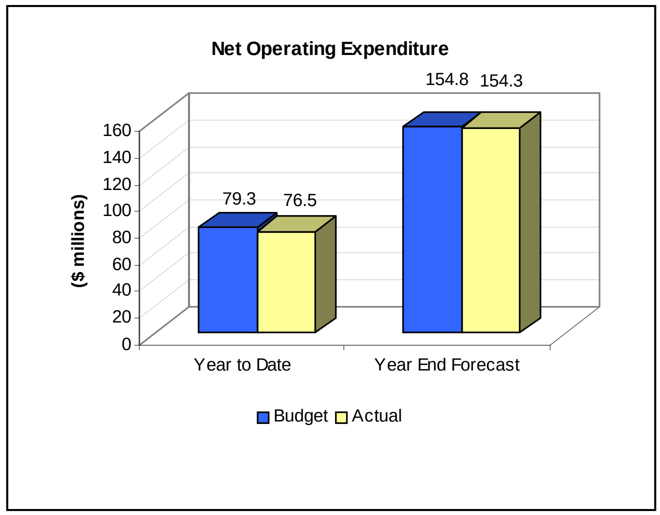
Housing and Residential Services is forecasting a net favourable variance of $0.5 million largely due to salary gapping and administrative efficiencies.

Family and Children's Services $0.4 million

A net favourable variance of $0.4 million is forecast due to administrative savings and additional funding.

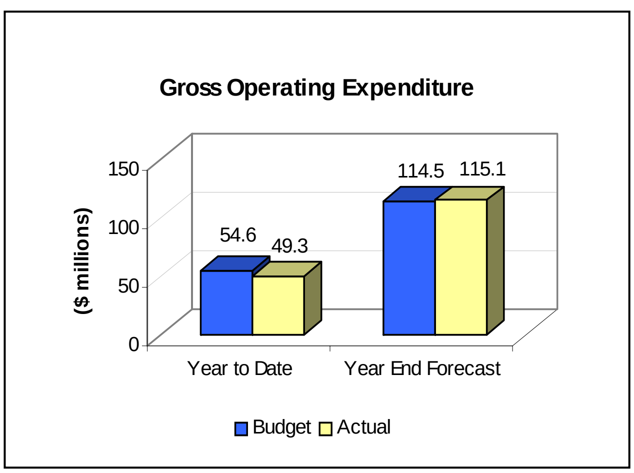
Police Services

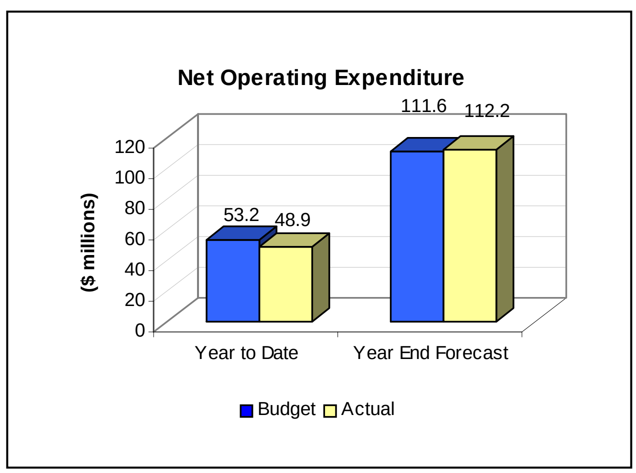




York Region Police are projecting a surplus of $0.5 million by year end resulting from the deferred hiring of 35 officers, offset by revenue below plan due to a Provincial grant funding deferral.

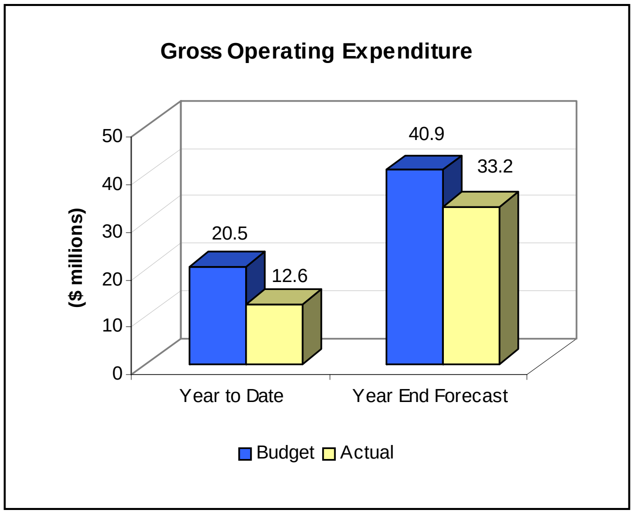
Boards, Authorities & GTA Pooling

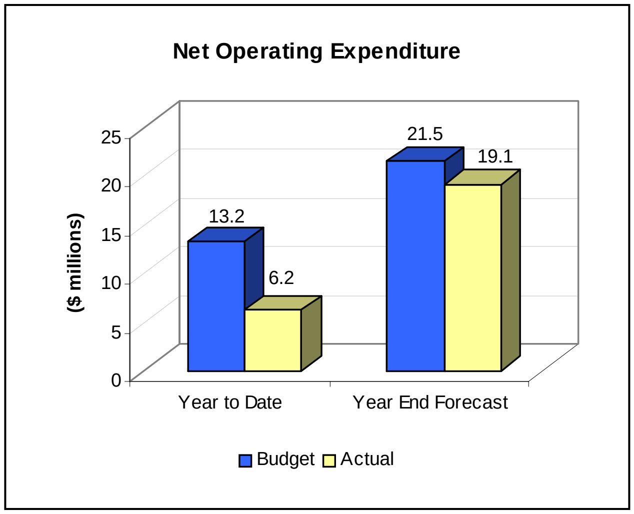




With the exception of the GTA Pooling forecasted year end $0.6M deficit, Boards & Authorities are expected to be on budget at year end. The GTA Pooling cost estimates from the Province are higher than those approved in the budget.

Other





Administrative Support $2.1 million
This favourable variance is largely driven by IT Services, Finance and Corporate Services under expenditures and salary gapping from the timing of positions being filled.

6.1.1. Salary and Benefits Expenditures

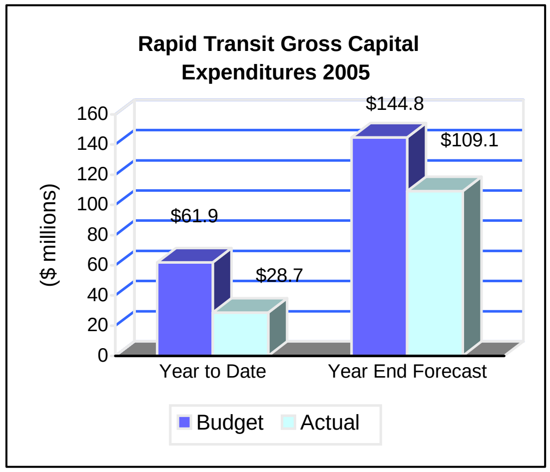
Salaries and benefits account for $306.5 million or 32.6% of York Region's 2005 gross operating expenditure budget of $971.1 million.

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 $2.5 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

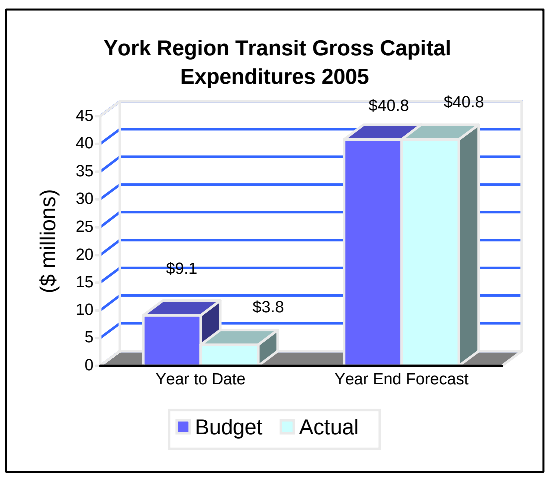
The following graphs show year to date and year-end projections of capital expenditures for the major service areas of the Region's capital program. It should be noted that the Transportation and Works department consisting of Transit Services, Roads Transportation, Solid Waste and Water and Wastewater accounts for 94% or $846 million of the total Regional gross capital expenditure budget of $900 million.

Rapid Transit



- Year to date expenditures are 46% of year to date budget, while the year end result is expected to be $36 million under budget (or 75% of budget).
- The 2005 Quick Start budgeted expenditures make up 75% of the 2005 total Rapid Transit $144.8 million capital program. Funding has been arranged with all three levels of Government in the amount of $150 million for the full Quick Start program. This project is on schedule and is expected to launch in September 2005. Since its' inception, the Region has spent almost $75 million on the total Rapid Transit program and to date, cash flow has not yet been received from senior levels of government.
- Construction of the next phases of the rapid transit program and property acquisitions budgeted in 2005 have not commenced as funding agreements with the Provincial and Federal governments have not yet been entered into. As well, the proposed construction of a maintenance facility has been deferred, as the operating and maintenance contract for rapid transit includes this provision.

York Region Transit

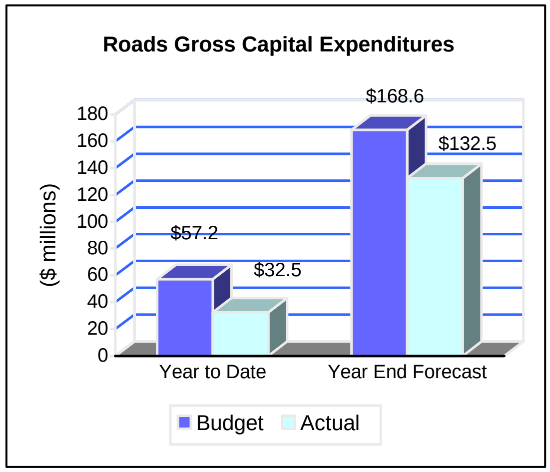


Year to date expenditures are 42% of the year to date budget of $9.1 million.

- 31 of the 45 buses have been ordered from the first two tenders. The third tender for the remaining 14 buses received CAO approval on May 13th, 2005.
- Various infrastructure enhancements (bus loops & stops) will be spent in the latter half of this year, coinciding with construction season and construction activities.
- The year-end expenditures are estimated to be fully spent at the approved budget of $40.8 million.

Roads

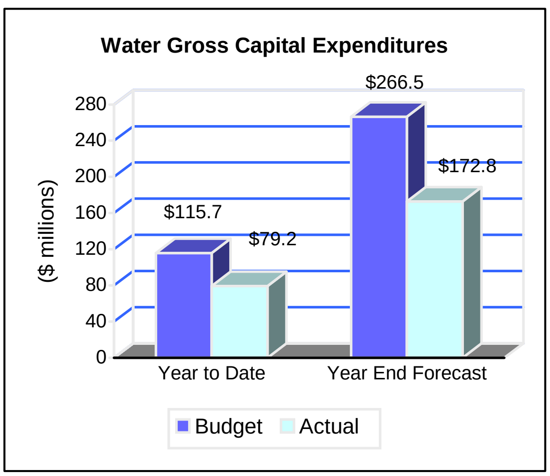
- Gross expenditures to date are $32.5 million, representing 57% of the mid-year budget. A higher proportion of the budget will be spent in the latter half of the year, and it is expected that the expenditures for the Roads department will be 79% of the Gross budget for 2005 by year end.



- Some key roads projects that are currently underway include:
  -Langstaff Rd - Islington Ave to Weston Rd
  -Rutherford Rd-Napa Valley Road to Highway 50
  -Islington Ave - Langstaff Ave to Major Mackenzie Dr
  -Weston Rd - Rutherford Rd to Major Mackenzie Dr

- Provincial Requirements (i.e. increased Ministry of Environment and other regulatory requirements) have resulted in later than planned construction awards for the following projects:
  - 19th Ave (Yonge St to Leslie St)
  - Teston Road at Highway 400 Interchange
  - Bathurst St (King Rd to Wellington St)
  - Rodick Road Highway 407 Crossing

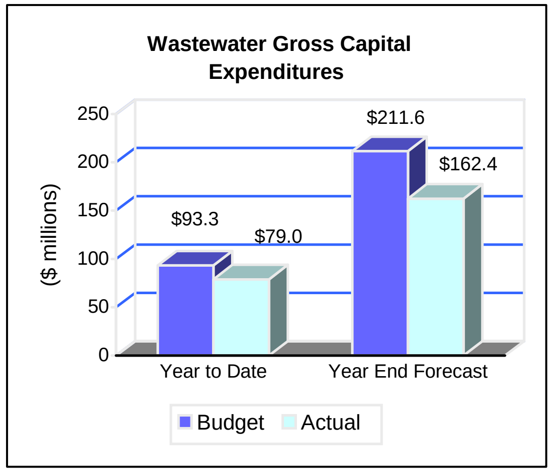
Water



- Year to date expenditures for Water Capital Projects are 68% of budget due to material supply problems, environmental mitigation and EA approval causing delays in key projects.
- Delays have impacted on timing, resulting in a projected 65% expenditure of the budget of $266.5 million by year end.

Wastewater

- Wastewater capital program expenditures are forecast by year-end to be $162.4 million or 77% of budget.
- Environmental mitigation and increased time completing detailed EA has caused delays in key projects.
- The 16th Ave. Trunk Sewer project (Stonemason to Woodbine) is underway and the project is on schedule.



The status of other capital programs in the Region is as follows:

Solid Waste:
Construction for the Integrated Waste Management Facility on Bales Drive is complete and is now operational. Primarily as a result of the delayed regulatory approvals, the year-end forecast for Solid Waste capital expenditures is $12 million or about 90% of budget.

Housing Services Division:

38% of the year to date budget of $0.1 million has been spent. The year-end forecast of $10.2 million exceeds the approved annual budget by $1.4 million, the primary reason being the June 2005 Council approval for the use of property for a family and/or women's emergency shelter. Council authorized expenditures up to $2.2 million for this project to be funded from the Social Housing Reserve Fund.

All other projects are expected to be 100% spent by year end. In particular, the tender has been awarded for the land purchase for the proposed 30 unit family shelter in Sutton and construction is expected to commence in the third quarter of 2005. Construction will be tendered by the end of July for Blue Willow Terrace senior apartment project in Vaughan.

Long Term Care:

Forecasted year-end expenditures for Long Term Care capital are $0.2 million or approximately 10% of the budget of $1.9 million. Specifically, at mid-year, year to date actual expenditures are 10% of the year to date budget. 50% of the planned projects are on schedule. $1.2 million expenditure is not anticipated for Markham Health Centre (200 beds) in 2005 as provincial approval that is mandatory prior to moving ahead with the project has not been received.

Emergency Medical Services (EMS):

The year end forecast is $5.8 million or 66% of the annual capital budget. The year to date actuals are 37% of the year to date budget. Approximately 77% of the planned projects are on schedule. Projects are delayed primarily due to negotiations with third party agencies for land acquisition and delays in the design of specified projects.

Property Services:

It is expected that the year end budget of $ 23.0 million will be fully spent. 66% of the year to date budget has been spent to date. Expenditures have been lower to date than expected due to the delay in the planning stage of the Building Condition Audit projects pending the retention of the new Project Co-ordinator. In addition, the Bales Transportation & Works Operations Centre is under budget by $2.6 million at mid-year however the project is on schedule and occupancy is scheduled for August 12-15, 2005.

York Regional Police:

The year end forecast is $9.1 million or 100% of the annual capital budget. To date 74% of the year to date budget has been spent. The Joint Communications Centre is on hold pending endorsement of the York Regional Police Facility Plan. The Computer Aided Dispatch/Records Management System (CAD/RMS) is on schedule. The Mobile Workstation project has commenced and the CAD/RMS project is underway. The new #2 District Headquarters has been completed and vehicle replacements and additional staff vehicles are proceeding on schedule. The Training Branch portable is completed.

6.4 Potential 2006 Business Plan and Budget Impacts

The 2005 Mid-Year Progress Report provides a strategic starting point for the 2006 Business Plan and Budget. Some potential factors affecting the 2006 budget include:

- Continued strong population growth in 2006 of approximately 31,000 new residents, requiring additional operating and capital resources to keep pace with growth;
- Continued strong residential, commercial, and industrial construction growth;
- Continued investment in transit, including full year operation of VIVA;
- Annualization of operating costs and the associated debt financing costs of new capital initiatives;
- Increased investment in Roads resurfacing and acceleration of the Roads Transportation Capital Plan to address congestion;
- Additional resources for York Regional Police, as outlined in the 2004-2008 Five Year Staffing Plan; plus the recently announced Provincial funding program,

- Infrastructure rehabilitation and replacement to ensure a state of good repair for Regional assets;
- Roll-out of the three stream waste collection system 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 July 31, 2005 assessment growth is 2.27%. It is anticipated that 2005 full year assessment growth will be approximately 4%. Assessment growth of 4% would generate approximately $20 million in increased tax revenues, which could be applied against increases in 2006 expenditures driven by growth.

7. LOCAL MUNICIPAL IMPACT

The 2005 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 2006 Business Plan and Budget cycle has commenced and it is anticipated the operating, rate and capital budgets will be delivered to Council in October. This time frame should assist local municipalities in 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 2005 Mid-Year Progress Report provides a comprehensive status review of the resources utilized to complete service objectives identified in the 2005 Business Plan and Budget.

As of June 30, 2005, total net expenditures for all Regional operations are 90**%** on target and year-end projections indicate that total net expenditures will be $564.1 million or 99**%** of budget.

The financial projections and program highlights contained within the 2005 Mid-Year Progress Report provide the foundation for the Region's 2006 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 8, 2005 Committee meeting.)