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2003 BUSINESS PLAN AND BUDGET MID-YEAR PROGRESS REPORT

The Finance and Administration Committee recommends the adoption of the recommendations contained in the following report, August 13, 2003, from the Commissioner of Finance and the Chief Administrative Officer:

1. RECOMMENDATIONS

It is recommended that:

1. This report outlining mid-year program service delivery initiatives and financial results be received for information.

2. Council authorize the allocation of any year-end favourable operating variances from Family and Children's Services and Housing and Residential Services to mitigate potential unexpected program expenditures for Social Assistance.

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 Year 2003 Business Plan and Budget. Regular performance and service monitoring ensures that York Region's $1.4 billion service mandate will be delivered to taxpayers in a cost efficient and effective manner. The Corporate financial summary showing mid-year financial performance and 2003 year-end projections is highlighted within.

This report is the executive summary for the detailed Mid-Year Department Business Plan and Budget Progress Reports. Appended to this report are corporate mid-year summaries and year-end projections of operating and capital progress.

3. REPORT HIGHLIGHTS

Operating Programs

- York Region's 2003 gross operating budget is $729.6 million of which 99.7% is projected to be spent by year-end.

- As of June 30, 94% of year to date gross operating budget has been expended.

- Net operating expenditures (tax levy funded) are 95% of budget at mid-year and are estimated to be 99.9% of budget at year-end.

- It is estimated that York Region has incurred costs of $7.2 million in direct response to the onset of severe acute respiratory syndrome (SARS). Of the total $7.2 million expenditures, the Province of Ontario deemed $2.9 million non-incremental and therefore ineligible for reimbursement. The Province is anticipated to reimburse the remaining $4.3 million. Regional departments, mainly through reassignment of existing resources have absorbed the balance of the costs for SARS within the existing budget.

- In 2003, York Region will spend approximately $2.4 million or 100% of the approved budget for West Nile Virus control activities. It is expected that The Ministry of Health and Long-Term Care (MOHLTC) will fund $2.2 million of these costs as budgeted.

- Housing and Residential Services is projecting a favourable operating variance of $4.0 million at year-end, primarily attributable to mortgage renewals at lower interest rates.

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- Financial, Administrative and Corporate Support business units are projecting a combined favourable variance of $0.9 million at year-end. This variance is primarily as a result of savings through program efficiencies.

- Police Services is projecting a year-end shortfall of $1.4 million as a result of larger than anticipated wage and benefit settlements in the new collective agreement and an increase in court overtime due to an unexpected 22% increase in court time over 2002.

- Transit Services is projecting a year-end shortfall of $0.4 million primarily as a result of budgeted service reduction targets for conventional transit not yet realized.

- Social Assistance is projecting a year-end shortfall of $2.5 million primarily as a result of higher than budgeted costs for the Provincial Ontario Disability Support Program (ODSP).

Capital Programs

- York Region's 2003 gross capital expenditure budget is $703.2 million of which 92% 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 and Residential Services.

- At mid year, gross capital expenditures are 32% of budget and are anticipated to be 64% of budget at year-end.

- At mid year, 40% of budgeted capital projects are tendered, under construction or complete, and 70% of total capital projects are deemed to be on schedule.

- An estimated $3.2 million of unspent tax levy for capital projects in Transit and Roads Transportation will be transferred to dedicated capital reserves at year-end.

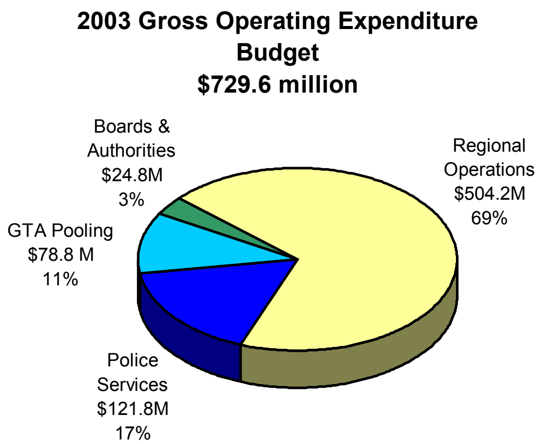
- The Province of Ontario and the Government of Canada have each agreed to match the $50 million initial investment made by York Region to the York Rapid Transit Plan (YRTP) and its Quick Start program.

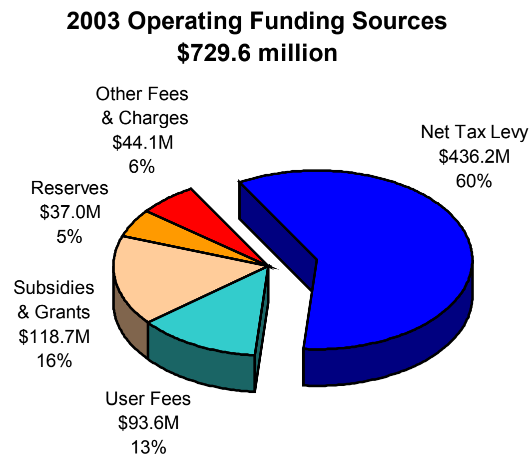
4. BACKGROUND

On February 20, 2003, Regional Council approved the 2003 Business Plan and Budget. The detailed business plan identifies work initiatives within the framework of a total gross budget of $1.425 billion and a net tax levy funded budget of $468.0 million. Subsequent to the February approval, Regional Council has approved an additional $7.9 million in total funding for the West Nile Virus program, Geomatics capital, and the

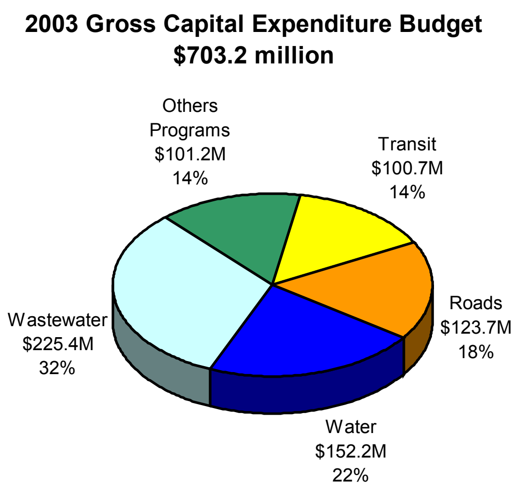
Human Services Strategy, bringing the total gross budget to $1.433 billion with no additional net tax levy impact.

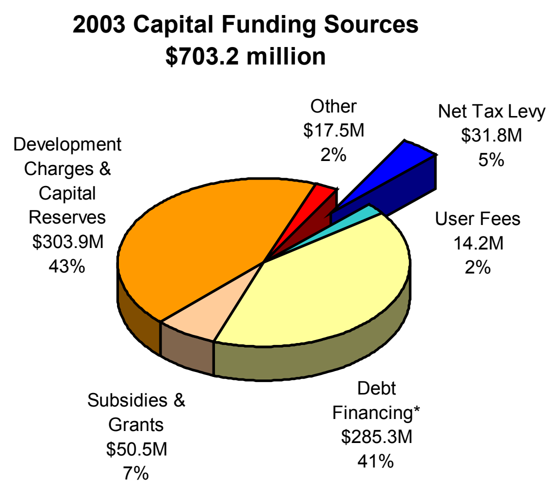
Operating Programs
The graphs below identify the 2003 Regional Gross Operating Expenditure Budget of $729.6 million and the various funding sources for the operating budget. It should be noted that 60% or $436.2 million of the Region's operating programs are funded from property taxes.





Capital Programs
The graphs below identify the 2003 Regional Gross Capital Expenditure Budget of $703.2 million and the various funding sources for the operating budget. It should be noted that 5% or $31.8 million of the Region's capital programs are funded from property taxes.





* Debt Financing to be repaid from future development charges, tax levies, and user rates.

5. ANALYSIS AND OPTIONS

5.1 Economic Overview

York Region continues to be the one of the fastest growing municipalities in Canada with an estimated population of 840,000 to 845,000 at mid-year, an increase of about 15,000 to 20,000 through the first six months of the year. Building permits were issued for a total of 12,589 new residential units in 2002, with the strong trend continuing for the first half of 2003. Total construction value was $2.7 billion for 2002, ranking York Region among the highest in Canada. York Region's Ontario Works program has continued to maintain an average monthly social assistance caseload that has been reduced from approximately 6,000 recipients in 1997 to a projected 4,170 recipients in 2003.

The Greater Toronto Area's annual inflation rate as measured by Statistics Canada through the Consumer Price Index (CPI) was listed at 2.7% for the 12-month period ending June 30, 2003. This rate is consistent with the national average of 2.6%.

5.2 Work Program Highlights

The following are major program highlights for 2003:

- Rapid response to the containment of severe acute respiratory syndrome (SARS) through community education and communication, infection control measures, patient screening and public protection planning.

- Development of an Emergency Marketing and Recovery Plan to help York Region's business community recover from the economic impact of SARS.

- Completion of a Development Charges Background Study and enactment of a new Development Charge By-law, with an effective date of June 23, 2003.

- Assumption of GO Transit's Yonge "C" and Bayview routes at the end of August 2003. The handover includes the purchase of 36 urban transit buses from GO Transit.

- Release of the *York Region Health Status Report 2002: A Measure of Health*, which outlines information about the health and lifestyles of York Region residents. The report indicates that York Region residents are among the healthiest in Ontario.

- Development of *Towards the Vision: First Annual Report on Indicators of Progress*, which details the progress and successes to date in implementing Vision 2026, York Region's 25-year long-range plan.

- Establishment of the York Region Accessibility Advisory Committee to advise the Region on implementation of the *Ontarians with Disabilities Act (ODA).*

- Development of *Understanding Barriers, York Region's First Annual Accessibility Plan*, a draft outline to describe the plans of York Region to implement the ODA.

- Negotiation of a 3-year collective agreement with the Ontario Nurses' Association.

- Implementation of the Emergency Medical Services (EMS) Deployment Plan to ensure maximization of EMS resources, and quick response times to emergencies.

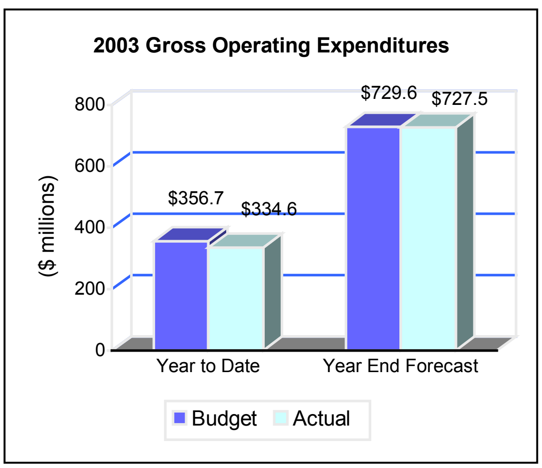
- Establishment of an Employee Health Unit to provide integrated management of all phases of employee disability. The goal is to reduce extended occurrences of sick time and to assist staff to return to work prior to the onset of long term disability.

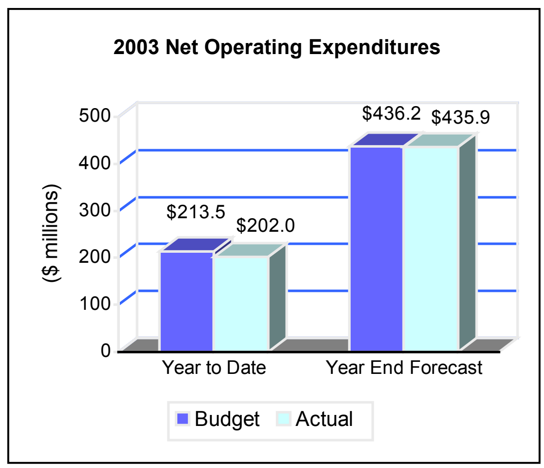
- Finalization of an agreement with Miller Paving Ltd. for the design and construction of a solid waste material recovery facility at Bales Drive.

- Enhancement of West Nile Virus control activities such as increased surveillance, an active education campaign, and larviciding where necessary to control mosquito populations.

5.3 Operating Program Overview

As of June 30, 2003, Regional net operating expenditures are 95% of the mid-year budget of $213.5 million. Year-end net expenditures are forecasted to be 99.9% of budget. Appended to this report are 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.





5.3.1 Salary and Benefits Expenditures

Salaries and benefits account for $232.8 million or 32% of York Region's 2003 gross operating expenditure budget of $729.6 million.

Primarily as a result of job vacancies through either unfilled positions or employee turnover, salary gapping (the underexpenditure of salary and benefit dollars) is projected to be on budget of $2.5 million at year-end.

5.3.2 Cost of Resource Commitment to SARS

Response to the onset of severe acute respiratory syndrome (SARS) created unplanned expenditures for York Region in the first half of 2003. Heightened community education and communication, infection control measures, establishment of a patient screening clinic in partnership with Markham Stouffville Hospital, and public protection plans were some of the many unforeseen activities that created additional cost pressures. York Region incurred costs of approximately $7.2 million in direct response to the containment of SARS. Included in this amount were expenses for additional temporary staff, overtime benefits, supplies and equipment primarily for the emergency response activities of the Public Health, Emergency Medical Services (EMS), Long Term Care (LTC), Police Services and other Corporate Support service areas.

Of the total $7.2 million expenditures, the Province of Ontario deemed $2.9 million non-incremental and therefore ineligible for reimbursement. It has been necessary for regional departments, mainly through reassignment of existing resources, to fund this $2.9 million within the existing budget at the expense of programme reductions, particularly in the Health Services Department. This will be the subject of a future report to be brought to the Health & EMS Committee. The Province is anticipated to reimburse the remaining $4.3 million. To date, The Ministry of Health and Long Term Care (MOHLTC) has paid $708,000, leaving a balance of $3.3 million of Health and Emergency Medical Services to be reimbursed by the MOHTLC. The other remaining $360,000 of costs incurred by Police Services, Community Services and Housing, Emergency Management and others is anticipated to be paid by The Ministry of Municipal Affairs and Housing (MMAH) through a program to reimburse municipalities for non-public health and land ambulance costs incurred as a result of SARS.

Other costs incurred include expenses for implementation of a marketing plan to help York Region's business community recover from the economic impact of SARS. On May 22, 2003 Council approved a $250,000 contribution from supplementary property tax revenues to fund the SARS Emergency Marketing and Recovery Plan.

5.3.3 Conservation Authorities

The Lake Simcoe and Region Conservation Authority (LSRCA) and the Toronto and Region Conservation Authority (TRCA) estimate that expenditures are at budgeted levels and that York Region's contribution of $2.7 million for program operations will be fully utilized by year-end. In addition, the $1.3 million funded by York Region for various capital projects is expected to be fully utilized by year-end.

The LSRCA has received and approved a total of 31 projects to be undertaken within York Region as part of the Lake Simcoe Water Quality Improvement Program

(LSWQIP) during 2003. Under this program landowners within the Lake Simcoe Watershed have benefited from projects that include stormwater pond retrofits, livestock fencing, shoreline erosion control and wellhead protection. The groundwater monitoring network in York Region was expanded in spring 2003 with the addition of four monitoring wells bringing the total number of groundwatering monitoring stations to seven.

As part of its Natural Heritage Regeneration Projects the TRCA have undertook to plant almost 1,500 trees and shrubs and install reforestation seedlings for 6.2 hectares of wetlands within Markham, Vaughan, and King Township. The TRCA is also currently embarking on a methodology to help determine where habitat should be protected and/or restored. First draft of the Terrestrial Natural Heritage Strategy, which will be composed of policies and recommendations for the TRCA and its municipal partners, will be completed and circulated for review in the near future with final draft expected in 2004.

As part of the Greening of York Strategy, the Conservation Authorities are working in partnership with 33 private landowners to plant over 71,000 additional trees and shrubs in 2003. Forested lands in York Region will increase by approximately 90 hectares (225 acres).

5.3.4 Corporate Key Performance Indicators

York Region has undertaken further use of measurements and benchmarks to develop an enhanced performance management framework. With the direction of the Chief Administrative Officer and the Regional Treasurer, all service areas of the Region have embarked on the development of key performance indicators (KPIs) to evaluate key service delivery mandates in four main categories:

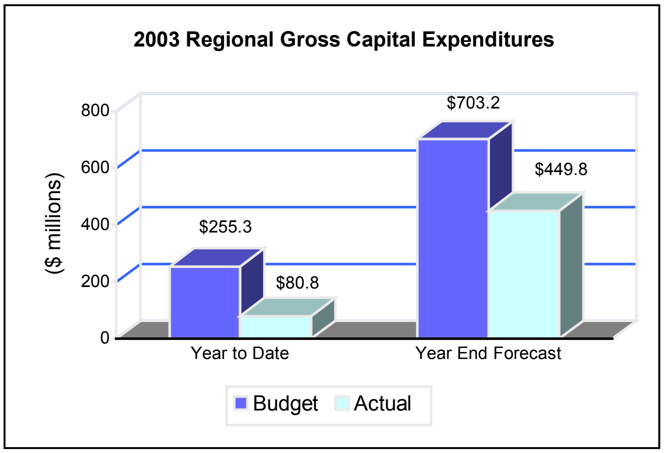
- Efficiency: the operational cost of a unit of service delivered;
- Service Level: the number of units of service being delivered;
- Community Outcome: the result or effect the service has on the York Region community at large; and
- Customer Service: the evaluation of service delivery performance to the direct user of the service.

The main goal of this initiative is to utilise KPIs to evaluate budget resource needs in relation to service levels, customer needs and service delivery outcomes. Through the monitoring and benchmarking of these key indicators and the sharing of best practices both within and outside the corporation, it is expected that continuous improvement opportunities will be realized.

It is anticipated that further development of these indicators will complement the financial progress reporting process for 2004.

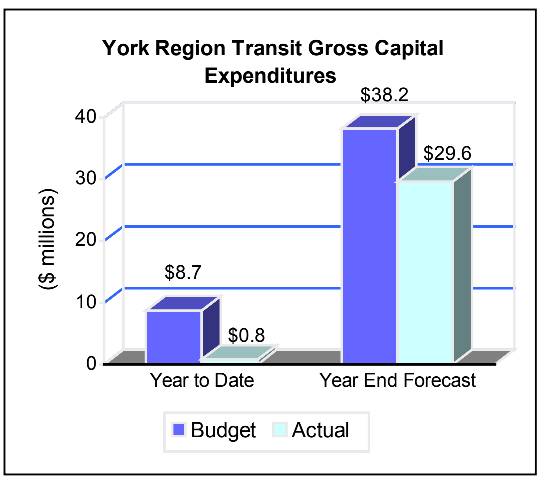
5.4 Capital Program Overview

As of June 30, 2003, Regional gross capital expenditures are 32% of the mid-year budget of $255.2 million. Anticipated year-end gross capital expenditures are forecasted to be 64% of budget. The following graph summarizes the total Regional mid-year and year-end gross capital expenditures. Appended to this report are corporate mid-year summaries and year-end projections of capital expenditures by service area. A detailed analysis of key financial issues including capital expenditures is included in Section 6 of this report.

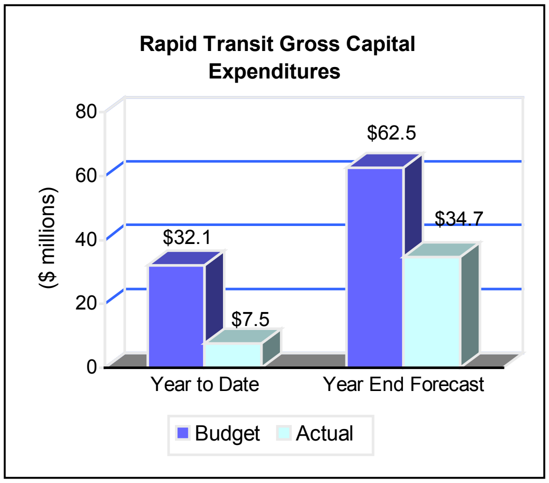


The Transportation and Works department consisting of Transit Services, Roads Transportation, Solid Waste and Water and Wastewater account for 92% or $647.8 million of the total Regional gross capital expenditure budget of $703.2 million.

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.

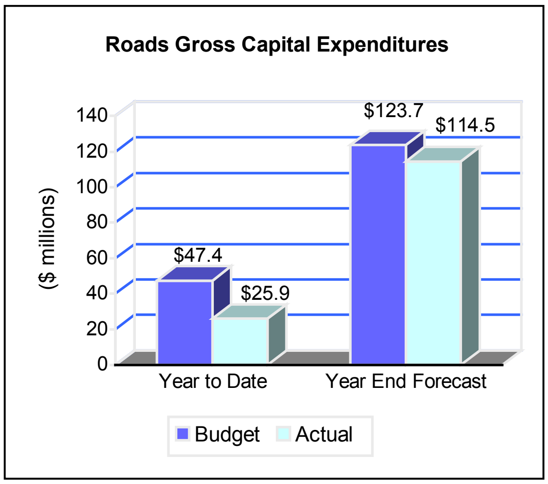


- Delivery of 35 new conventional buses and 13 new specialized buses have been deferred into the 2nd half of the 2003 fiscal year due to production delays.
- Continued structural refurbishing, repainting and redecaling program of all buses in new YRT scheme.
- Continued participation in the GTA Smart Card project.



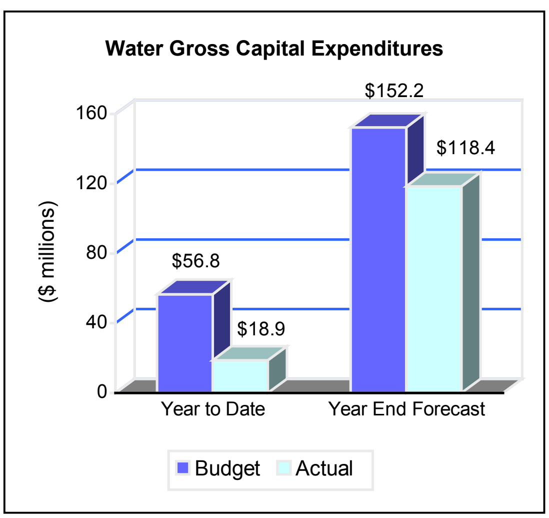
- Implementation of the Quick Start Rapid Transit Program has been delayed. Approximately 50% of the $51.8 million Quick Start capital budget for 2003 will be utilized.

- Design component of Rapid Transit on-street improvements (stations, terminals, intersection improvements) have begun.



- A higher proportion of the Roads capital budget will be spent in the later half of the year, as this coincides with the construction season.

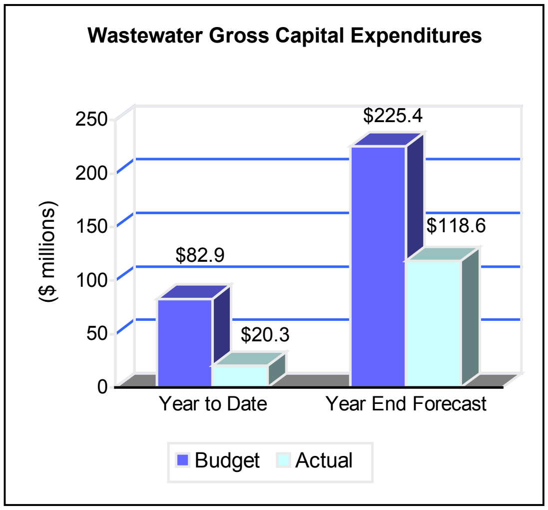
- In accordance with Council approved policy, the $2.1 million of unspent tax levy funds at year-end will be transferred to the Roads Capital Reserve Fund to be spent on projects incomplete or deferred to 2004.



- The new Georgina Water Purification Plant is near completion and will provide an additional 90ML/day of capacity.

- Lake Ontario based water supply (purchased from the City of Toronto) is now supplementing Aurora and Newmarket communities by blending surface and ground water supply.

- Non construction activities such as environmental assessment and design delays are the primary reasons for wate capital underexpendituers at year-end.



- Wastewater capital program expenditures are forecast by year-end to be 53% of budget, primarily as result of delays on the projects under third party control.

- Reconstruction of the Sutton Sewage Treatment Plant is near completion.

- Full operation of the Odour Control Unit at the Aurora Pumping Station and Liquid Waste Disposal Facility commenced in the spring of 2003 with effective results and operating below estimated costs.

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

Solid Waste:
Construction is expected to start in October for the Integrated Waste Management Facility on Bales Drive. Primarily as a result of the delay, the year-end forecast for Solid Waste capital expenditures is $9.3 million or about 20% of budget.

Housing and Residential Services:
The primary capital expenditure for the first half of 2003 is the Newmarket Health Centre redevelopment Phase III that will create 58 residential units for seniors and people with disabilities. Completion is projected for the 4th quarter of 2003.

Delays in other capital projects, including a joint project with the City of Vaughan to develop 60 seniors' apartments and a multi service centre for youth in Sutton, have resulted in projected capital expenditures for Housing and Residential Services to be 56% of budget at year-end.

Long Term Care:
The primary capital expenditure for the first half of 2003 is the Newmarket Health Centre redevelopment Phase IIA to construct facilities for Regional Psychogeriatric and Mental Health Consulting as well as offices for Infectious Diseases Control. Delays in Phase IV of the Newmarket Health Centre project to create an additional 32 long-term care beds have resulted in projected capital expenditures for Long Term Care to be about 39% of budget at year-end.

Emergency Medical Services (EMS):
Ninety percent or 9 of the 10 EMS capital projects approved in the 2003 Budget are on schedule at mid year. Projections estimate that all or most of the EMS capital budget will be expended at year-end. EMS capital projects anticipated to be completed in the second half of 2003 include paramedic response stations at Cane Parkway in Newmarket, King

City, and Mount Albert, and a partnership with Vaughan Fire Services to build EMS crew quarters in Concord.

Property Services:
Primarily as result of delays in the Regional Operations Centre project at Bales Drive, it is projected that 5% of $10.7 million Property Services capital budget will be expended at year-end.

5.4.1 Capital Project Milestones

A status review of all capital projects was undertaken as part of the mid-year review process. As of June 30, 2003, 40% of total capital projects were either tendered, under construction or complete. Table 2 below summarizes the progress of York Region's total 249 capital projects currently approved.

Table 2
Progress Status Summary of Capital Projects

Progress Status	Number of Projects	% of Total Capital Projects
Project Complete	18	7 %
Tender / Construction	82	33 %
Design Complete	17	7 %
Planning Complete	55	22 %
Project Started	60	24 %
Project Not Started	17	7 %

Through the capital status review, 70% of York Region's total capital projects are on schedule.

On June 26, 2003 Council adopted a report that authorized staff to undertake a review of the Region's infrastructure delivery strategies and explore opportunities to improve the infrastructure delivery process. This review will focus on the manner in which water, wastewater, roads and transit infrastructure is planned, designed and constructed.

5.4.2 Enhanced Capital Planning

As part of York Region's 2004 Business Plan and Budget process, the emphasis on capital planning, financing, delivery and evaluation will continue to be enhanced.

Ten-year Capital Plans will be summarized in a manner that will better exhibit the long-term needs and strategy for infrastructure expenditures. Capital projects and resource requirements will be categorized as either a growth related need, an enhancement to existing infrastructure service level, or as a repair and rehabilitation need for the Region's asset inventory.

The Region's business units will also provide a detailed description of each proposed capital project outlining the benefit to the community, all capital costs and financing sources, and any impact the capital project will have on future operating costs. In addition, each proposed capital project will be required to estimate contribution costs to capital reserves required to ensure the future repair and replacement of new capital assets.

5.5 Relationship to Vision 2026

Through the multi-year business planning and budget process, Regional business units set objectives and work initiatives enabling effective service delivery to meet the goal areas outlined in Vision 2026. Evaluation of service delivery through quarterly progress reporting and monitoring of key performance indicators ensures that the needs of the York Region community are continually being met.

6. FINANCIAL IMPLICATIONS

Table 3 outlines the significant factors that result in a projected year end favourable variance of $4.5 million for Regional Operating Programs.

It should be noted that in keeping with Council policy adopted in December 2002, up to 50% of any non-dedicated year-end surplus will be contributed to the Tax Stabilization Reserve Fund in order to achieve and maintain its target.

Table 3
Key Regional Operating Variances
Projected for Year End 2003
($ Millions)

Department/Service	2003 Under/(Over)Program Expenditures
Transit - Operating	($0.4)
Roads Transportation - Operating	($1.1)
Emergency Medical Services (EMS)	$0.4
Social Assistance	($2.5)
Family & Children's Services	$0.7
Housing & Residential Services	$4.0
Police Services	($1.4)
Other	$0.5
Sub-total Tax Levy Variance	*$0.2*
Water & Wastewater (user rates)	$4.3
Total Regional Operating Variance	$4.5

Transit Services - Operating ($0.4 million)
It is anticipated that an additional 1.1 million riders and $1.9 million of revenue will result from the assumption of GO Transit's Yonge "C" and Bayview routes. The $0.4 million unfavourable variance for Transit is primarily due to higher than expected contractor expenses as a result of budgeted service reduction targets for conventional transit not yet realized.

Roads Transportation – Operating ($1.1 million)
As a result of anticipated winter maintenance contract cost increases (contracts are currently being tendered) Transportation and Works has forecasted a year-end operating shortfall for winter maintenance of $0.6 million. A further forecasted year-end shortfall of $0.5 million is attributable to unbudgeted expenses related the Transportation and Works office relocation.

Emergency Medical Services $0.4 million
The projected $0.4 million favourable variance for EMS is primarily attributable to salary gapping as a result of job vacancies through either unfilled positions or employee turnover.

Social Assistance ($2.5 million)
The unfavourable variance for Social Assistance is primarily as a result of higher than budgeted costs for the Provincial Ontario Disability Support Program (ODSP) and ODSP and Ontario Works Drug Benefits. This variance includes higher than expected 2003 expenditures for ODSP allowances and drug benefits in addition to unanticipated adjustments of approximately $1.0 million related to 2002 ODSP allowances and ODSP and Ontario Works drug benefits. Expenditure management strategies have attempted to offset these additional costs and the Department continues to explore ways to mitigate this variance.

Family & Children's Services $0.7 million
The estimated $0.7 million favourable variance for Family and Children's Services is attributable to reduced expenditures primarily in the Child Care Fee Assistance program that is provided to eligible families under the *Day Nurseries Act* or the *Ontario Works Act*. Based on these projections, it is recommended that the $0.7 million program surplus from Family and Children's services be contributed to mitigate unexpected Social Assistance expenditures.

Housing and Residential Services $4.0 million
The $4.0 million favourable variance for Housing and Residential Services is attributable to reduced social housing expenditures primarily due to mortgage renewals at lower interest rates. Social Housing expenditures are also projected to be less than anticipated as a result of delays in availability of new rent supplement units caused by low tenant turnover of market rent units. Based on these projections, it is recommended that $1.8 million of the Housing and Residential program surplus be reallocated to mitigate unexpected Social Assistance expenditures. The remaining Social Housing program surplus of $2.2 million will be transferred 80% to the Social Housing Reserve and 20% to the Working Capital Reserve in accordance with Council approved policy.

Police Services ($1.4 million)
The unfavourable variance is primarily a result of larger than anticipated wage settlements in the new collective agreement for uniform and civilian staff and an increase

in court overtime due to an unexpected increase of 22% in court time over 2002. Police Services will continue to explore ways to mitigate this variance.

Other $0.5 million
The favourable variance is primarily a result of operating surpluses in Emergency Measures/Fire Aid/9-1-1 of $0.2 million, Corporate Support Services of $0.5 million and Financial and Other Administrative Items of $0.2 million offset by operating deficits in Planning and Economic development of ($0.2) million and Solid Waste Management of ($0.2) million. Public Health, Long Term Care, and Court Services business units are projected to be on or near budget at year-end.

Water and Wastewater - $4.3 million
The $4.3 million favourable variance primarily represents capital program rate funding underexpenditures due to deferrals of capital projects and operational savings resulting from no major water and wastewater breaks to date in 2003. As per Council direction, any unspent funds are transferred to the Water and Wastewater Capital Reserve Funds to fund on-going projects in 2004 and beyond. Water and Wastewater Capital is largely funded from user rates, and therefore has no impact on the tax levy budget.

Table 4 outlines the significant factors that result in a projected year end favourable tax levy variance of $3.2 million for Regional Capital Programs. In accordance with Council approved policy, the unspent tax levy for Roads and Transit will be transferred to dedicated capital reserves. After transfers to dedicated reserves, no year-end balance is anticipated to be available to transfer to Capital Reserves.

Table 4
Key Regional Capital Variances
Projected for Year End 2003
($ Millions)

Department/Service	2003 Under/ (Over) Program Expenditures	2003 Expenditures Committed to Reserves	Tax Levy Impact
Transit - Capital	$1.1	$1.1	0
Roads Transportation - Capital	$2.1	$2.1	0
Sub-total	*$3.2*	*$3.2*	*$0.0*
Projected Year-End Balance available to Transfer to Capital Reserves			$0.0M

Transit - Capital $1.1 million
This net capital expenditure surplus is primarily a result of delays in ordering new buses and a reduction in the total number of buses ordered. Where projects have been delayed, tendered or are on-going, Council has approved the transfer of unspent funds to a Transit Capital Reserve to be spent on projects deferred to the following year. The tax levy underexpenditure, after this transfer to reserve, will be zero.

Roads Transportation - Capital $2.1 million
The $2.1 million underexpenditure represents delays in capital projects. Where projects have been delayed, tendered or are on-going, Council has approved the transfer of unspent tax levy funds to a Roads Capital Reserve Fund to be spent on projects deferred to the following year. The tax levy underexpenditure, after the transfer to reserve, will be zero.

6.1 Supplementary Property Taxes

Supplementary property taxes represent additional tax revenues as a result of new properties that are assessed during the year. Based on supplementary taxes received in 2002, approximately $7.0 million in net supplementary taxes can be anticipated for 2003. After a $250,000 contribution to the Property Tax Write-off Fund as a reimbursement for the Council-approved contribution for the SARS Emergency Marketing and Recovery Plan, it is expected that between $6.75 million may be available at year-end to transfer to reserves.

6.2 Mitigating Unplanned Expenditures

The Region of York provides a wide variety of services for York Region’s residents. Many factors, both internal and external, affect service delivery and associated costs for the Region’s business units. While the Region’s Business Plan and Budget provides a detailed action plan, unforeseen events can occur, resulting in variances from the plan.

It is anticipated that any unplanned expenditures, for example costs related to SARS and additional Provincial downloaded costs for Social Assistance that were unforeseen and therefore not budgeted in 2003, will be funded mainly through favourable operating variances in other program areas. Greater than expected salary gapping, year-end GTA Pooling expenditures less than currently forecasted, and available supplementary property taxes may also be possible means of mitigating the impact of unplanned expenditures in 2003

6.3 Potential 2004 Business Plan and Budget Impacts

The 2003 Mid-Year Progress Report provides a strategic starting point for the 2004 Business Plan and Budget. Some potential factors affecting the 2004 process include:

- Continued strong population growth in 2004 of approximately 30,000 to 40,000 new residents;
- Continued strong residential, commercial, and industrial construction growth;
- OMERS rate contributions, currently at 1/3 the full rate, to increase to a rate of 8.8% in 2004, which is higher than the previous full contribution rate of 7.5% of earnings over the Yearly Maximum Pensionable Earnings;
- Further use of corporate key performance indicators to evaluate resources needs in relation to service level and service delivery expectations;
- Acceleration of the Roads Transportation Capital Plan: and

- Operating and capital impacts resulting from the implementation of the Quick Start Rapid Transit Program.

7. LOCAL MUNICIPAL IMPACT

The 2003 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 2004 Business Plan and Budget cycle has been initiated and it is anticipated that the draft final document will be delivered to Council for its review in December 2003. The time frame should assist local municipalities in their business planning processes for shared services such as water, wastewater, and transportation.

8. CONCLUSION

The 2003 Mid-Year Progress Report provides a comprehensive status review of the resources utilized to complete service objectives identified in the 2003 Business Plan and Budget.

As of June 30, 2003, total net expenditures for all Regional Programs are 94**%** on target and year-end projections indicate that total net expenditures will be $464.5 million or 99.3**%** of budget.

The financial projections and work program highlights contained within the 2003 Mid-Year Progress Report provides the foundation for the Region's 2004 Business Planning and Budget process.

The Senior Management Group has reviewed this report.

(A copy of the attachments referred to in the foregoing has been forwarded to each Member of Council with the October 2, 2003, Finance and Administration Committee agenda and a copy thereof is on file in the Office of the Regional Clerk.)