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2004 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 27, 2004, from the Chief Administrative Officer and the Commissioner of Finance:

1. RECOMMENDATIONS

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 2004 Business Plan and Budget. Regular performance and service monitoring ensures that York Region's $1.7 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 2004 gross operating budget is $803.6 million of which 97% is projected to be spent by year-end.
- As of June 30, 2004, 91% of the year to date gross operating budget has been expended.
- Net operating expenditures (tax levy funded) are 88% of budget at mid-year and are estimated to be 99.5% of budget at year-end.
- Housing and Residential Services is projecting a favourable operating variance of $2.5 million at year-end, primarily attributable to mortgage renewals at lower interest rates.
- Administrative and Corporate Support business units are projecting a combined favourable variance of $0.7 million at year-end. This is primarily as a result of savings generated through various under expenditures.
- York Region Police are projecting expenditures will be at budgeted levels for full year 2004.

- Social Assistance will be over budget by $0.8 million primarily as a result of higher than anticipated billings for the downloaded Provincial Ontario Disability Support Program (ODSP) allowances and drug benefits.
- Roads Transportation is projecting to be overspent by $1.0 million due to inclement winter weather conditions, unanticipated electricity price increases and unanticipated contract price increases for traffic signals.
- Solid Waste Management is projecting to be under budget by $1.0 million primarily due to favourable prices for the Source Separated Organics pilot project and increased revenue from the sale of Blue Box Material.

Capital Programs

- York Region's 2004 gross capital expenditure budget is $882.5 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 59% of budget and are anticipated to be 68% of budget at year-end.
- At mid year, 30% of budgeted capital projects are tendered, under construction or complete, and approximately 65% of total capital projects are deemed to be on schedule.

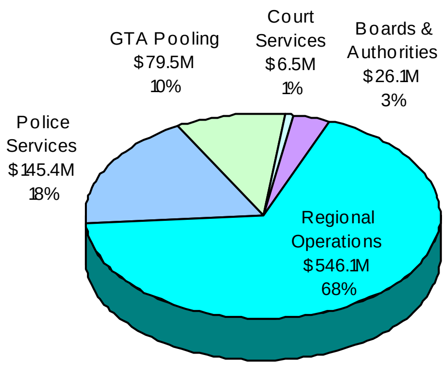
4. BACKGROUND

On March 25, 2004, Regional Council approved the 2004 Business Plan and Budget. The detailed business plan identifies work initiatives within the framework of a total gross budget of $1.7 billion and a net tax levy funded budget of $515.0 million. Subsequent to the March 25th approval, Regional Council has approved an additional $100 thousand in total funding for York Explorer, with no net tax levy impact.

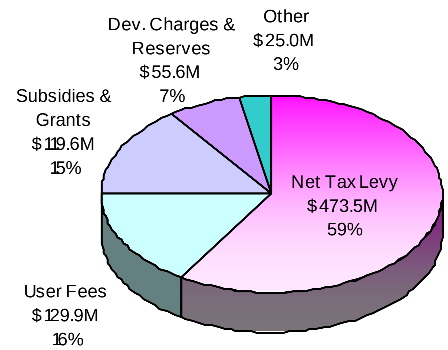
Further adjustments to the gross budget have been made to more accurately reflect planned expenditures. These include adjustments for debentures related to Armitage Gardens ($253 thousand) and an adjustment for Police Services ($110 thousand). These adjustments have no net tax levy impact.

The graphs below identify the 2004 Regional gross budget of $1.7 billion and the various Regional funding sources.

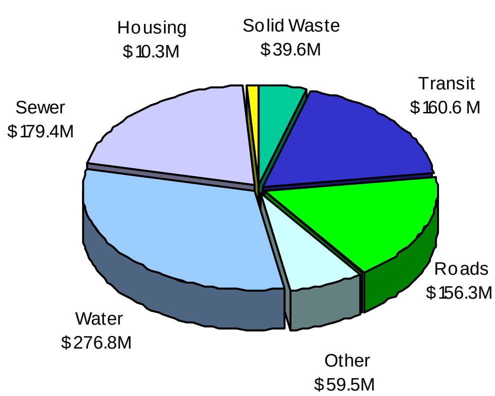
2004 Gross Operating Expenditures
Total $803.6M



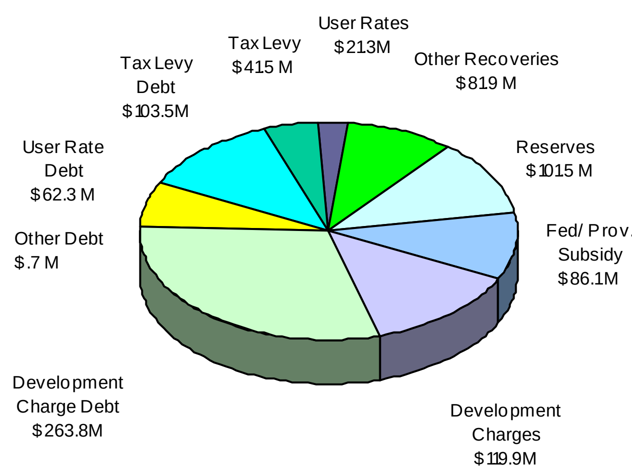
2004 Operating Funding Sources
Total $803.6M



2004 Total Capital Expenditures
Total $882.5M



2004 Sources of Capital Funding
Total $882.5M



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 873,000 at mid-year, an increase of 18,000 from December 2003 to the end of June 2004. Building permits were issued for a total of 10,143 new residential units in 2003, representing a 19% decrease from 2002. Total construction value was $2.7 billion for 2003, ranking York Region among the highest in Canada. York Region's Ontario Works program average monthly social assistance caseload has increased from 4,170 in 2003 to a projected 4,320 cases in 2004.

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 2.5% for the 12-month period ending June 30, 2004. Gasoline prices were the most important contributor to the 12-month increase in the CPI.

Program Highlights

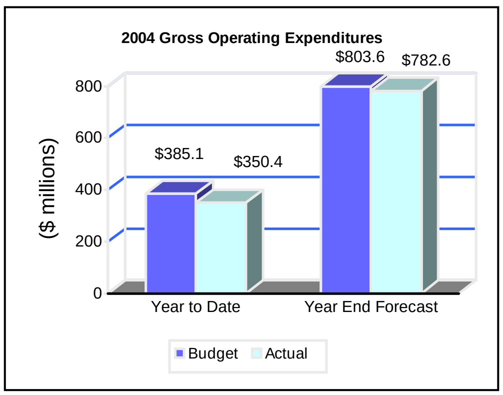
The following are major program highlights to date for 2004:

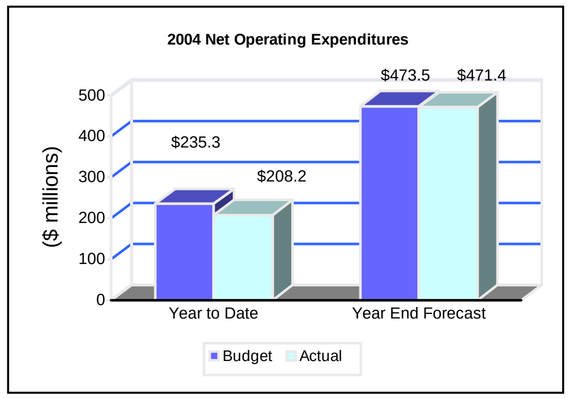
- The funding agreement to launch the Quickstart rapid transit program was signed by the Government of Canada, the Province of Ontario and the Region of York in May 2004, with each party contributing $50 million for the first phase of the project. Construction at several locations began in June 2004.
- York Region Transit conventional ridership for the first six months of 2004 was 6.6 million, a 10% increase over the same period in 2003.
- The Region endorsed the Centres and Corridors Strategy in June 2004 after extensive public consultation and stakeholder involvement.
- As part the 2004 West Nile Virus control plan, the Region began larviciding catch basins. This program will continue until September 2004, and is expected to cost $2.1 million. This program is funded 50% from the province and 50% from reserves.
- Work continued on the 32 Bed Expansion of the Newmarket Health Centre in the first half of the year and will be completed later in 2004.
- New EMS Stations were opened in King City, Markham and Mount Albert at a cost of $1.8 million.
- Armitage Gardens, a 58 unit seniors' housing project in Newmarket containing a range of accessibility features, was completed at a total cost of $7.9 million.
- Construction is underway on the $39 million waste management facility on Bales Drive in Newmarket.
- The promotion and education program for the three stream waste collection system is being developed, at an estimated cost of $250 thousand for 2004. Additionally, the cost of diverting 15,000 tonnes of waste for this program will cost $400 thousand. The Markham pilot project is scheduled for September 2004.

- Phase III of the Region's No-Smoking By-Law was implemented, including education, promotion and enforcement.
- York Region launched Heart Alive, a Public Access Defibrillation Program.
- 118 York Region employees volunteered to participate on the five cross-departmental teams established to take action on the Employee Satisfaction Survey results.

5.2 Operating Program Overview

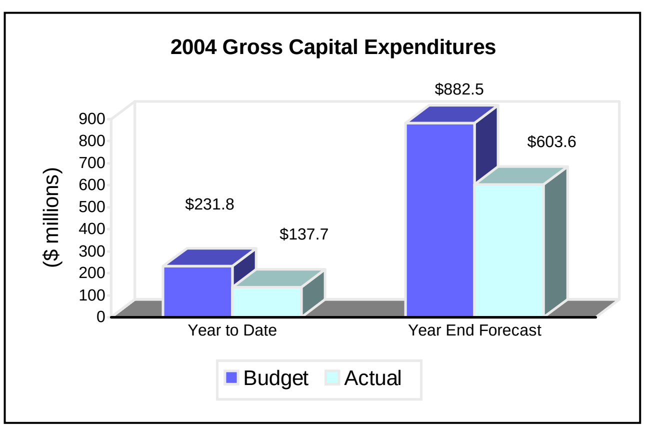
As of June 30, 2004, Regional net operating expenditures are 91% of the mid-year budget of $385.0 million. Year-end net expenditures are forecasted to be 99.5% of budget. Attachments 1 and 2 contain corporate mid-year summaries and year-end projections of operating expenditures by service area. A detailed 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, 2004, Regional gross capital expenditures are 59% of the mid-year budget of $231.8 million. Anticipated year-end gross capital expenditures are forecasted to be 68% of budget. The following graph summarizes the total Regional mid-year and year-end gross capital expenditures. Attachments 3 and 4 contain corporate mid-year summaries and year-end projections of capital expenditures by services area.



5.3.1. Capital Project Milestones

A status review of all capital projects was undertaken as part of the mid-year review process. As of June 30, 2004, approximately 65% of total capital projects were on schedule by mid-year. Table 1 below summarizes the progress of York Region's total 307 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	75	24 %
Pre-Construction Phase	156	51%
Project Deferred/Not Started	57	19 %

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 $2.1 million for Regional Programs.

Table 2
Key Operating Variances
Projected for Year End 2004
(Millions $000)

Department/Service	Under/ (Over) Net Program Expenditures
Roads Transportation	($1.0)
Solid Waste Management	1.0
Emergency Medical Services	$0.4
Social Assistance	($0.8)
Housing & Residential Services	$2.5
Total Operating	$2.1

Significant Departmental year end variances are noted below:

Roads Transportation – Operating ($1.0 million)
The unfavourable variance is in part due to colder winter weather conditions requiring more road salt, sand and higher contractor costs. A further shortfall is related to higher than expected increases in electricity prices and unanticipated contract price increases for traffic signal maintenance.

The Roads Transportation budget has been reviewed to identify possible mitigating options. No options have been identified that would reduce the shortfall without negative effects to service levels and public safety.

Solid Waste Management $1.0 million
The favourable variance in Solid Waste Management is attributable to favourable contract prices for the Source Separated Organics pilot project and increased revenue from the sale of recyclable material. Year to date revenue from Blue Box and scrap material has been greater than budgeted. This year end projection assumes that market prices for recycled materials will continue to be higher than budget, with a slight decline from year to date prices.

Emergency Medical Services $0.4 million
The projected $0.4 million favourable variance for EMS is primarily attributable to salary gapping resulting from delays in filling new and vacant positions.

Social Assistance ($0.8 million)

The unfavourable variance for Social Assistance is primarily due to higher than anticipated provincial billing in downloaded ODSP allowances and drug benefits partially offset by program and administrative savings within the Division.

Housing and Residential Services $2.5 million
Housing and Residential Services is forecasting a net favourable variance of $2.5 million largely due to lower than budgeted subsidy payments to housing providers as a result of lower mortgage rate renewals, property taxes and favourable financial statement reconciliations. Additional savings are anticipated from per diem increases unlikely to be fully implemented and for hostels not yet operational.

Other

Transit Services is projecting that year end expenditures will be at budgeted levels. This reflects the net effect of various over and under expenditures in the transit operating budget, including specialized transit expenditures greater than budgeted due to taxi meter rate increases and trip demand 10% higher than budget.

A $14.0 million year end under-expenditure is anticipated for Water & Wastewater Services. This under-expenditure is related to decreased Toronto water purchases due to wet conditions, a rebate for lower than anticipated operating costs for Duffin Creek in 2003, and reduced contribution to capital projects caused by delays in the capital program.

Any surplus in Water & Wastewater operations is contributed at year end to the water and sewer rate-supported reserves.

6.1.1. Salary and Benefits Expenditures

Salaries and benefits account for $276.7 million or 34% of York Region's 2004 gross operating expenditure budget of $803.6 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 be on target to achieve 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.

6.1.2. Conservation Authorities

The Lake Simcoe and Region Conservation Authority (LSRCA) and the Toronto and Region Conservation Authority (TRCA) estimate that expenditures to date are at budgeted levels. York Region contributes $3.1 million for program operations, and actual expenditures are expected to be at budgeted levels at year-end. LSRCA and TRCA are on track to deliver the capital projects that are funded by York Region's $1.7M capital contributions.

In addition, the TRCA and LSRCA are carrying out a total of seven watershed studies to fulfill the requirements of the Oak Ridges Moraine Conversation Plan. All of the watershed plans are on track for completion by 2007 as required. Actual expenditures are expected to be $1.2 million, as budgeted for 2004.

The LSRCA has approved or completed a total of 14 projects within York Region as part of the Lake Simcoe Water Quality Improvement Program (LSWQIP) during 2004. Under this program landowners within the Lake Simcoe Watershed have benefited from projects that include stormwater pond retrofits, livestock fencing, fishery improvement, shoreline erosion control and wellhead protection.

The TRCA's draft Terrestrial Natural Heritage Strategy, was completed in April 2004. Stakeholder consultation is underway, and input from the consultation is to be presented to TRCA's Board in September. As part of the Natural Heritage Regeneration and Reforestation projects, the TRCA and LSRCA have planted over 96,000 trees and shrubs in all municipalities within York Region.

6.2 Capital Program Analysis

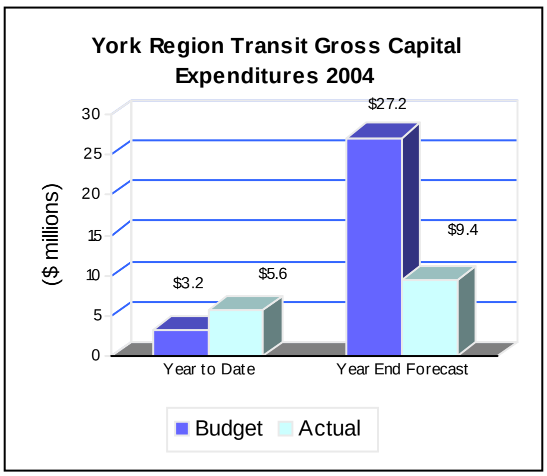
The following graphs show year to date and year-end projections of capital expenditures for the major service areas of the Region's capital program. It should be noted that the Transportation and Works department consisting of Transit Services, Roads Transportation, Solid Waste and Water and Wastewater accounts for 92% or $812.7 million of the total Regional gross capital expenditure budget of $882.5 million.

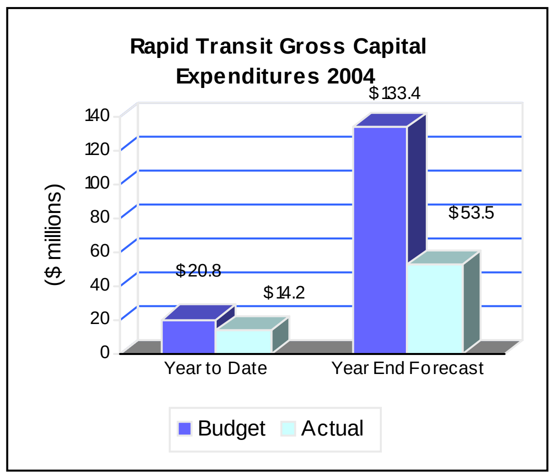
Rapid Transit

- Year to date expenditures are 68% of budget, while the year end result is expected to be $80 million under budget (or 40% of budget).
- The 2004 Quick Start budgeted expenditures make up 62% of the 2004 total Rapid Transit $133.3 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 behind schedule due to delays in signing approved funding agreements (signed in March 2004). Since its' inception, the Region has spent $39 million on the total Rapid Transit program and has not received committed funding from senior levels of government.

York Region Transit

- Year to date expenditures of $5.6 million exceed the year to date budget of $3.2 million due to the accelerated purchase of conventional replacement buses.
- Various infrastructure enhancements (bus loops & stops) will be spent in the late half of this year, coinciding with construction season and construction activities.
- The majority of bus expansion and replacement bus purchases have been deferred to 2005.
- The year-end expenditures are estimated at $9.3 million or 35% of budget.

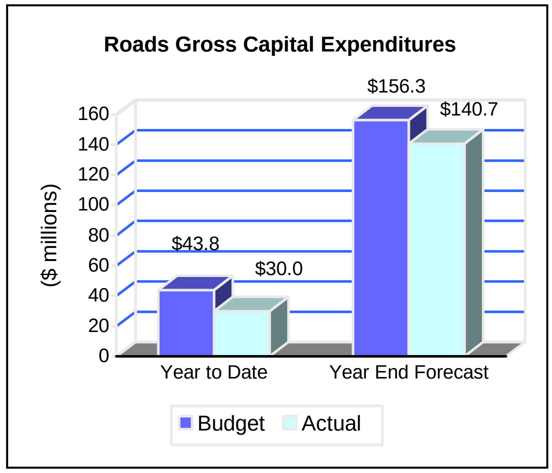


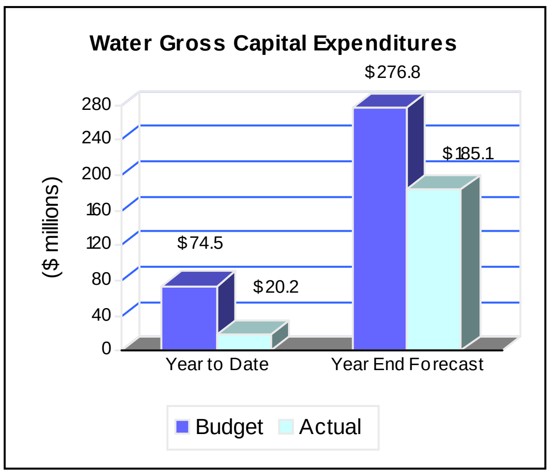


Roads

- Gross expenditures to date are $30.0 million, representing 68% 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 90% of the Gross budget for 2004 by year end.

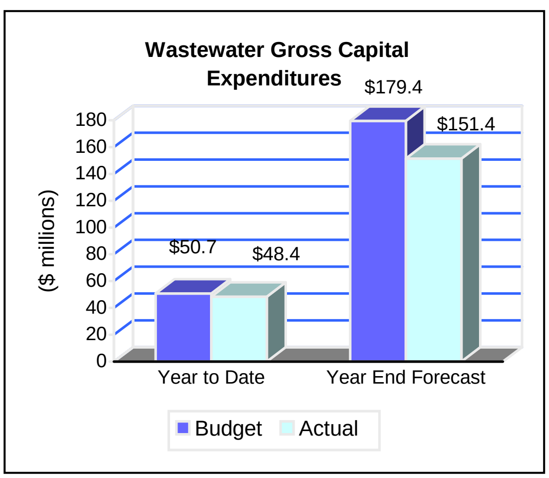
- Some key roads projects that are currently under way include:
  -Elgin Mills-Bayview to Markland, including the 404 interchange
  -Rutherford Road-Hwy 400 to Hwy 27
  -Teston Road- Weston Road to Keele
  -Major Mackenzie-Weston Road to Hwy 400





Water

- Expenditures for Water Capital Projects are 27% of budget at mid-year due to material supply problems causing delays in key projects.
- Delays in the first half of the year have impacted on timing, resulting in a projected 67% expenditure of the budget of $276.8 million.



Wastewater

- Wastewater capital program expenditures are 95% of budget at mid-year, and are forecast by year-end to be $151.4 million or 84% of budget.
- Construction is underway for the YDSS Humber Forcemain to Peel, although there is a two-month delay due to delays in obtaining permits.
- The 16th Ave. Trunk Sewer project (Stonemason to Woodbine) has been delayed due to obtaining Ministry of Environment approvals.

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

Solid Waste:
Construction has commenced the Integrated Waste Management Facility on Bales Drive. Primarily as a result of the delayed regulatory approvals, the year-end forecast for Solid Waste capital expenditures is $24.9 million or about 63% of budget.

Housing and Residential Services:

Fifteen percent of the year to date budget of $1.7 million has been spent. The year-end forecast is $0.7 million or about 6% of the $10.3 million budget. Many of the reasons relate to external factors such as a delay in design and rezoning issues.

In particular, the land purchase for the proposed 30 unit family shelter in Sutton originally projected to be completed by year end is delayed due to flood related clean-up. The 48 unit family apartment facility in Newmarket is also delayed due to the re-zoning of the land by the Town of Newmarket. Further design work is to be completed on the Blue Willow Terrace senior apartment project in Vaughan, however construction is estimated to begin in 2005 and not in 2004 as originally thought. The Brayfield project budget of $1.2 million will not be spent as this project will be brought for Council consideration in 2005.

Long Term Care:

Forecasted year-end expenditures for Long Term Care capital are $4.4 million or 75% of the budget. Specifically, at mid-year, year to date actual expenditures are 78% of the year to date budget. Approximately 50% of the planned projects are on schedule. The 2004 budget contemplated approval of new bed allocations from the Ministry of Health and Long Term Care for sites in Maple, Markham and Georgina and subsequent approval by Regional Council. Approval has not yet been received by the Ministry.

Emergency Medical Services (EMS):

The year end forecast is $6.2 million or 61% of the annual capital budget. The year to date actuals are 65% of the year to date budget. Approximately 60% 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:

The year end forecast is $13.1 million or 51% of the annual capital budget. Thirteen percent of the year to date budget has been spent to date. Expenditures have been low to date as certain budgeted projects such as the proposed Bales Drive Emergency Operations Centre and Central Services Centre, have not yet received approval from Council. The construction of the new Transportation and Works Operations facility has been delayed due to regulatory approval.

York Regional Police:
The year end forecast is $13.8 million or 79% of the annual capital budget. To date 58% 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; however. expenditures have not yet been made due to the lengthy tendering process. As a consequence of this, the Mobile Workstation project will be delayed until the award of the CAD/RMS project.

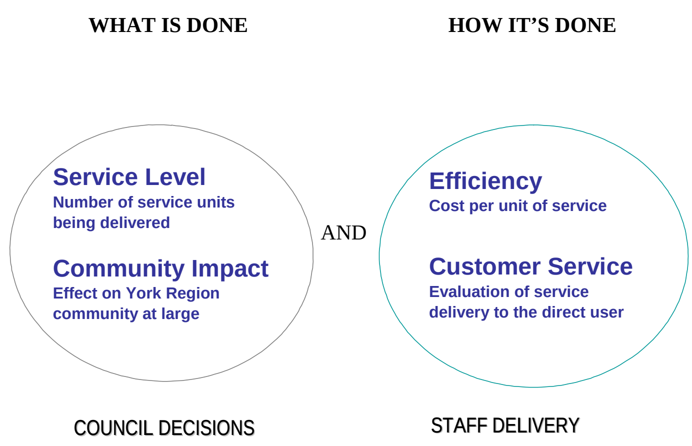
The new #2 District Headquarters and vehicle replacements are proceeding on schedule. The Training Branch portable classrooms and the acquisition of additional vehicles will be completed by the end of the year.

6.3 Budget Development Using Key Performance Indicators

York Region has undertaken further use of measurements and benchmarks to develop an enhanced performance management framework for budget development. 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 strategic decisions of Council are reflected with service level and community outcome indicators and provide direction to staff as to "what" is expected to be delivered. The question of "how" Council's decisions are delivered to taxpayers is measured with efficiency and customer service indicators, and is largely within the accountability of Regional staff.



The use of key performance indicators (KPIs) in the budget development process provides the Region with an opportunity to evaluate resource needs for all business units at a strategic level. As part of the business planning and budget review process KPIs and benchmark information will be reviewed at the staff level to better understand efficiency and planned resource utilization.

The KPI framework enables service delivery information to be analyzed as a complete package for each business unit, and hopes to facilitate the resource allocation decisions of Council. The Region's approach to performance tracking using KPIs should result in a clearer understanding of the relationship between Council's service level decisions and budget resource needs, and what impact these decisions have on the York Region community.

KPIs can assist with resource utilization by:

- helping to understand trends in cost per unit of service delivery;
- helping to identify drivers of service costs;
- measuring the impact of the community when services are increased or enhanced; and
- providing a balanced view for resource decisions by considering the impact to York Region's community and financial/efficiency implications.

The use of key performance indicators (KPIs), including analysis of annual trends, will become an integral part of York Region's business planning and budgeting process.

6.4 Potential 2005 Business Plan And Budget Impacts

The 2004 Mid-Year Progress Report provides a strategic starting point for the 2005 Business Plan and Budget. Some potential factors affecting the 2005 budget include:

- Continued strong population growth in 2005 of approximately 35,000 to 40,000 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 increased operating and capital requirements to implement the Quick Start Rapid Transit Program;
- 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;
- 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 noted above, various precommittments have been made, including funding for transit, Police staffing, increase and debt repayment. These factors will influence 2005 budget development.

6.5 Assessment Growth

As of July 31, 2004 assessment growth is 2.5%. It is anticipated that 2004 full year assessment growth will be approximately 4%. Assessment growth of 4% would generate approximately $20 million in increased tax revenues, which would be applied against increases in 2005 expenditures driven by the growth.

7. LOCAL MUNICIPAL IMPACT

The 2004 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 2005 Business Plan and Budget cycle has commenced and it is anticipated that the capital budget will be delivered to Council in October, the rate budget in November and the operating budget in December 2004. The time frame should assist local municipalities in their business planning processes for shared services such as water, wastewater, and transportation.

8. 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.

9. CONCLUSION

The 2004 Mid-Year Progress Report provides a comprehensive status review of the resources utilized to complete service objectives identified in the 2004 Business Plan and Budget.

As of June 30, 2004, total net expenditures for all Regional operations are 91% on target and year-end projections indicate that total net expenditures will be $471.4 million or 99.5% of budget.

The financial projections and program highlights contained within the 2004 Mid-Year Progress Report provide the foundation for the Region's 2005 Business Planning and Budget process.

The Senior Management Group has reviewed this report.

(A copy of the attachment referred to in this Clause has been forwarded to each Member of Council with the September 9, 2004, Finance and Administration Committee agenda and a copy is on file in the Regional Clerk's office.) *(Also see Clause 19A page 72)*