



# **Proposed 2017-2018 Regional Budget**

## **Presentation to Council**

### **Bill Hughes**

November 17, 2016



# Overview of Presentation

Part 1: Overview of the 2017 Budget

Part 2: The Budget

- ▣ Operating Budget
- ▣ Capital Budget

Part 3: Fiscal Strategy

- ▣ Debt Management
- ▣ Reserve Management

Part 4: Financial Sustainability

Part 5: Budget Review Process and Conclusion

# Overview of the 2017 Budget

# The tax levy at a glance

| <b>Budget Year</b> | <b>2015</b> | <b>2016</b> | <b>2017</b>  | <b>2018</b>  |
|--------------------|-------------|-------------|--------------|--------------|
| Approved 2016      | 2.97%       | 2.85%       | 2.69%        | 2.35%        |
| Proposed 2017      |             |             | <b>2.87%</b> | <b>2.65%</b> |

# The proposed budget at a glance

|                                                                   | 2016                                                                                  | 2017                                                                                  |
|-------------------------------------------------------------------|---------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|
| Operating Budget                                                  | \$2.0B                                                                                | \$2.1B                                                                                |
| Capital Budget                                                    | \$783M                                                                                | \$942M                                                                                |
| Ten-Year Capital Plan                                             | \$6.1B                                                                                | \$6.1B                                                                                |
| Capital plan compliant with the Province's Annual Repayment Limit |  |  |

# Fiscal impacts at a glance

**2017**

Peak outstanding debt

**\$2.9B**  
(2017)

New DC debt in the next 10 years

**\$1.1B**

Tax-levy debt in the next 10 years

**\$0**

Rate-supported debt in the next 10 years

**\$0**

Increase in reserves in the next 10 years

**\$3.5B**

# Key features of the budget

- ❑ Continued implementation of the multi-year budget
- ❑ Small incremental tax increases to accommodate YRP needs and lower assessment growth
- ❑ Selected improvements to service levels
- ❑ More investment in transportation capital
- ❑ More investment in water and wastewater capital
- ❑ More savings for future capital asset replacement

# Operating Budget



# The value of multi-year budgeting

- ❑ Tightens the links between budgeting and strategic priorities
- ❑ Improves fiscal discipline
- ❑ Sets expectations about future tax levies
- ❑ Provides a longer term outlook for program and service planning
- ❑ Enables better long-term planning by internal departments and Regionally funded service providers

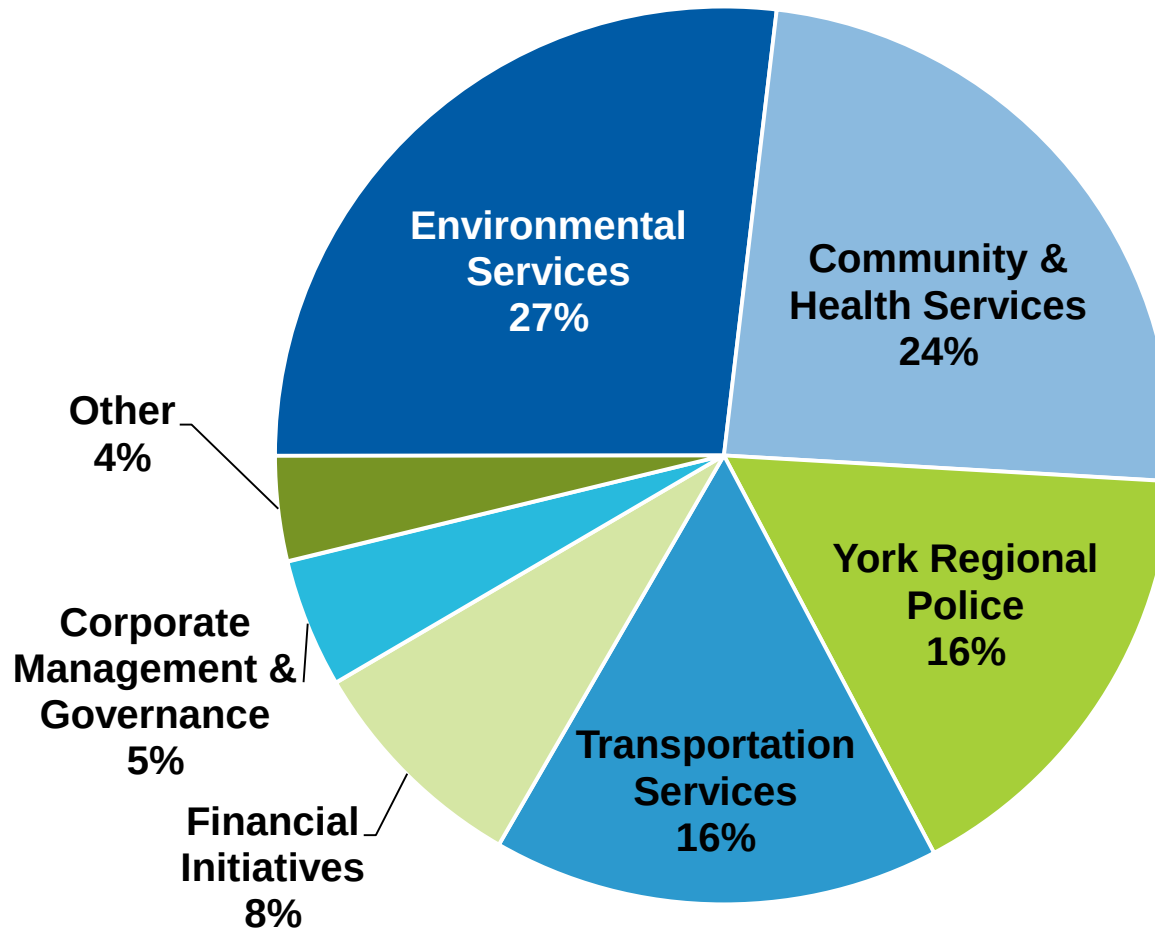
# Proposed operating budget

|                                | <b>2015<br/>Approved</b> | <b>2016<br/>Approved</b> | <b>2017<br/>Budget</b> | <b>2018<br/>Outlook</b> |
|--------------------------------|--------------------------|--------------------------|------------------------|-------------------------|
| Gross Expenditures (\$M)       | 1,901                    | 1,987                    | 2,097                  | 2,178                   |
| Non-Tax Revenue (\$M)          | 963                      | 1,006                    | 1,071                  | 1,108                   |
| Net Expenditures (\$M)         | 938                      | 981                      | 1,026                  | 1,070                   |
| Assessment Growth* (%)         |                          |                          | 1.75                   | 1.63                    |
| Proposed Tax Levy Increase (%) |                          |                          | 2.87                   | 2.65                    |

\*Reflects revenue from assessment growth.

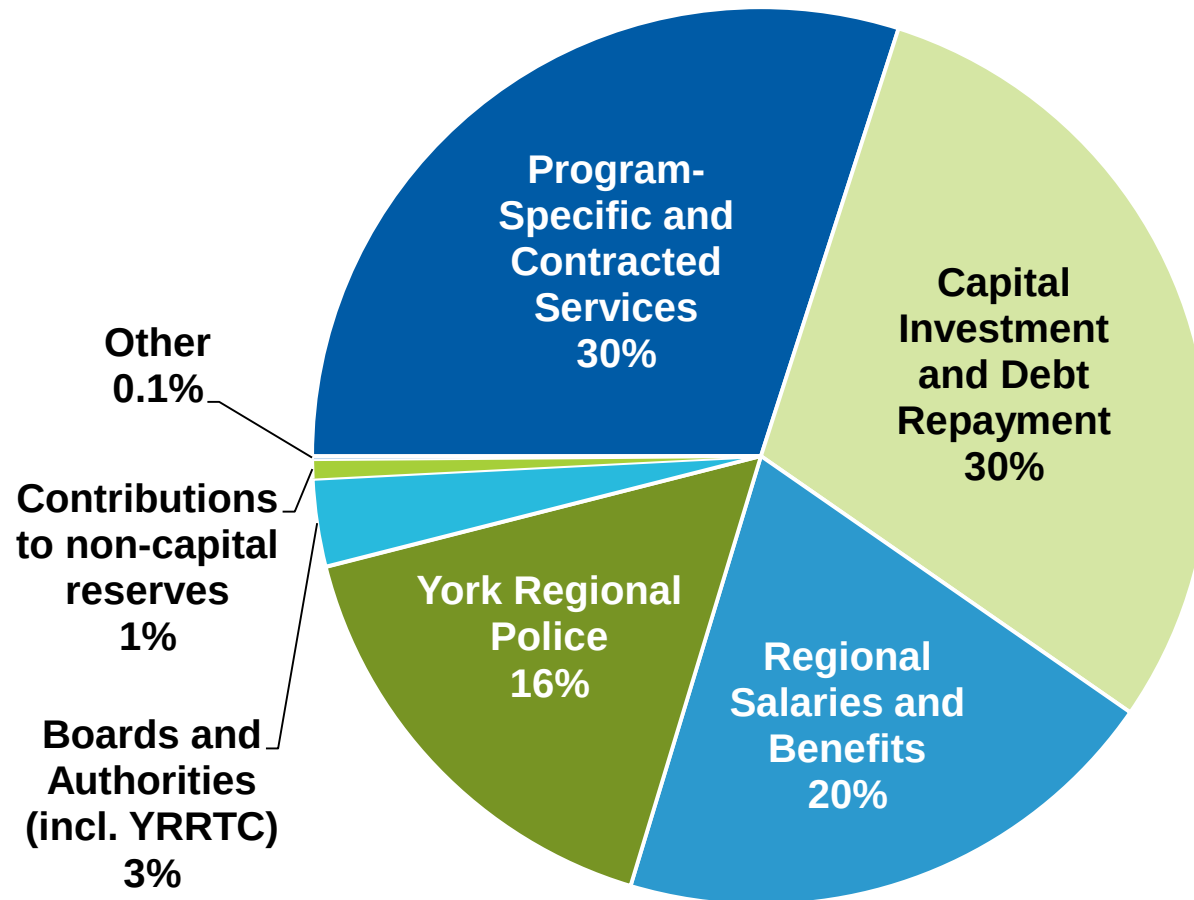
# Environment, CHS, Transportation and Police account for 83% of spending

**2017 Gross Expenditures - \$2.1 Billion**



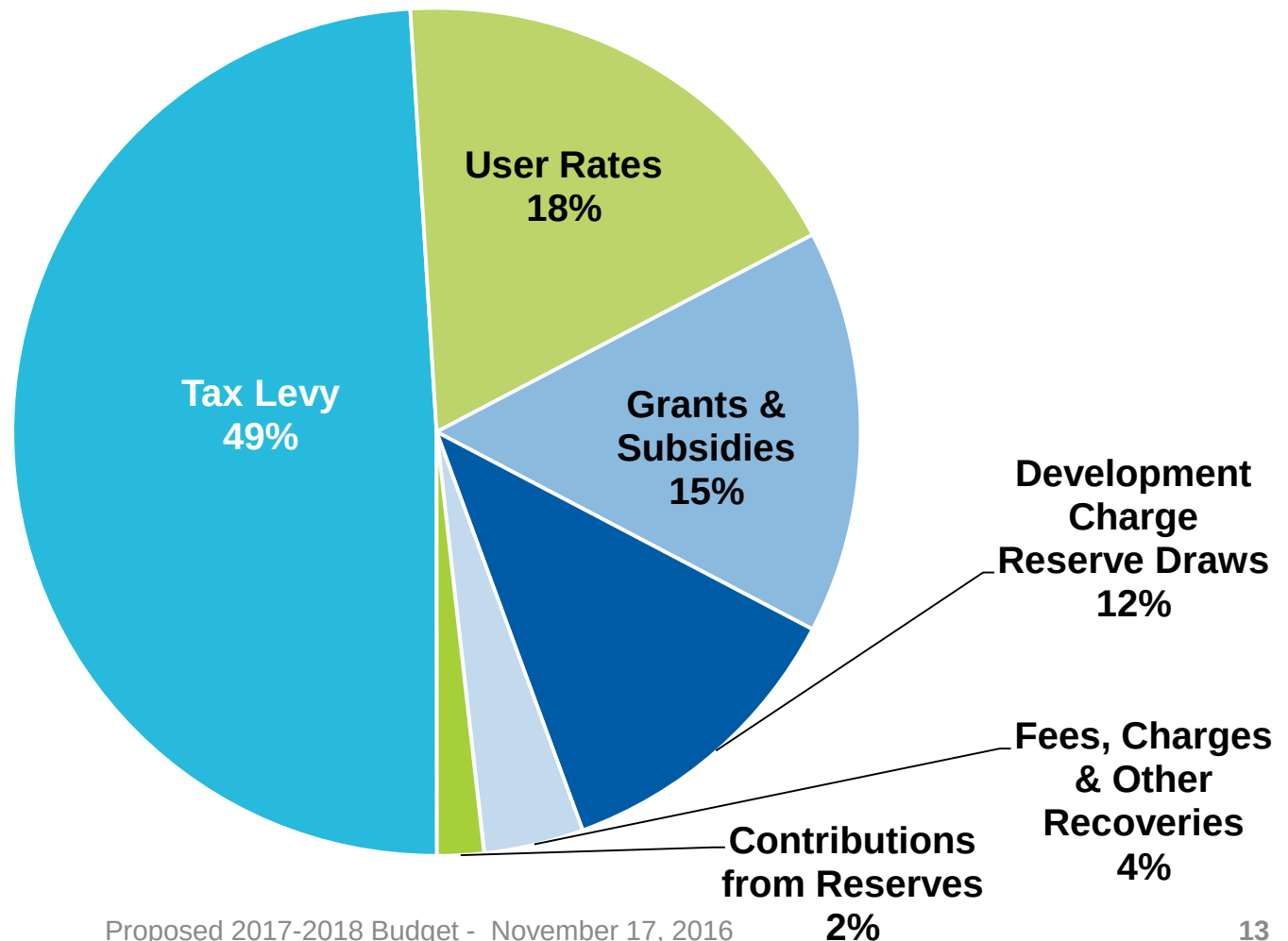
# Program-specific and contracted services represent 30% of spending

## 2017 Gross Expenditures - \$2.1 Billion



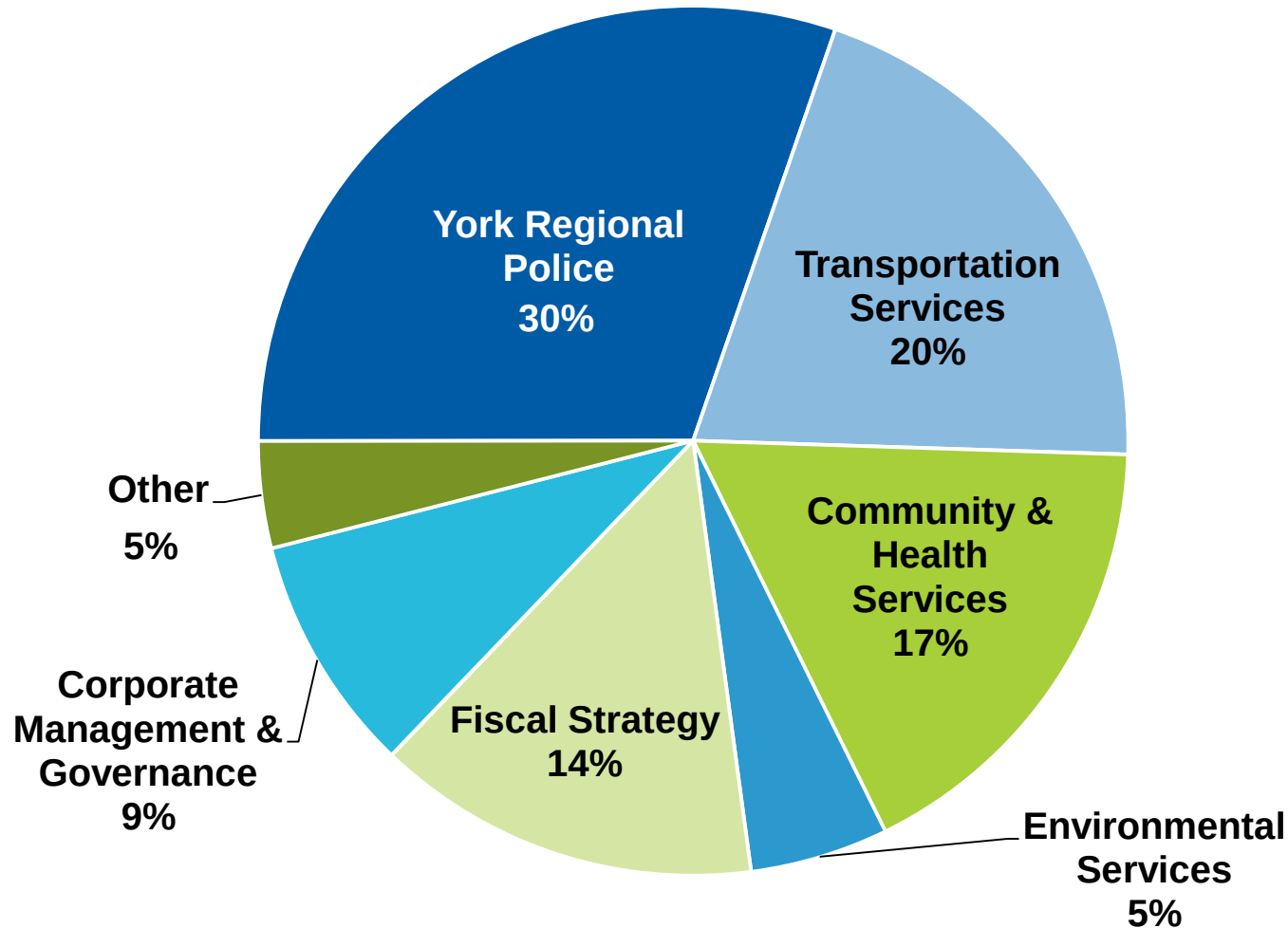
# Non-tax revenue supports about half of the Region's gross expenditures

**2017 Total Revenue - \$2.1 Billion**



# Police, Transportation and CHS account for about two thirds of every tax dollar

**2017 Net Budget - \$1.0 Billion**



# Police budget higher due to increase in staffing

- 21 more FTEs in 2017 and \$1.8 million for hiring in advance of anticipated retirements

|                                          | 2017<br>Budget | 2018<br>Outlook |
|------------------------------------------|----------------|-----------------|
| Variance to the Outlook (\$000s)         | 908            | 2,828           |
| Change to approved net tax levy increase | 0.09%          | 0.19%           |

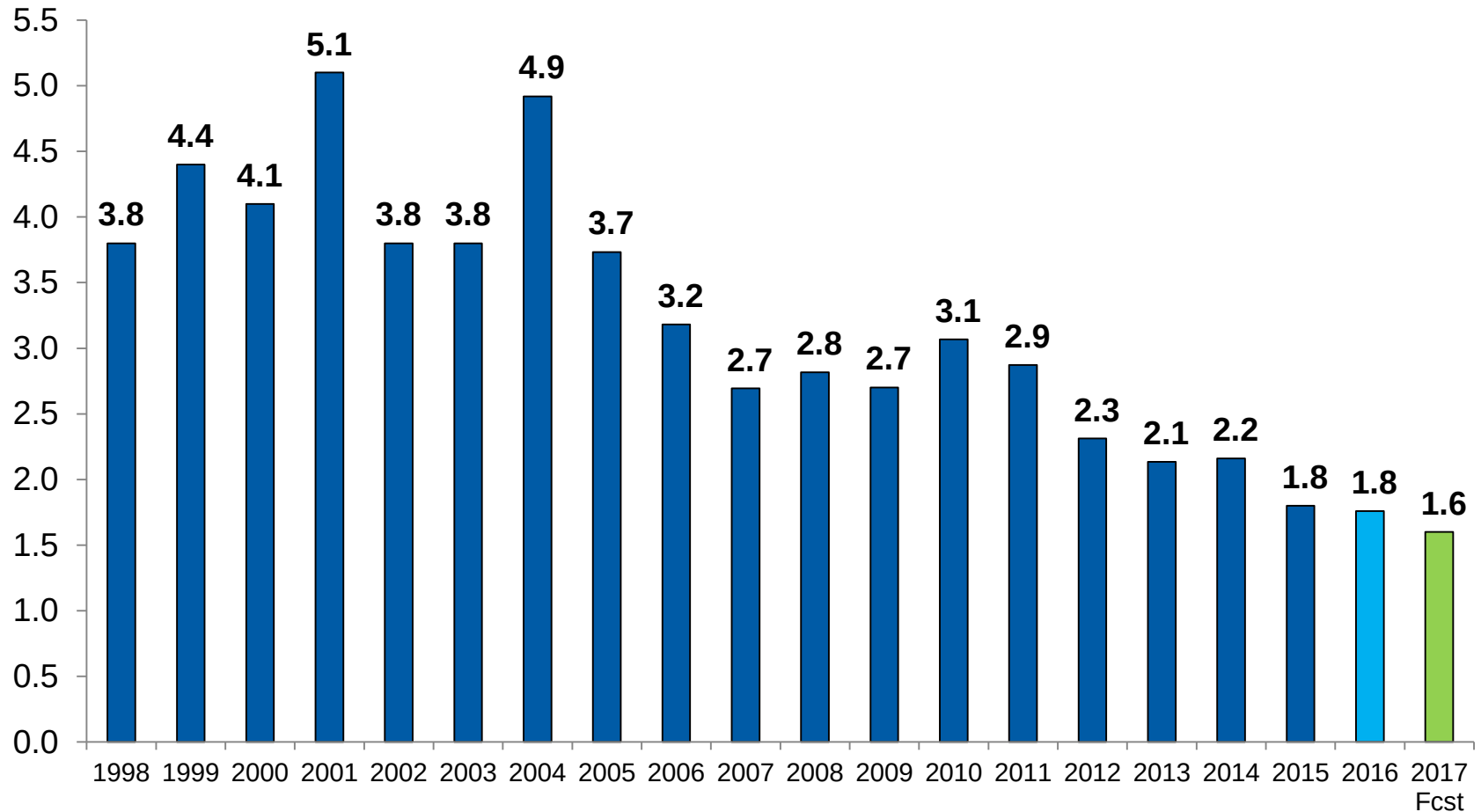
# Assessment growth is below forecast

|                                        | <b>2017<br/>Budget</b> | <b>2018<br/>Outlook</b> |
|----------------------------------------|------------------------|-------------------------|
| Variance to the Outlook (\$000s)       | 808                    | 1,244                   |
| Change to approved net tax levy impact | 0.08%                  | 0.12%                   |



# Assessment growth trending down

Assessment  
Growth %



# The budget is about sound public policy and delivering high quality public services

|                  |                      |
|------------------|----------------------|
| Police services  | Public health        |
| Court services   | Economic development |
| Forestry         | Social assistance    |
| Transit          | Housing              |
| Waste management | Long term care       |
| Wastewater       | Paramedic services   |
| Water            | Planning             |
| Regional roads   | Children's services  |

# New initiatives in 2017

## Examples of Initiatives

Operation and maintenance of an additional 18 urban lane-kilometres of Regional roads

Enhanced traffic management systems to help improve traffic flow

Continued implementation of the SM4RT Living Plan

Enhanced Rent Supplement Program to support additional subsidized rental units

16 new Paramedic Services staff to support Regional growth

43 new York Regional Police staff and new funding to backfill anticipated retirements

# Continued search for efficiencies

| Examples of Efficiencies                                                          | Impact                               |
|-----------------------------------------------------------------------------------|--------------------------------------|
| Standardizing transfer of care at hospitals                                       | Paramedic time savings of 20 minutes |
| Implementing new fuel saving initiatives on buses                                 | Savings of \$880K in 2018            |
| Faster responses to requests relating to children with special needs              | Waiting list reduction of 30%        |
| Improving the preventative maintenance program in water and wastewater operations | Savings of \$725K in 2017            |

# There are always risks to be managed

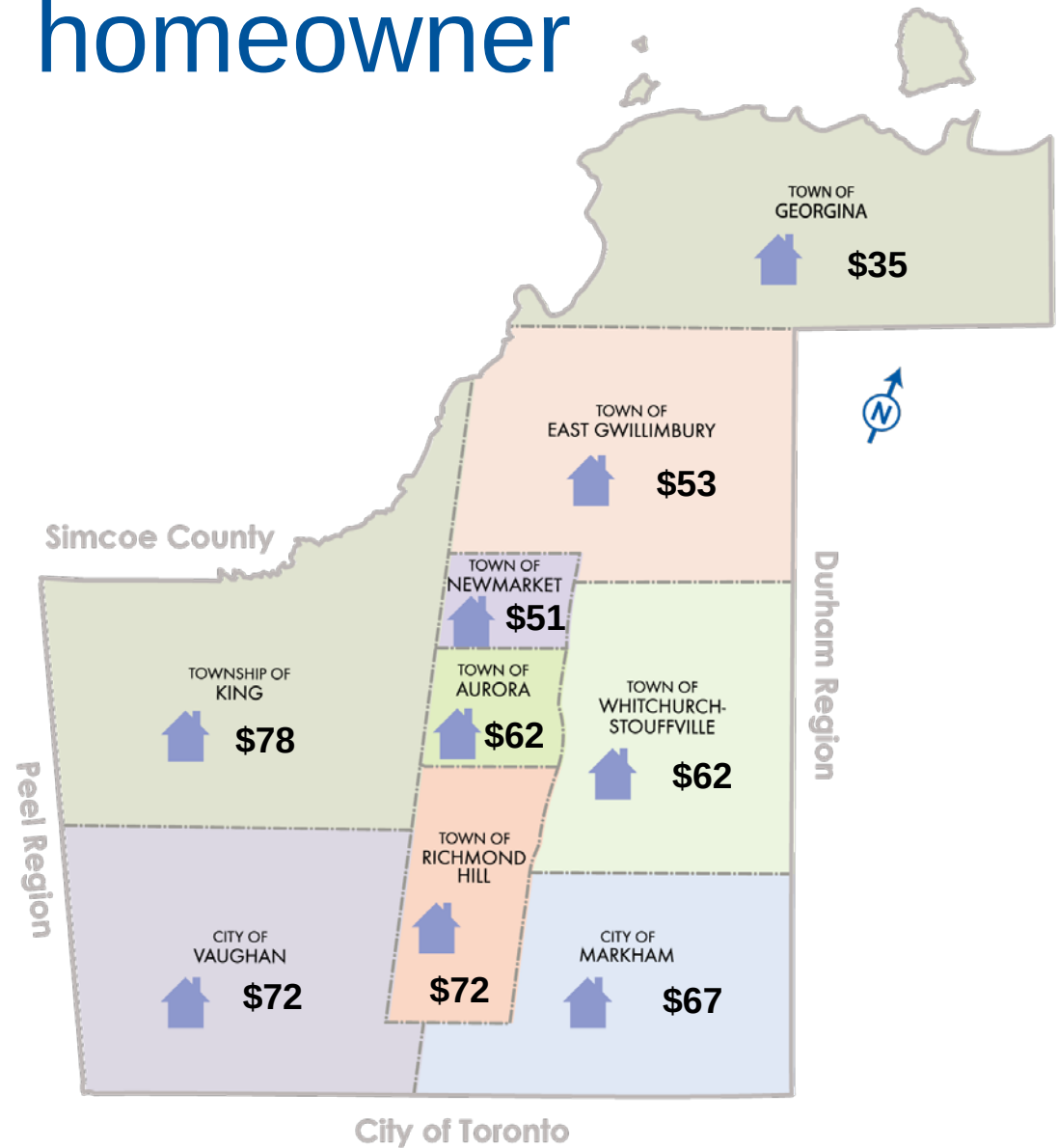
- ❑ All departments are expected to manage their risks and keep spending within their approved budgets
- ❑ There are some risks beyond the Region's control that may create material pressures for the 2018 budget

| Potential Risks                                                                                |
|------------------------------------------------------------------------------------------------|
| Potential loss of revenue due to fare integration upon opening of the Spadina subway extension |
| Downloading of Presto costs                                                                    |
| Downloading of costs for Part III POA prosecutions and increased judicial costs                |

# Tax impact on homeowner

The average assessed value of a residential property in the Region is \$577,000.

A tax levy increase of 2.87% in 2017 equates to \$66 per household, on average.



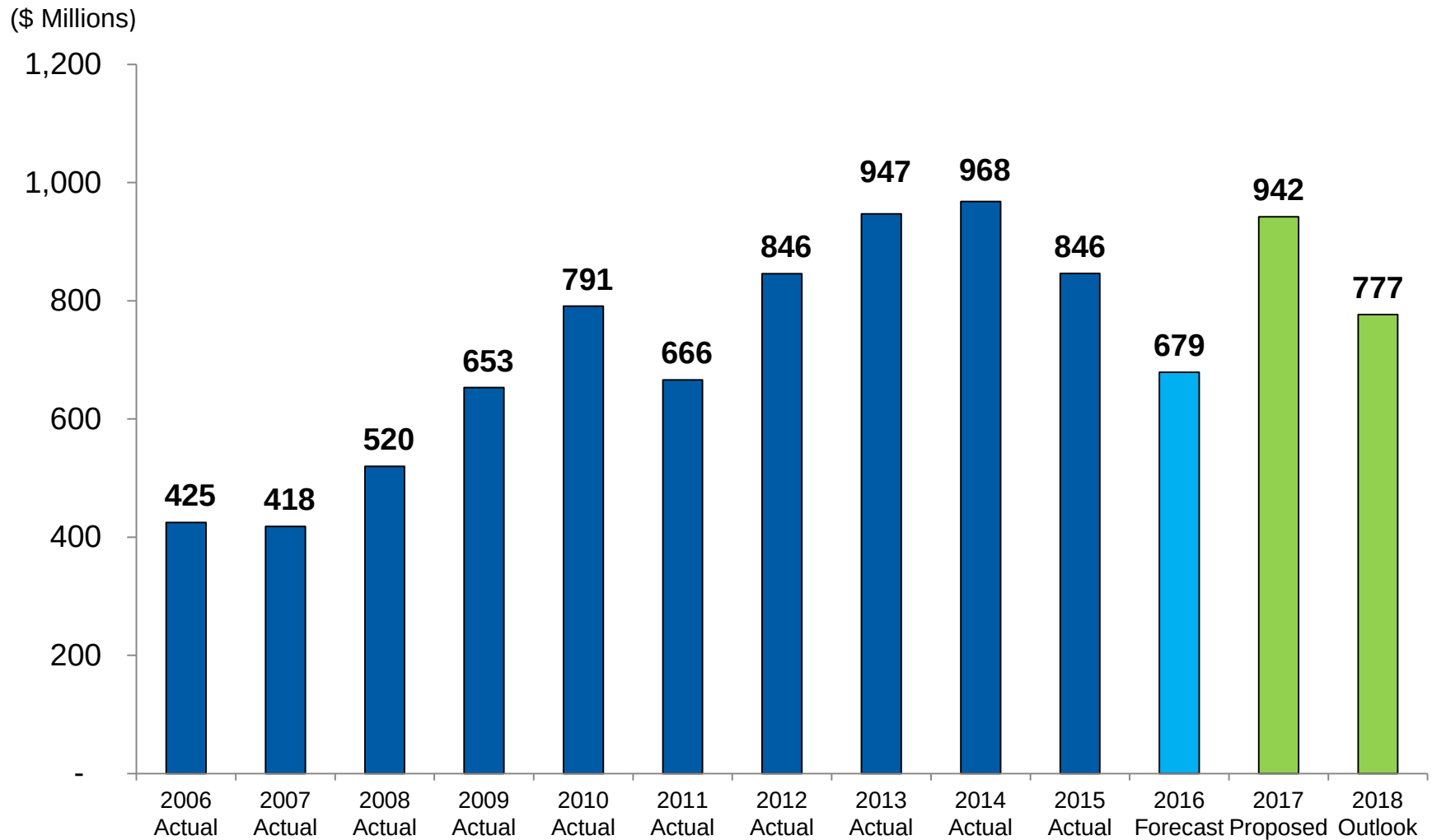
# Capital Budget

# Proposed capital budget

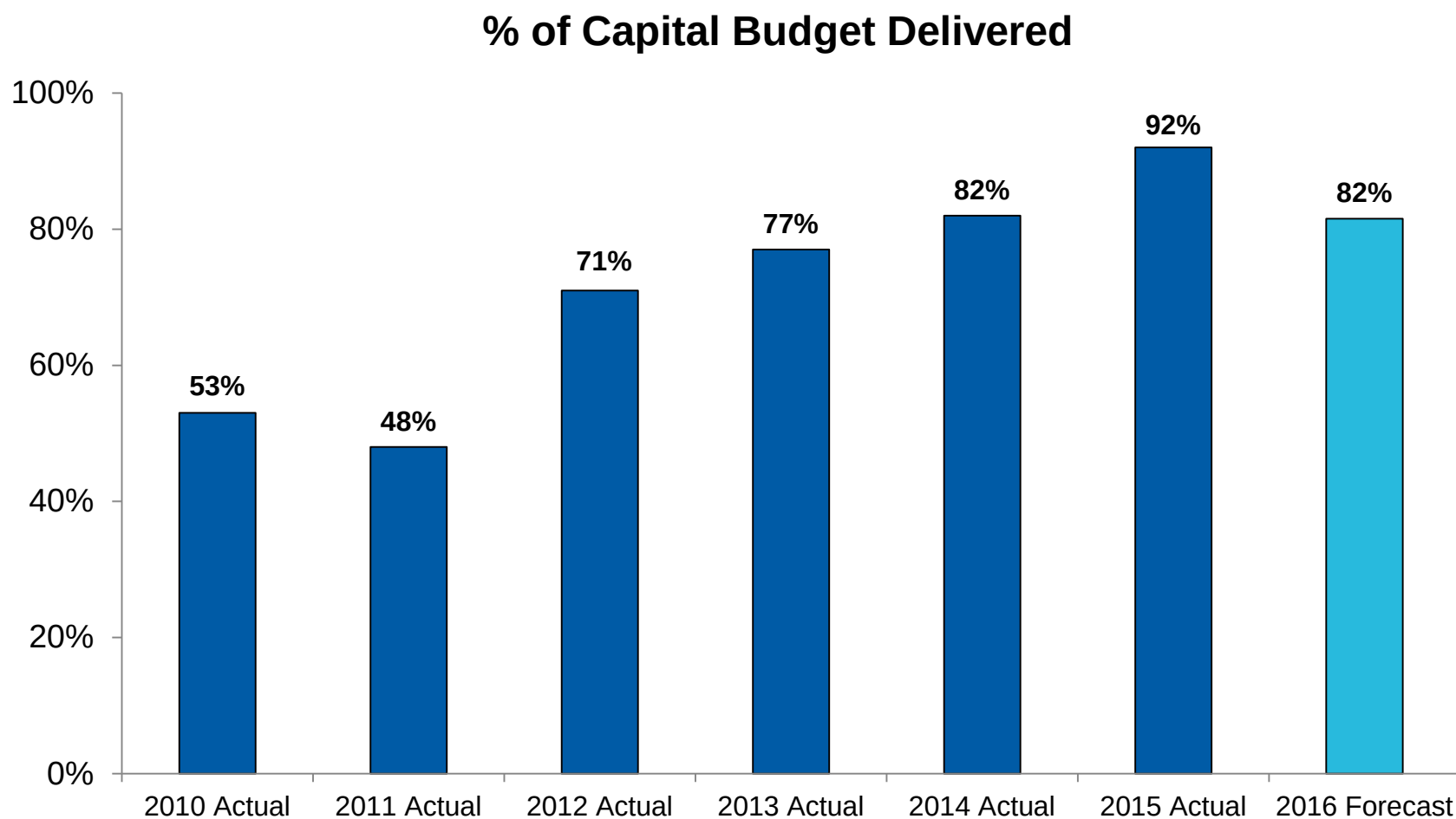
| 2017 Capital Budget             |        |
|---------------------------------|--------|
| 2017 Capital Approval           | \$942M |
| 2017 Capital Spending Authority | \$2.6B |
| Ten-Year Capital Plan           | \$6.1B |



# High levels of capital investment

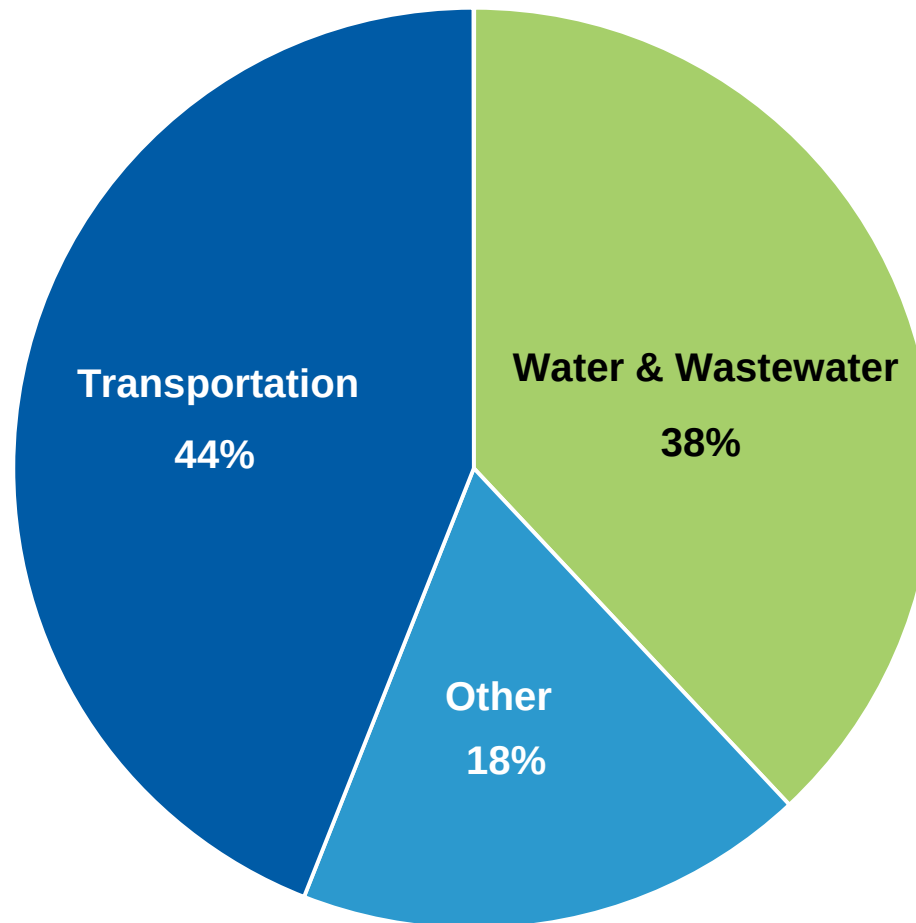


# Delivering on the capital plan



# Transportation has the largest share of the ten-year capital plan

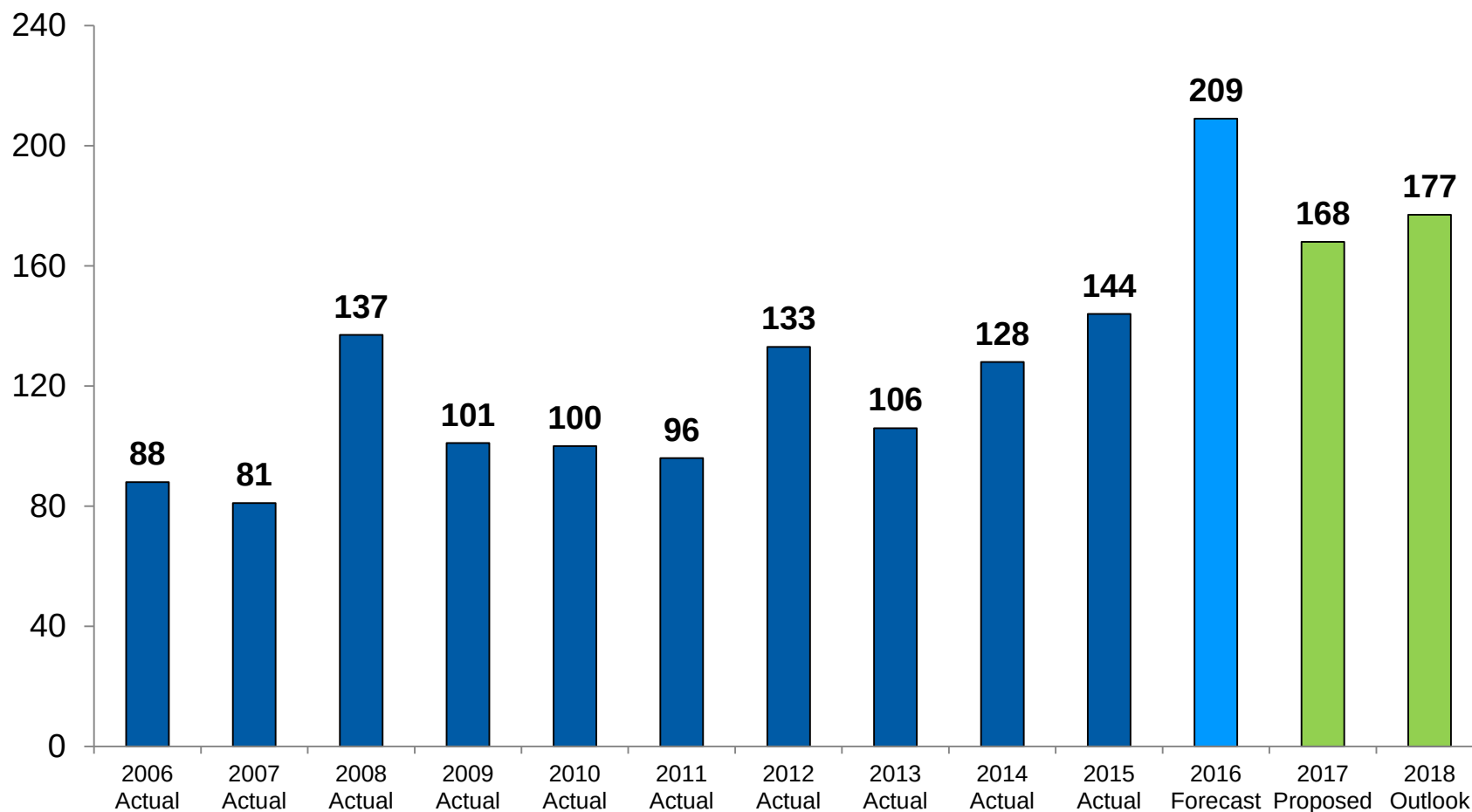
**2017 10-Year Plan - \$6.1 Billion**



# Record levels of roads investment

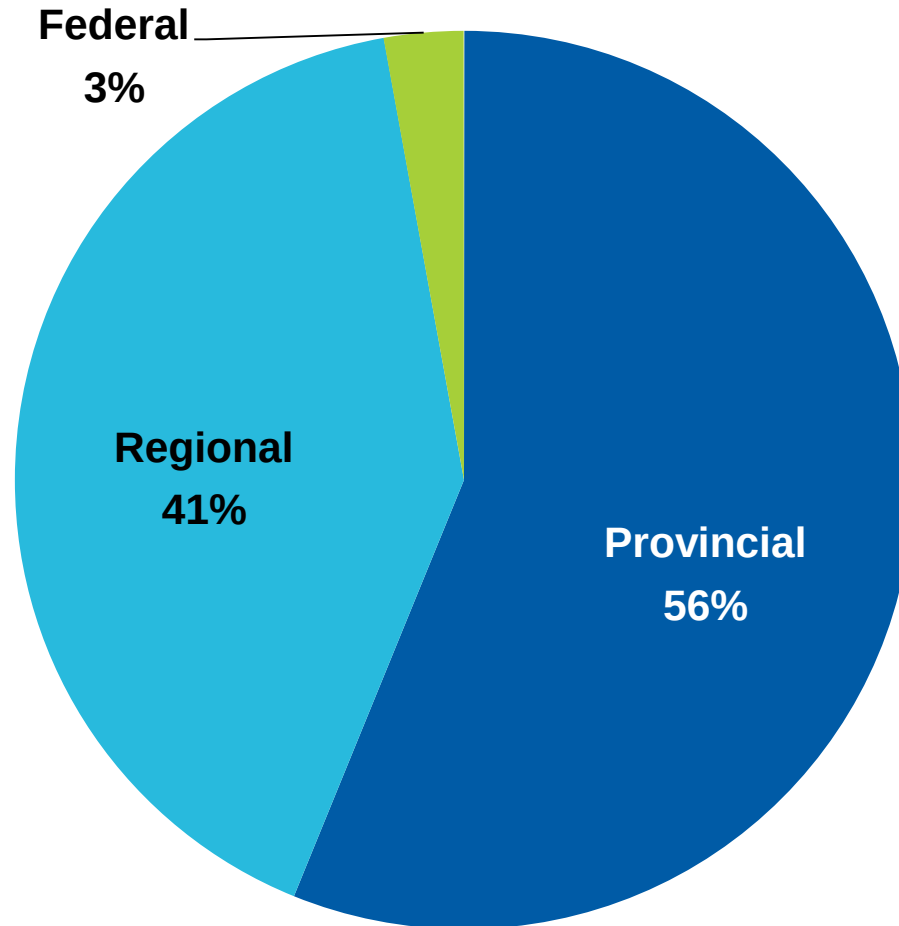
## Roads Capital Investment

(\$ Millions)

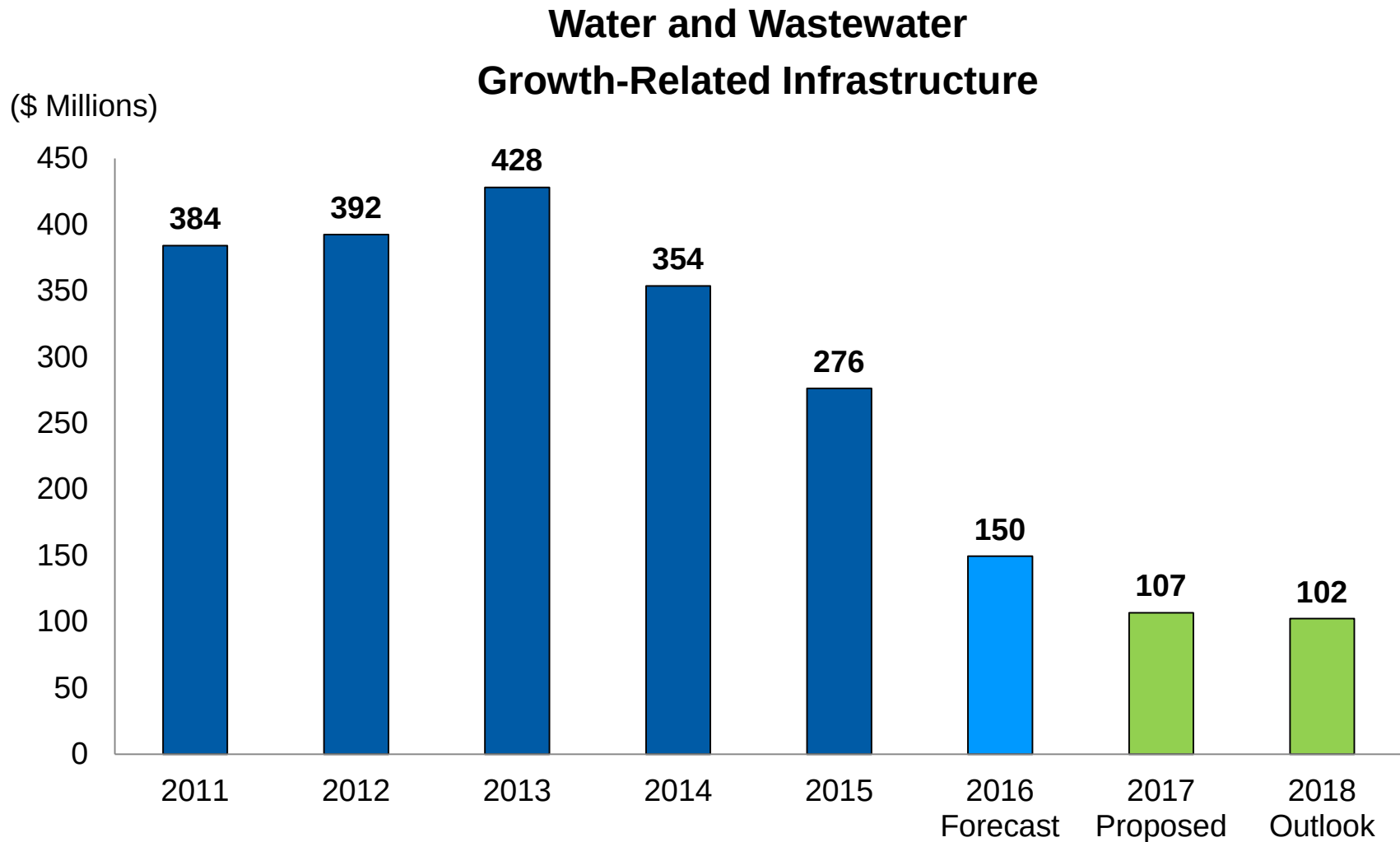


# Large transit investment underway

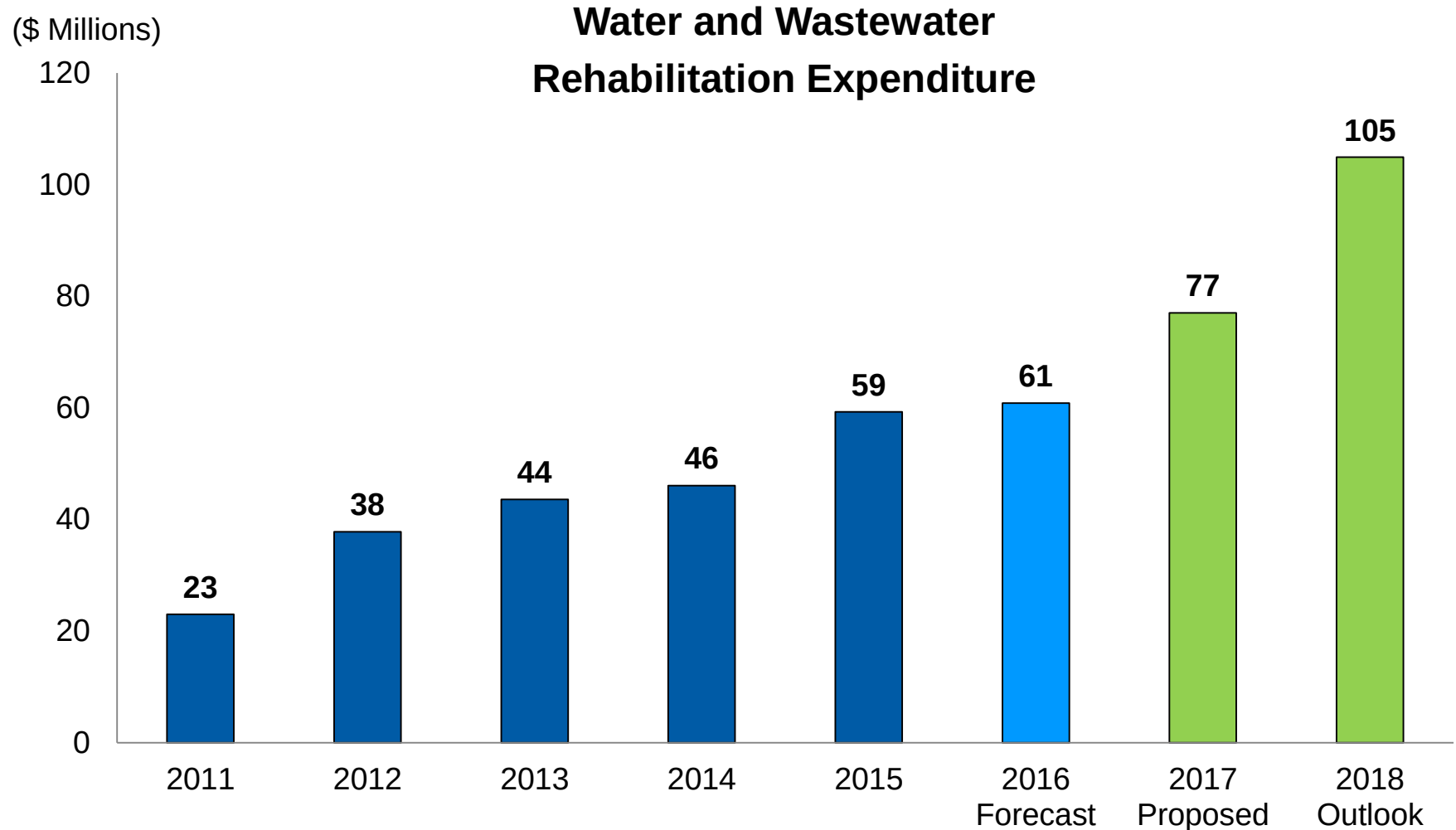
**2017-2021 Transit Investments total \$1.6 Billion**



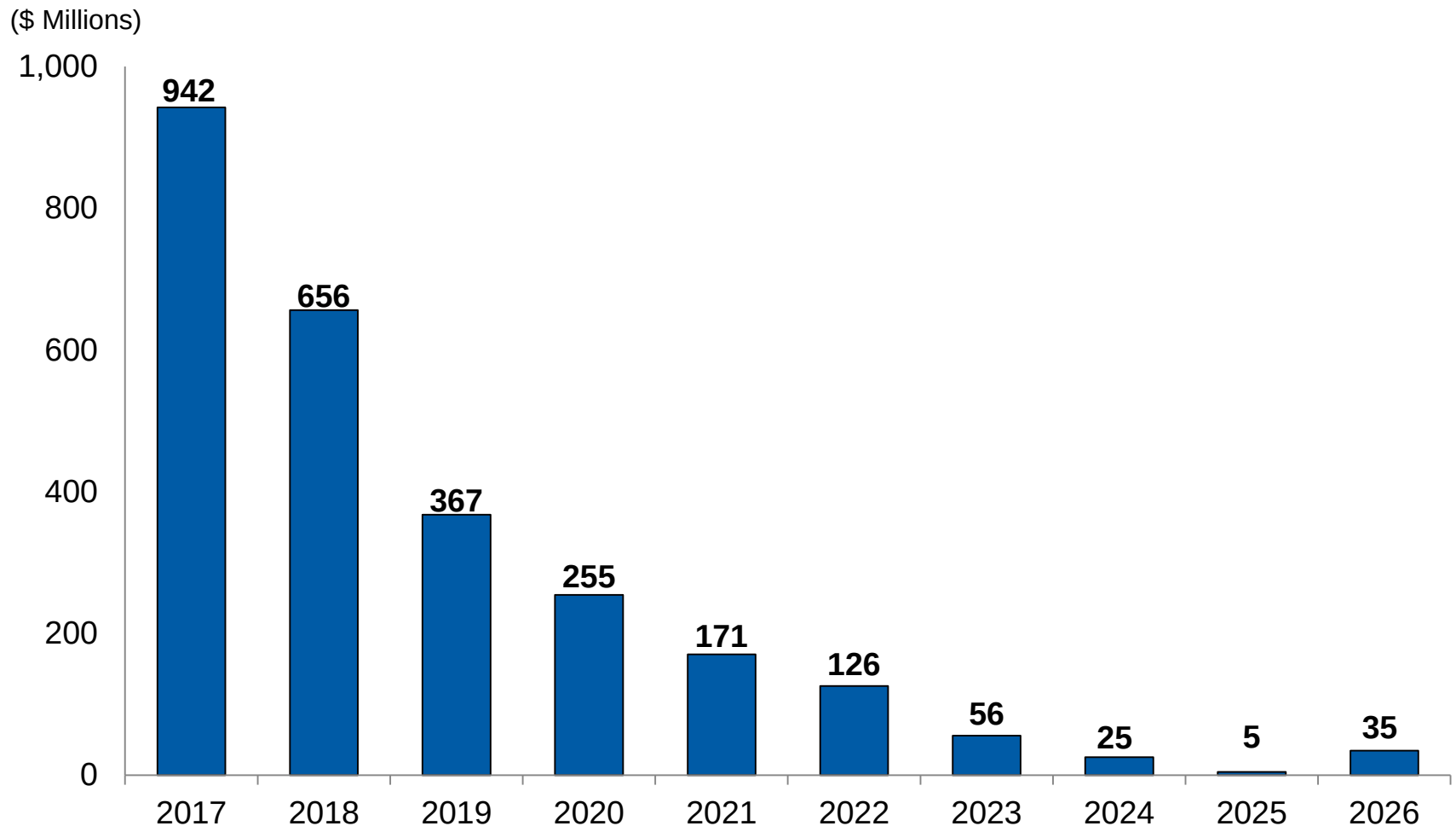
# \$1.8 billion in growth-related water and wastewater infrastructure already in place



# Rehabilitation and replacement investments in water and wastewater infrastructure are increasing



# Proposed 2017 Capital Spending Authority of \$2.6 billion

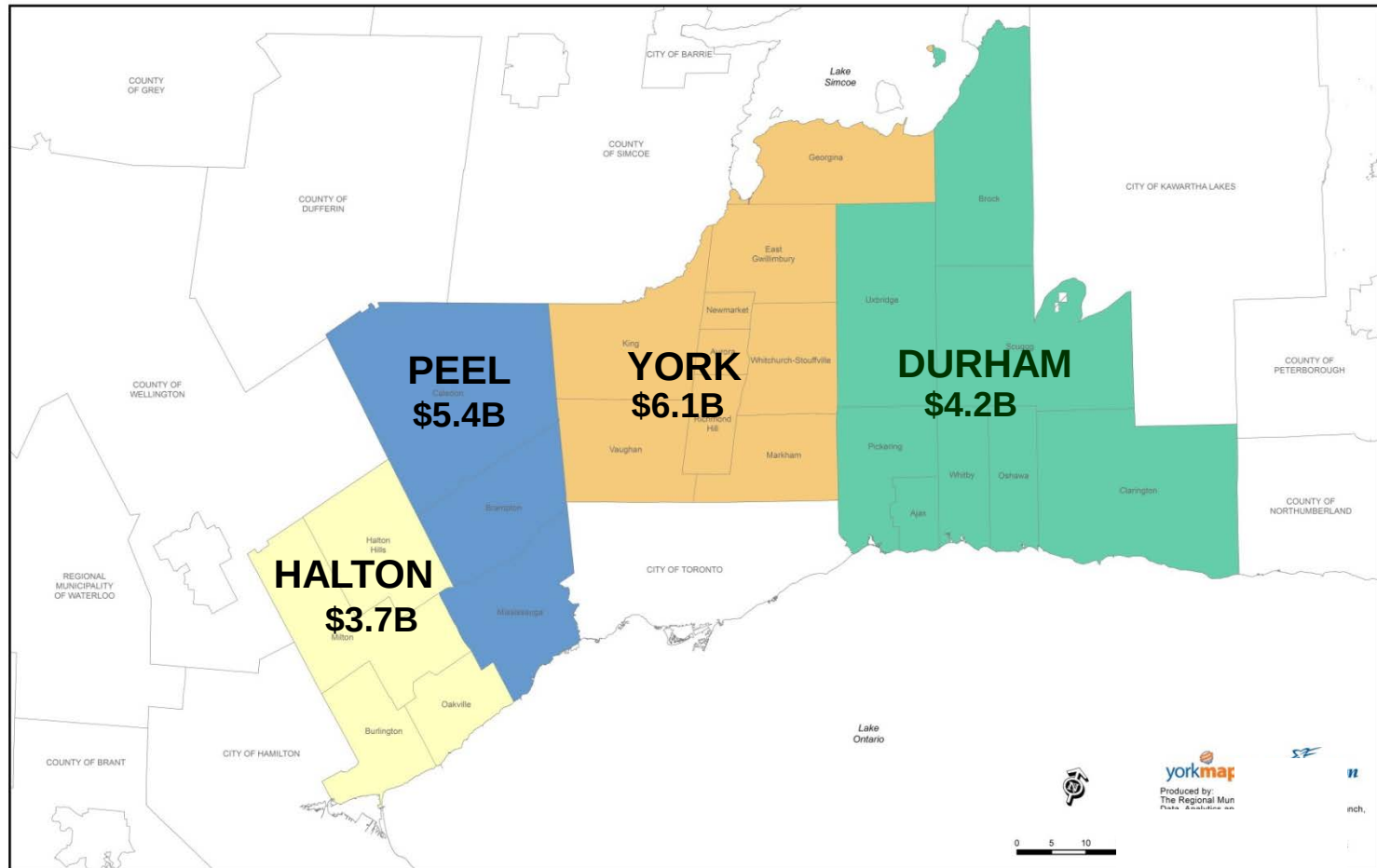




# Top 10 capital projects by Capital Spending Authority

| <b>Projects</b>                    | <b>Proposed 2017<br/>CSA<br/>(\$ Millions)</b> |
|------------------------------------|------------------------------------------------|
| Spadina Subway Extension           | 287                                            |
| Annex                              | 200                                            |
| Duffin Creek Incinerators          | 168                                            |
| Upper York Sewage Solutions        | 164                                            |
| Southeast Collector Rehabilitation | 107                                            |
| Southeast Transit Garage           | 101                                            |
| Yonge Subway Extension             | 91                                             |
| Toronto Water Supply               | 74                                             |
| Unionville Housing Redevelopment   | 74                                             |
| Trunk Sewer (Rehabilitation)       | 68                                             |

# York's ten-year capital plan remains among the largest in the 905



Figures reflect Ten-Year Capital Plans approved in 2016, except York, which is the 2017 proposed Ten-Year Capital Plan

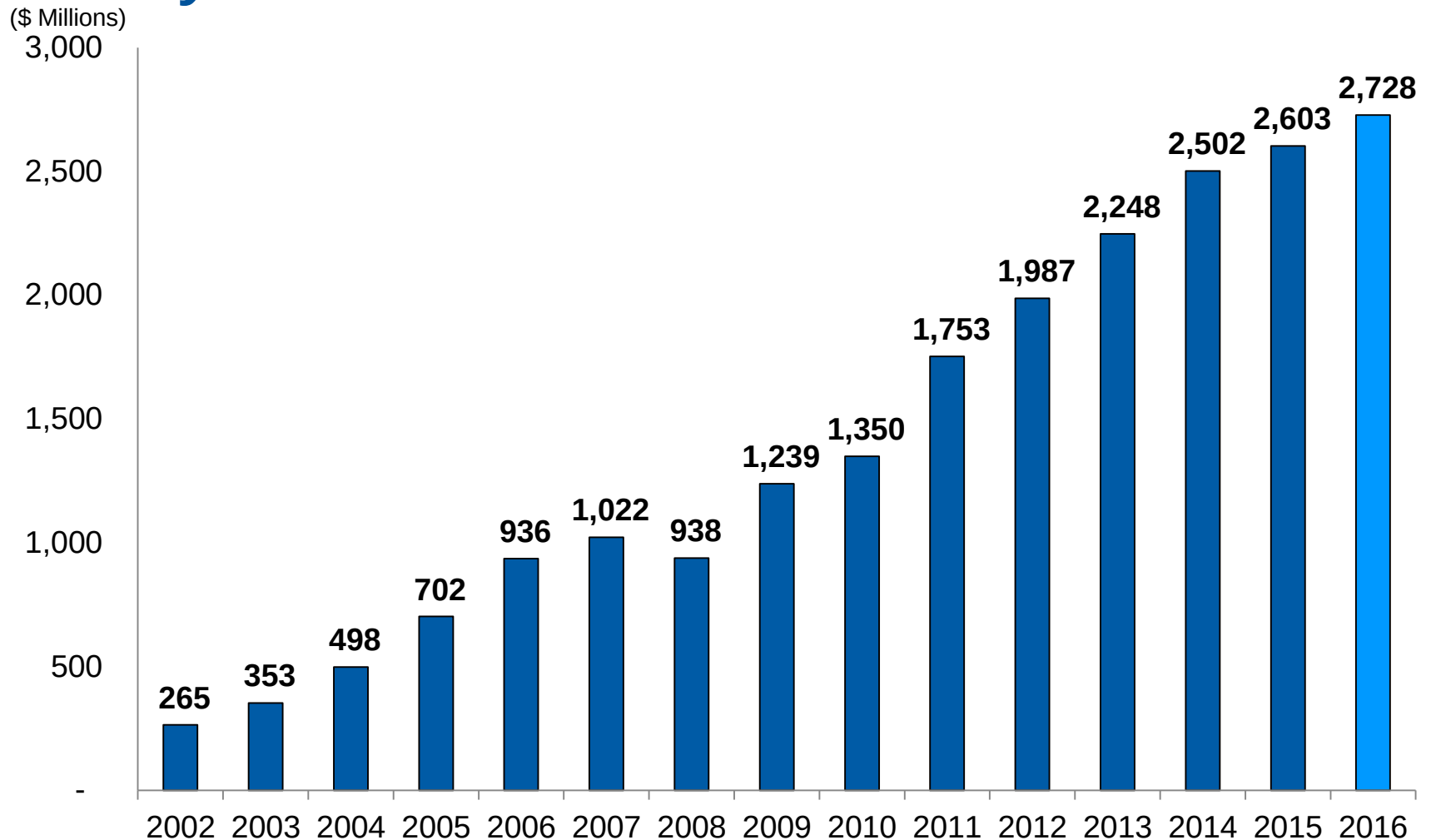
# Fiscal Strategy

# The essence of the fiscal strategy



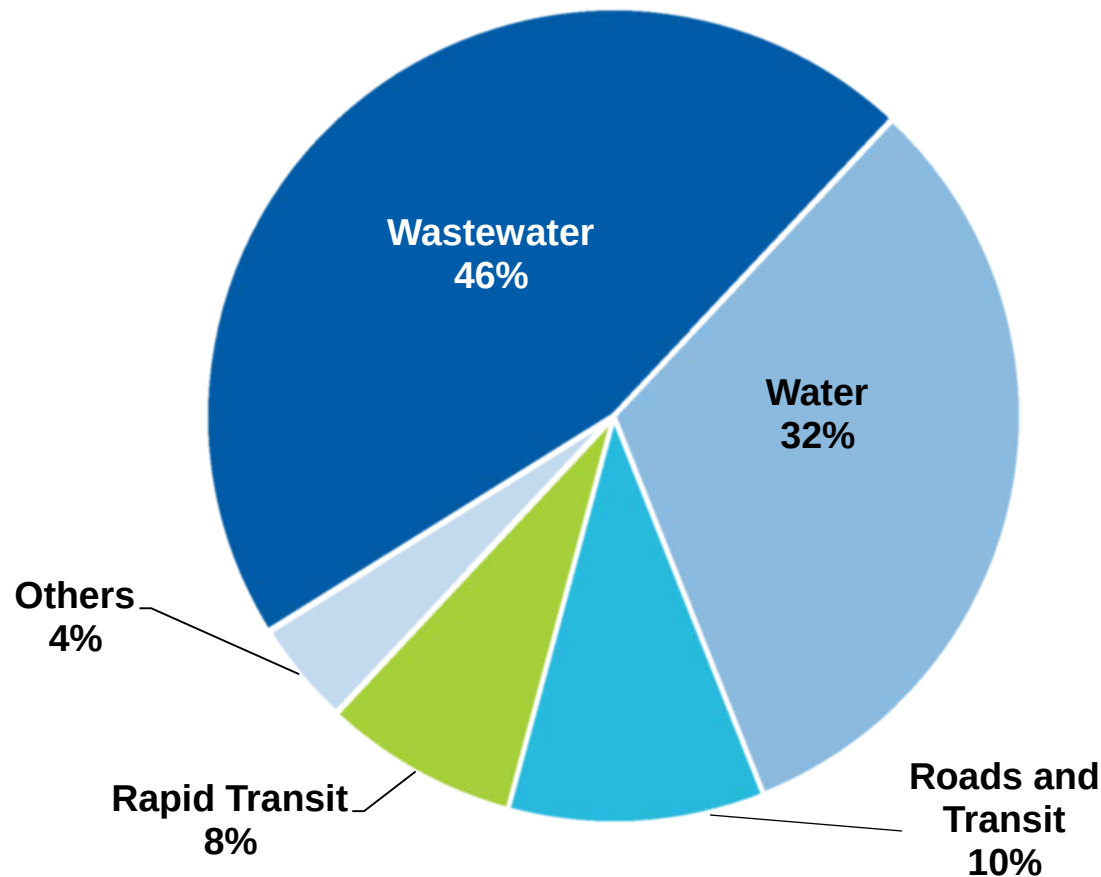
# Debt Management

# Net debt expected to reach \$2.7 billion this year



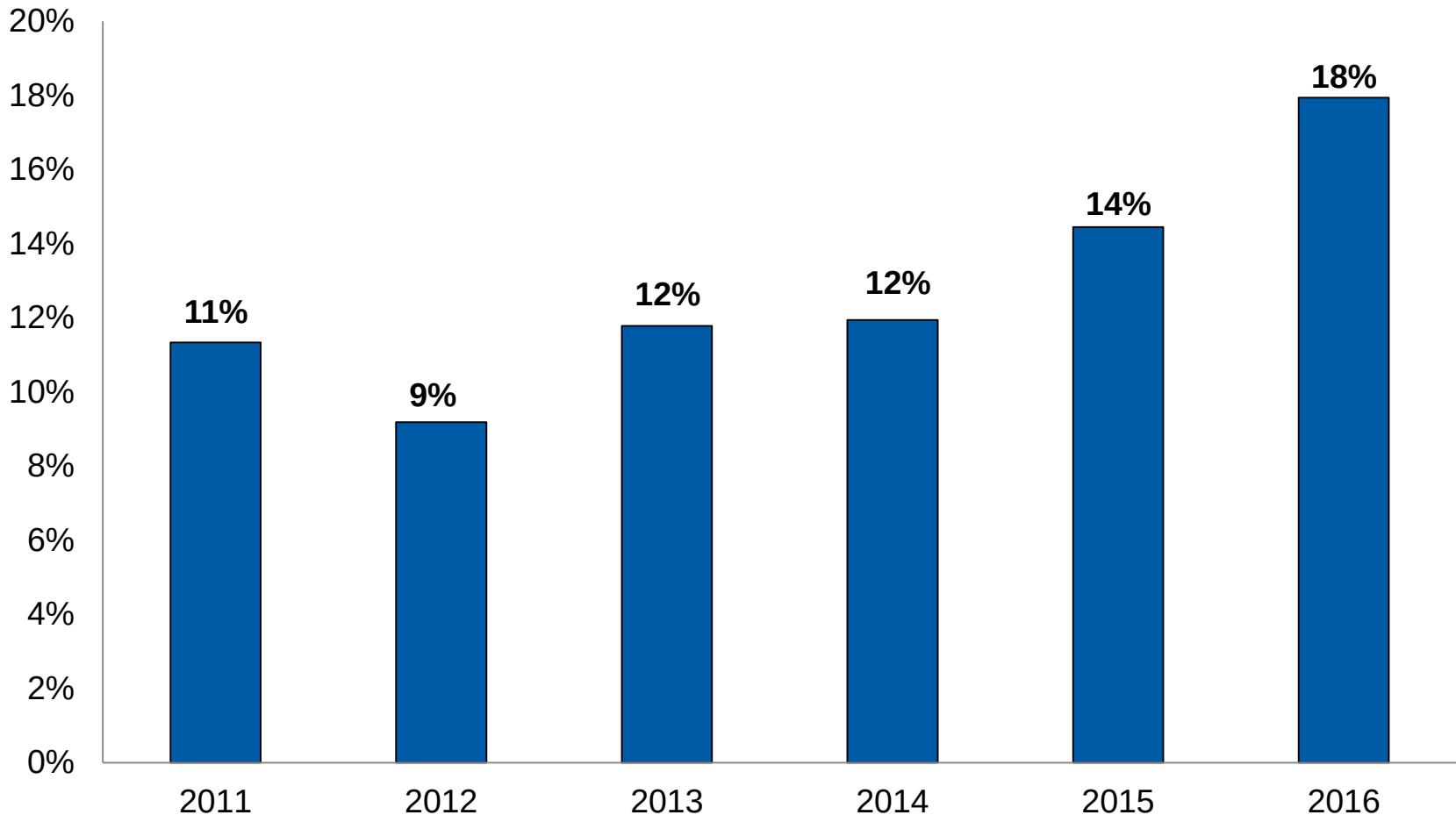
# Water and wastewater projects account for 78% of current debt

**Net Debt \$2.7 Billion  
By Sector**



# Roads and transit share of debt has been increasing

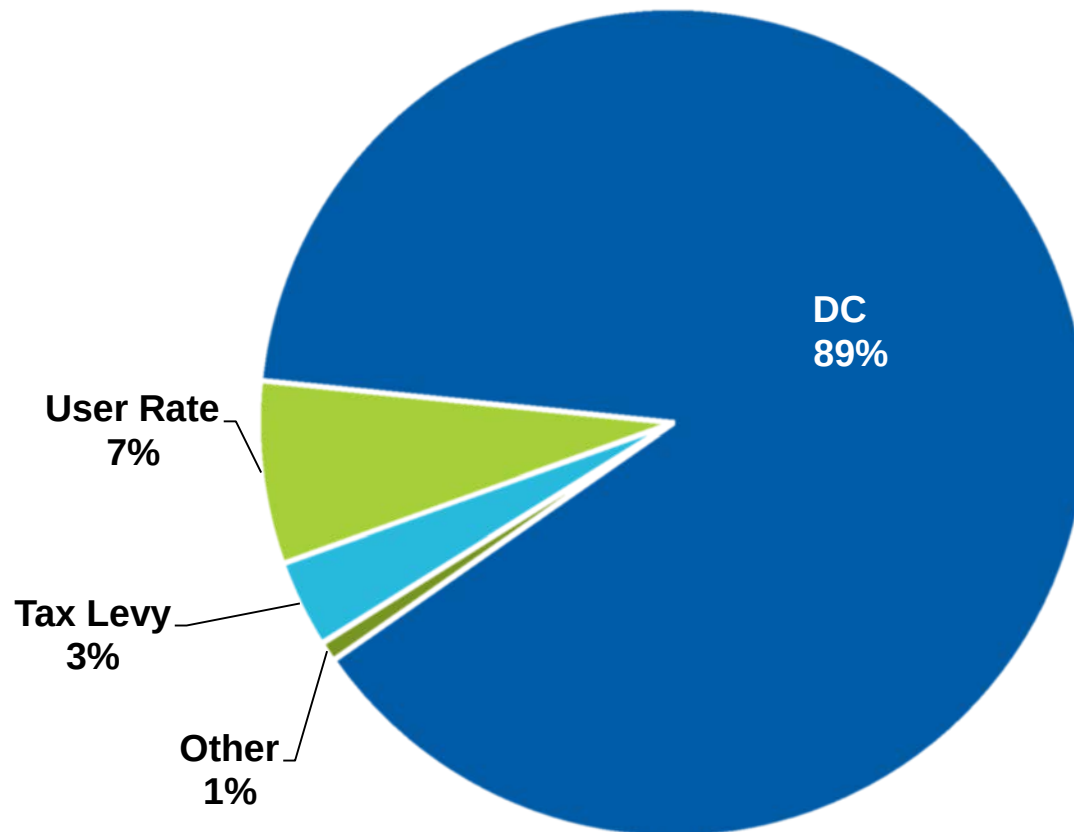
Share of Net Outstanding Debt



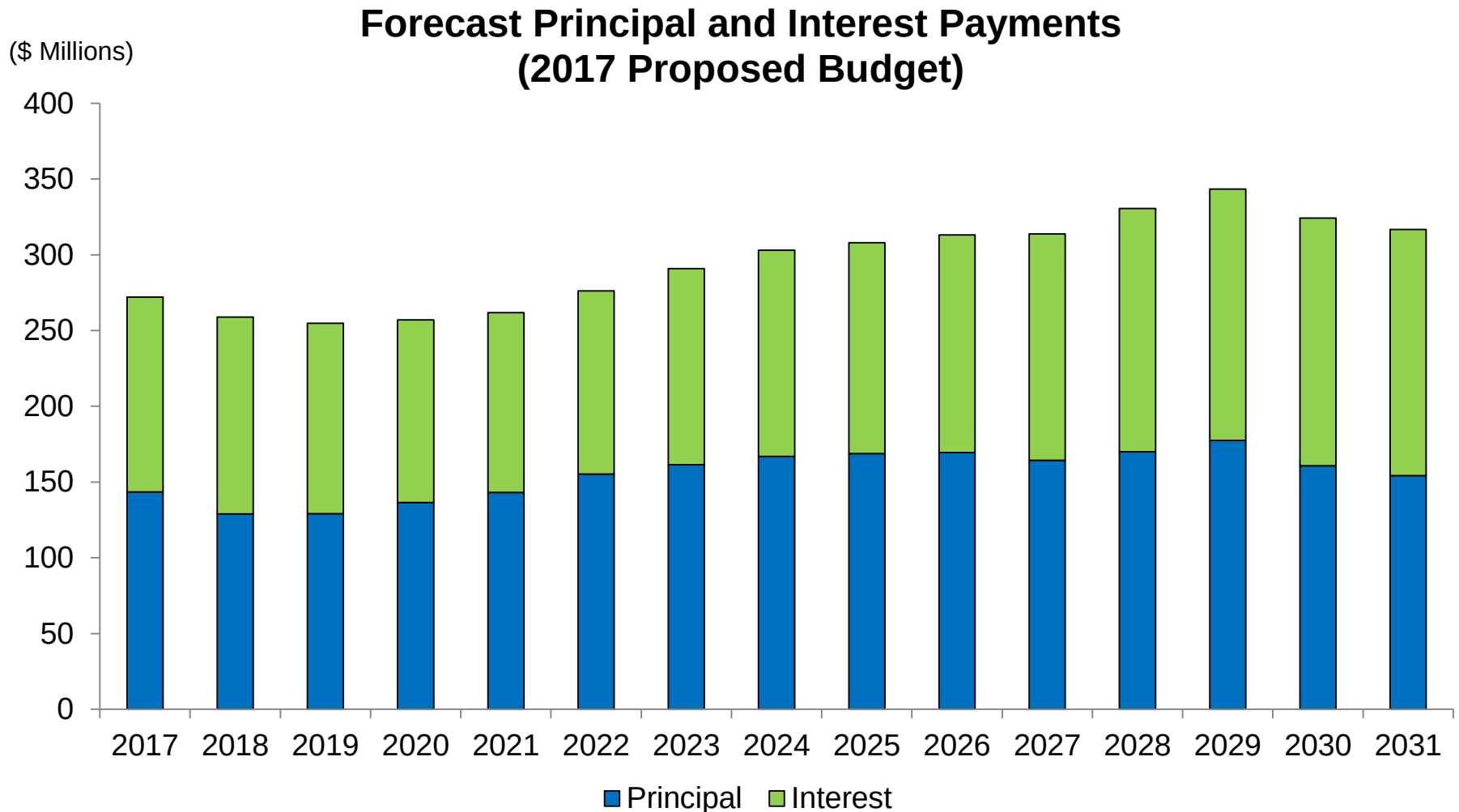


# Development charges will be used to repay 89% of existing debt

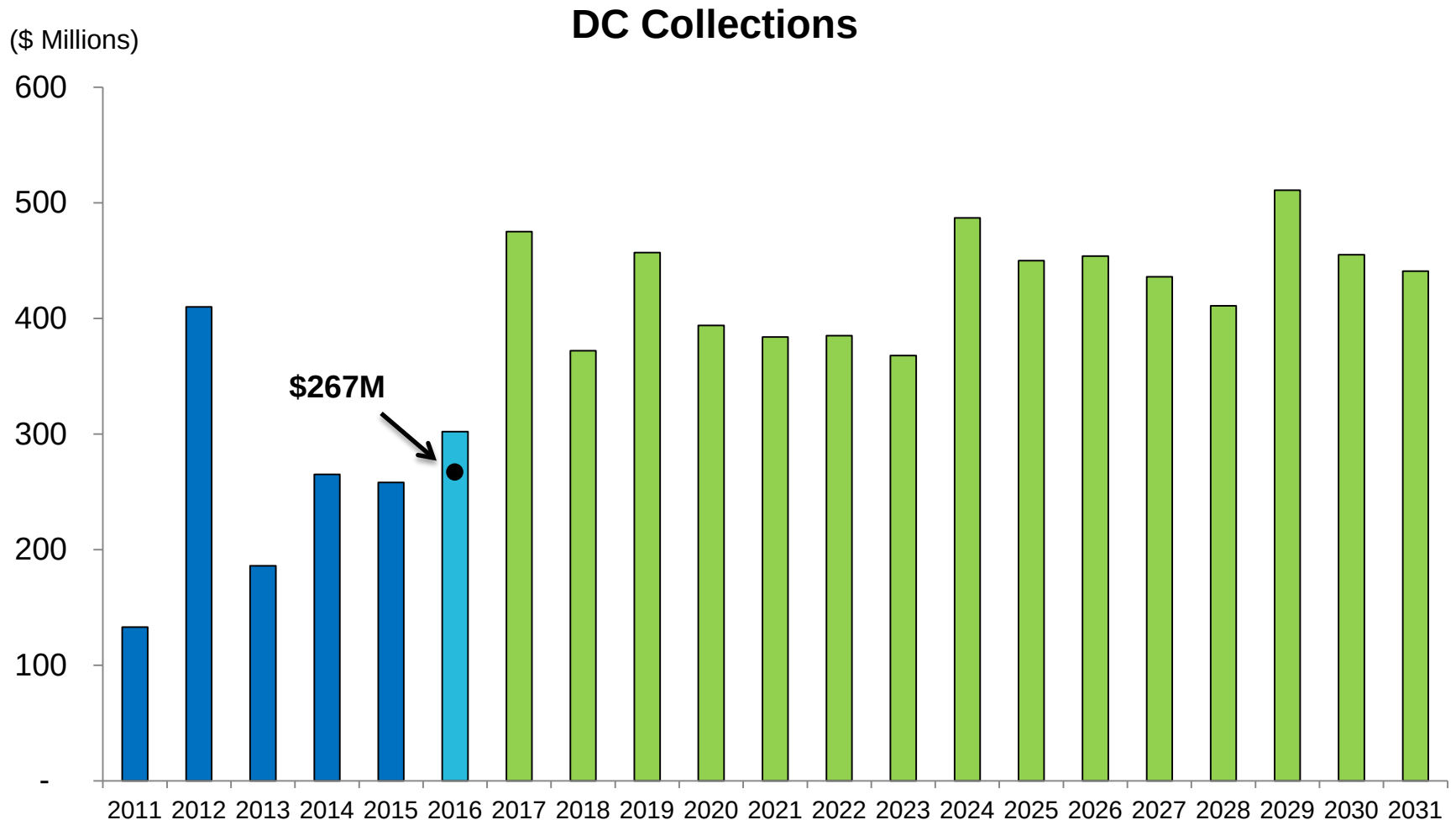
**Net Debt \$2.7 Billion  
By Debt Repayment Source**



# Debt servicing costs are significant

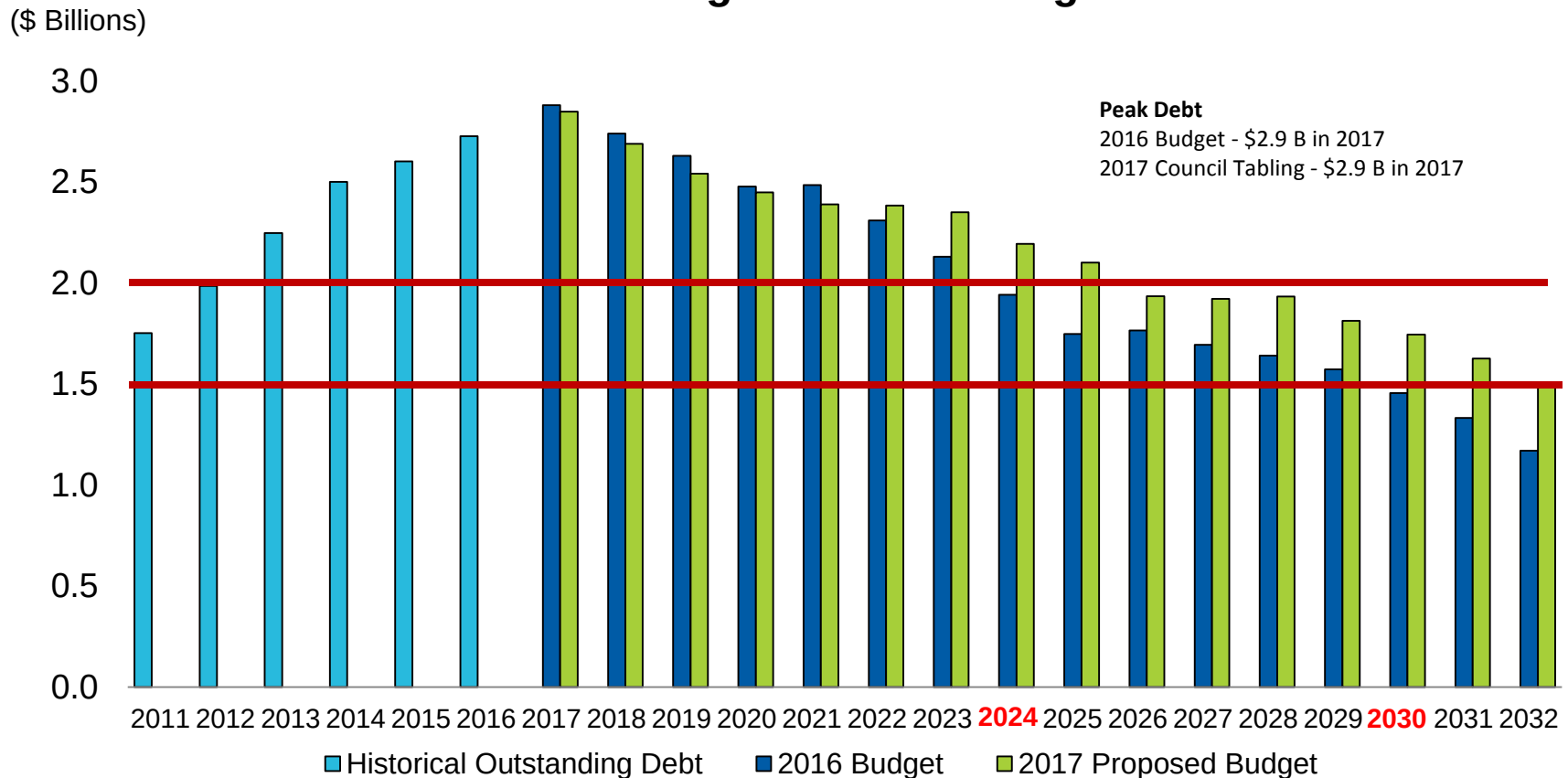


# Debt management is reliant on future DC collections



# Fiscal strategy will reduce debt levels

## Net Outstanding Debt Projection 2016 Budget vs. 2017 Budget



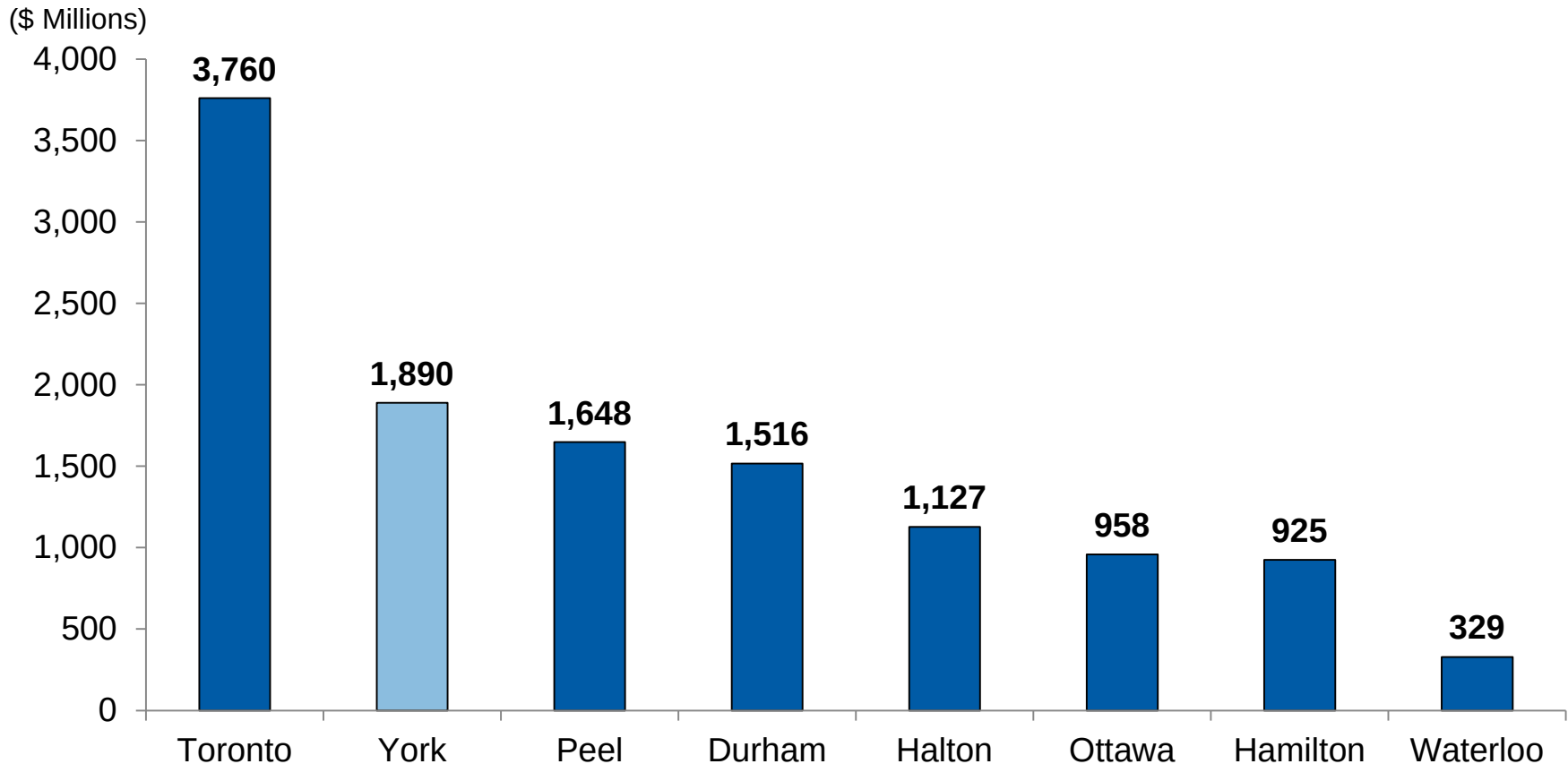
Debt peaks at \$2.85 billion in 2017 and then declines

# Reserves

# Reserve management plan is key to achieving financial sustainability

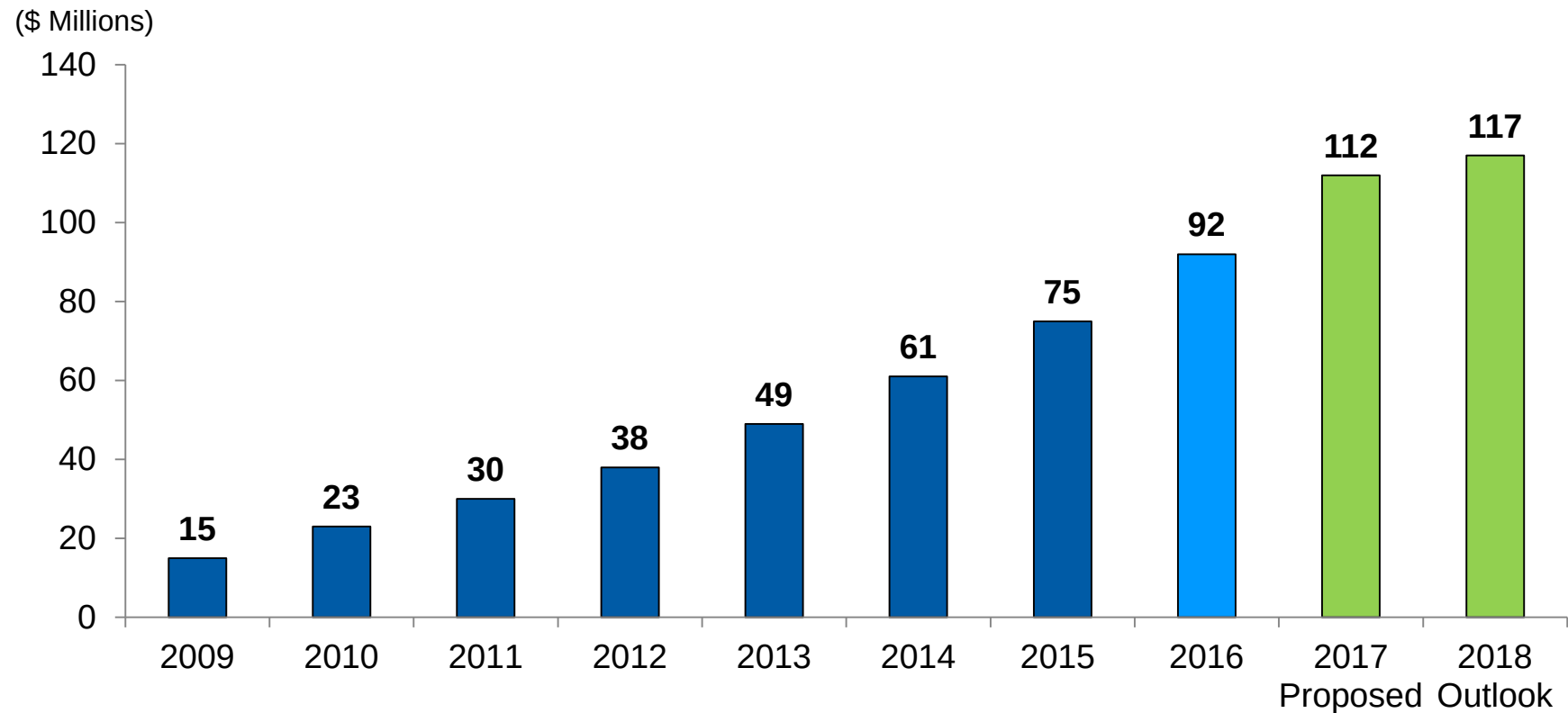
- ❑ Long-term financial sustainability will require two things:
  - ❑ Saving for future capital asset life cycle and replacement investments
  - ❑ Using reserves judiciously to manage debt

# High levels of reserves



In 2015, York Region's reserves were second only to Toronto

# Contributions to capital asset replacement reserves continue to grow

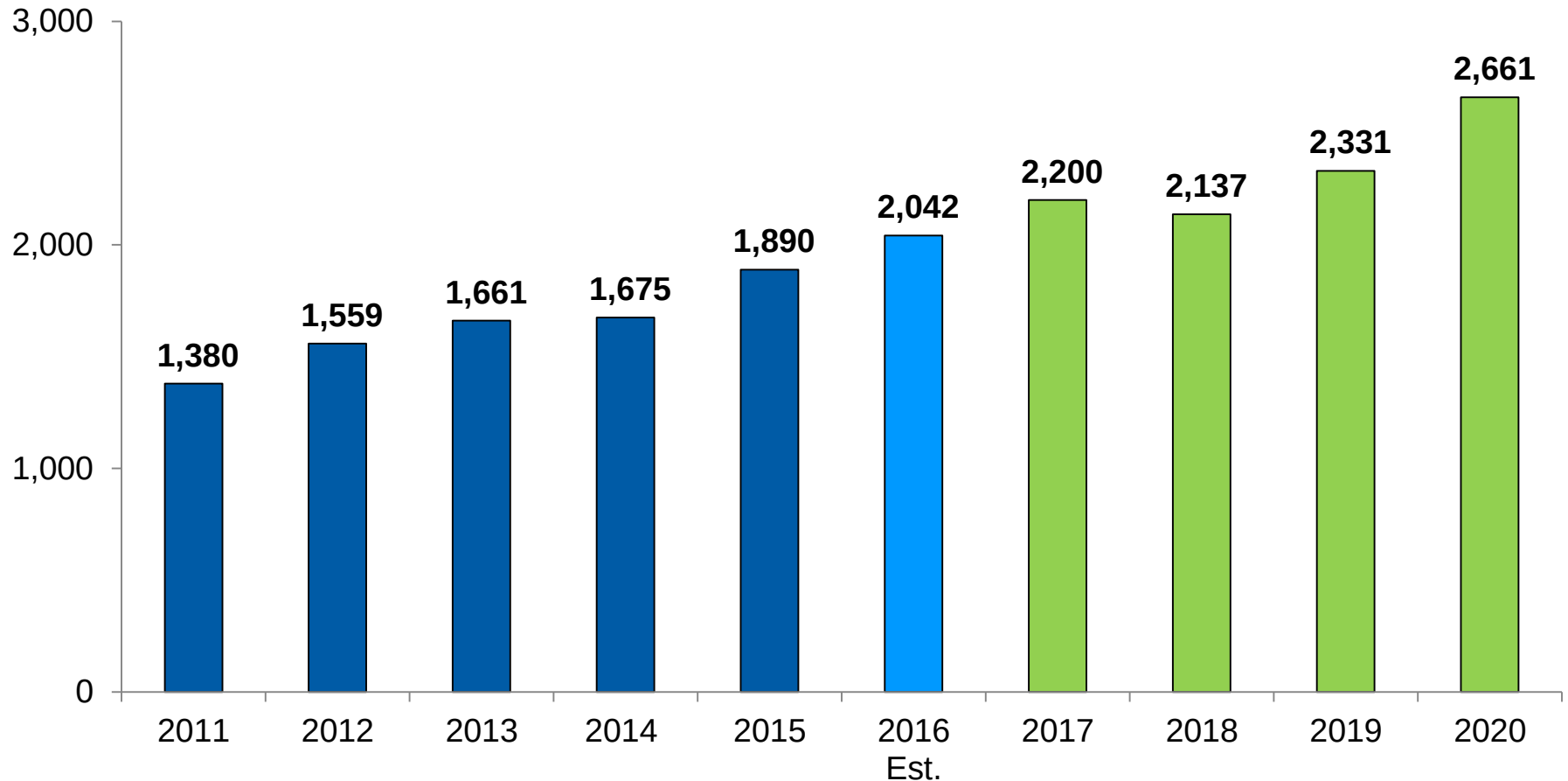


In 2013, Council approved incremental increases to capital asset replacement reserve contributions to achieve a 2% increase in 2017

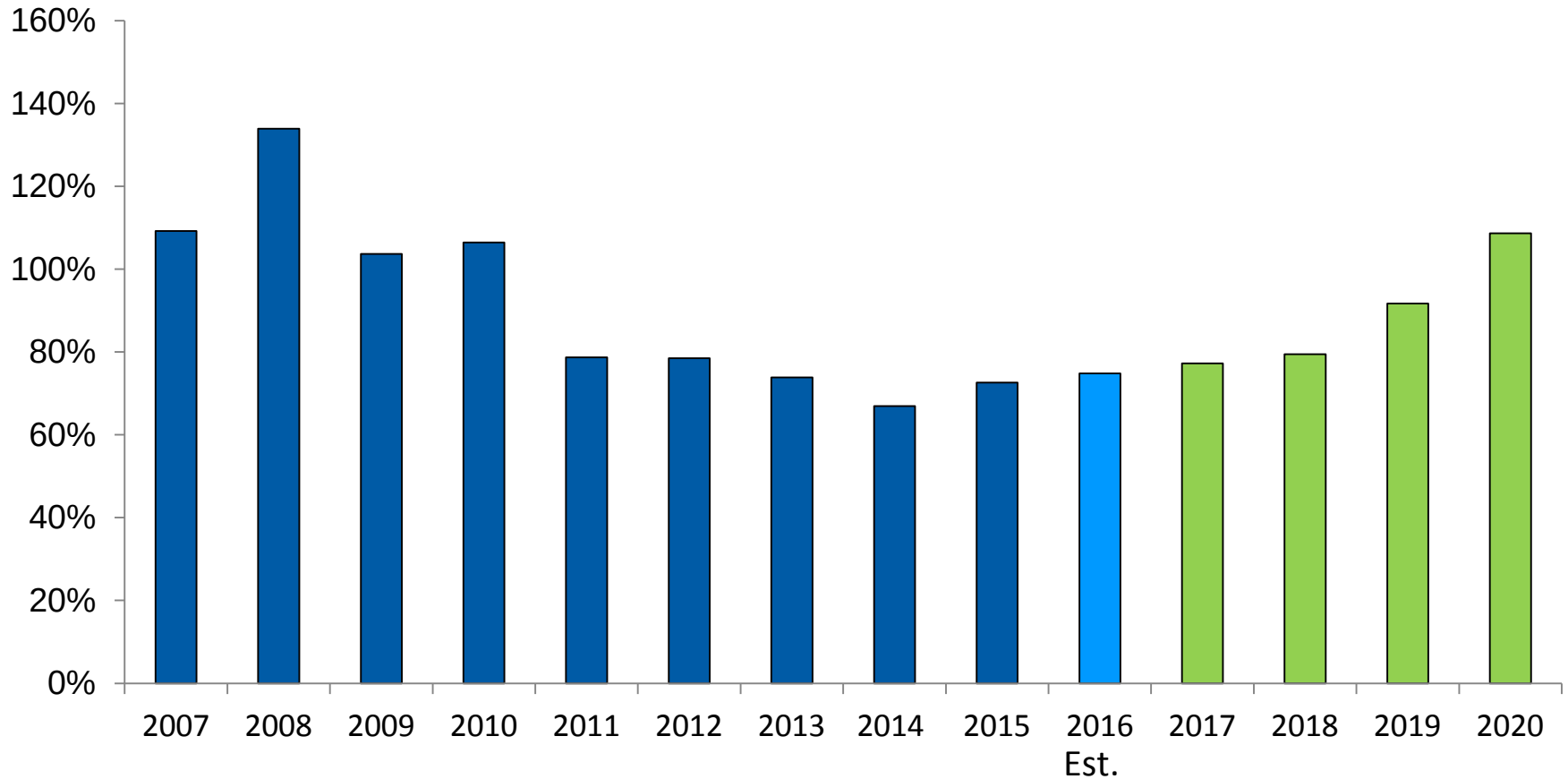


# York Region's reserve balances are robust and growing

(\$ Millions)



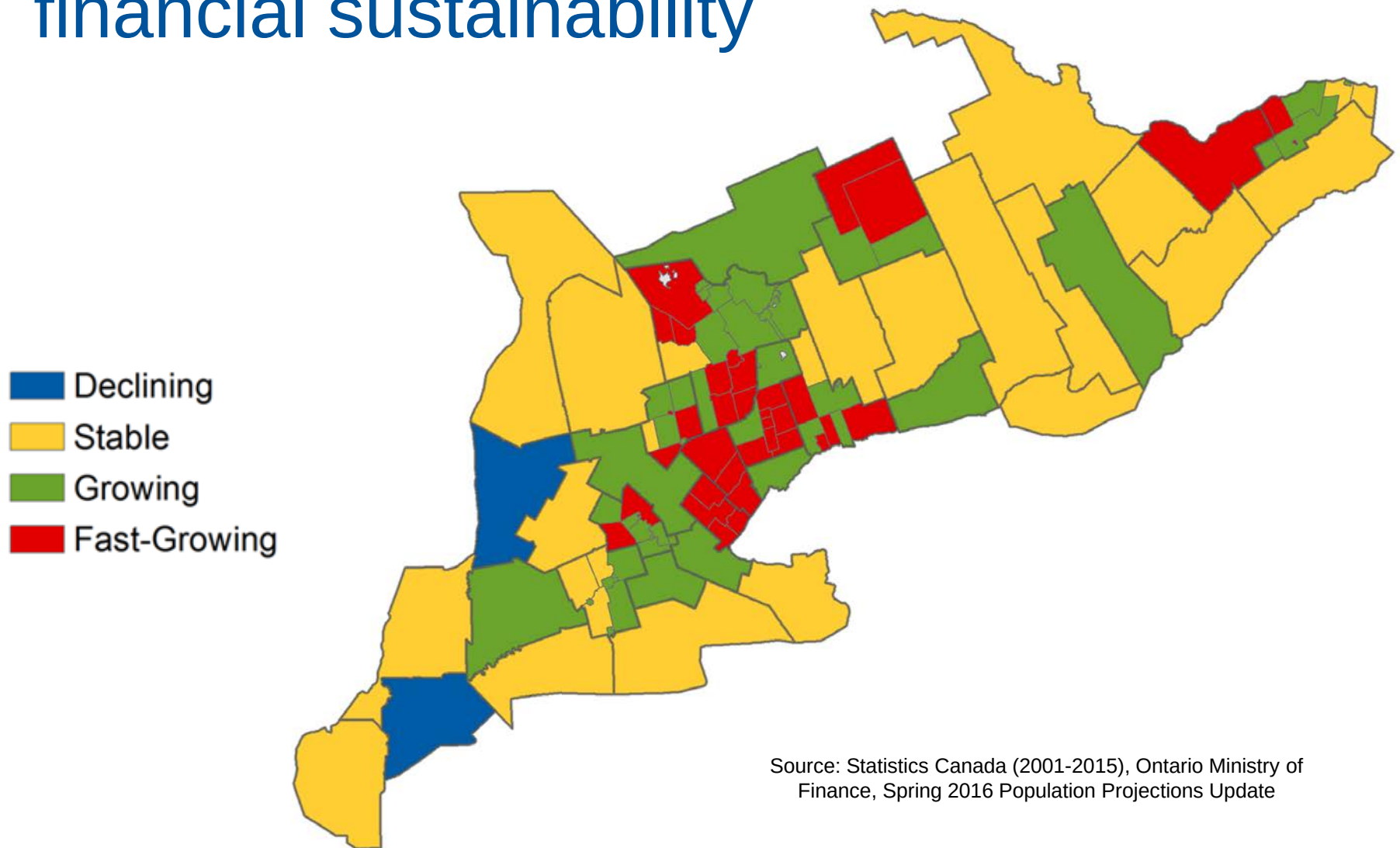
# Reserve to debt ratio will improve



The reserve to debt ratio is forecast to increase in 2017 and exceed 100% by 2020

# Achieving Financial Sustainability

# Growth creates an opportunity for financial sustainability

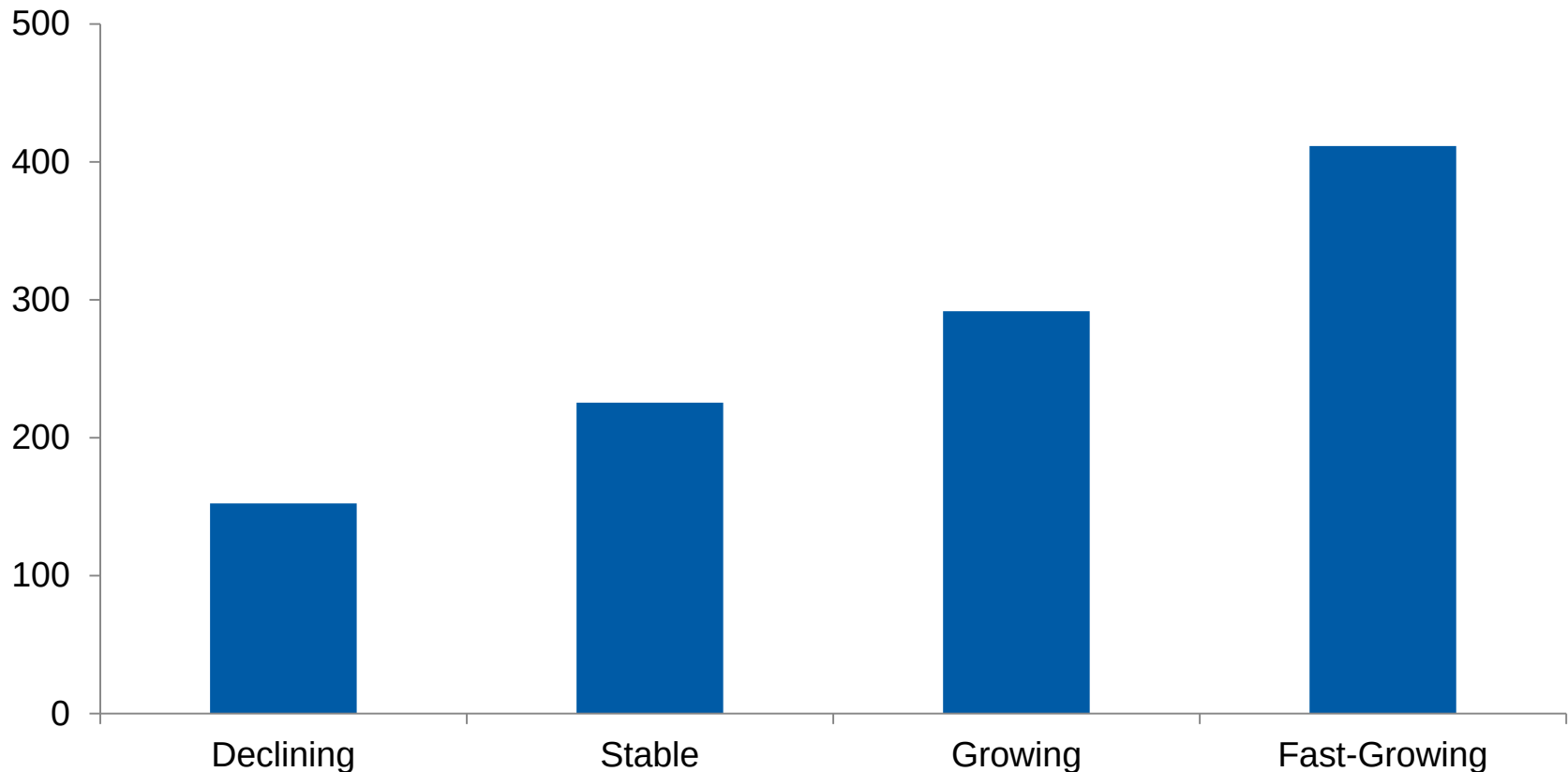


Source: Statistics Canada (2001-2015), Ontario Ministry of Finance, Spring 2016 Population Projections Update

# Growing municipalities tend to have more fiscal capacity

Fiscal Capacity  
(\$000s)

## Municipal Growth Profile



Sources: Fiscal capacity = Weighted average assessment per household, 2013, FIR; Household, 2013, MPAC; population, 2009-2013, Ontario Ministry of Finance

# The Region is making excellent progress towards financial sustainability

|                                          |                                                                      |
|------------------------------------------|----------------------------------------------------------------------|
| Working towards financial sustainability | A sound financial strategy is in place                               |
|                                          | Debt will peak in 2017 and then fall                                 |
|                                          | Reserves to meet future asset management obligations are growing     |
|                                          | Full cost recovery for water and wastewater will be achieved by 2021 |
|                                          | The Region will be a net investor by 2020                            |
|                                          | It appears feasible to fund forthcoming asset management plans       |
|                                          | Taxes are relatively low, leaving room for future needs              |

# The remaining steps

|                                                  |                                                                                                                                |
|--------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------|
| Next steps to achieving financial sustainability | Stay the course on prudent financial decisions already made                                                                    |
|                                                  | Vigilant oversight of the capital plan                                                                                         |
|                                                  | Increase in pay-as-you-go capital as part of the next multi-year budget (and possibly capital asset replacement contributions) |
|                                                  | Tax increases commensurate with desired service levels                                                                         |
|                                                  | Federal and provincial subsidies for infrastructure mega-projects                                                              |
|                                                  | New revenue sources, primarily for growth-related capital                                                                      |

# Budget Review Process and Conclusion



# Council / Committee Review Process



# Summary of the 2017 budget

- ❑ Third year of a multi-year budget that aligns with the term of Council and the Strategic Plan
- ❑ Wide-ranging, high quality services
- ❑ A robust capital plan
- ❑ Lower debt levels and higher reserve balances
- ❑ No tax levy debt in next ten years
- ❑ No rate-supported debt in the next ten years
- ❑ Proposed tax increases of 2.87% and 2.65%



**ECONOMIC  
VITALITY**



**HEALTHY  
COMMUNITIES**



**SUSTAINABLE  
ENVIRONMENT**



**GOOD  
GOVERNMENT**