

Proposed 2018 Regional Budget Presentation to Council

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November 16, 2017



York Region

Overview of Presentation

Part 1: Overview of the 2018 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 2018 Budget

The tax levy at a glance

Budget Year	2015	2016	2017	2018
Approved 2017	2.97%	2.85%	2.87%	2.65%
Proposed 2018				2.77%

The proposed budget at a glance

2018

Operating Budget

\$2.2B

Capital Budget

\$810M

Ten-Year Capital Plan

\$5.9B

Capital plan compliant with
the Province's Annual
Repayment Limit



Fiscal impacts at a glance

2018

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

\$2.2B

The Region's approach to budgeting

1. Multi-year operating budget coinciding with the term of Council

2. Ten-year capital plan;

Capital Spending Authority provides Council authorization to spend on capital

3. Overall fiscal plan considered in the budget process

How multi-year budgeting works

Year	Budget + Outlook	Capital Plan Through
2015	1 + 3	2024
2016	1 + 2	2025
2017	1 + 1	2026
2018	1	2027

The value of multi-year budgeting

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

Operating Budget

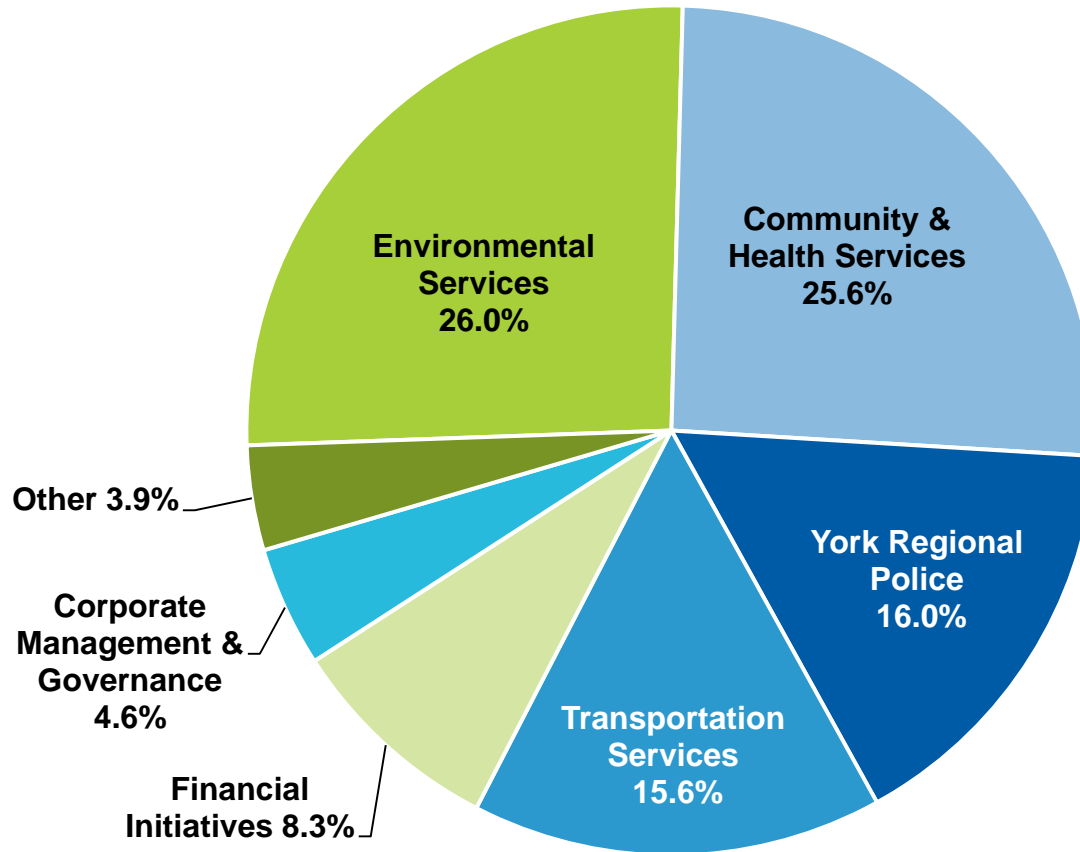
Proposed operating budget

	2015 Approved	2016 Approved	2017 Approved	2018 Proposed
Gross Expenditures (\$M)	1,901	2,003	2,116	2,233
Non-Tax Revenue (\$M)	963	1,022	1,090	1,160
Net Expenditures (\$M)	938	981	1,026	1,073
Assessment Growth (%)	2.15	1.76	1.75	1.74
Proposed Tax Levy Increase (%)	2.97	2.85	2.87	2.77

Note: Proposed tax levy increase reflects revenue from assessment growth

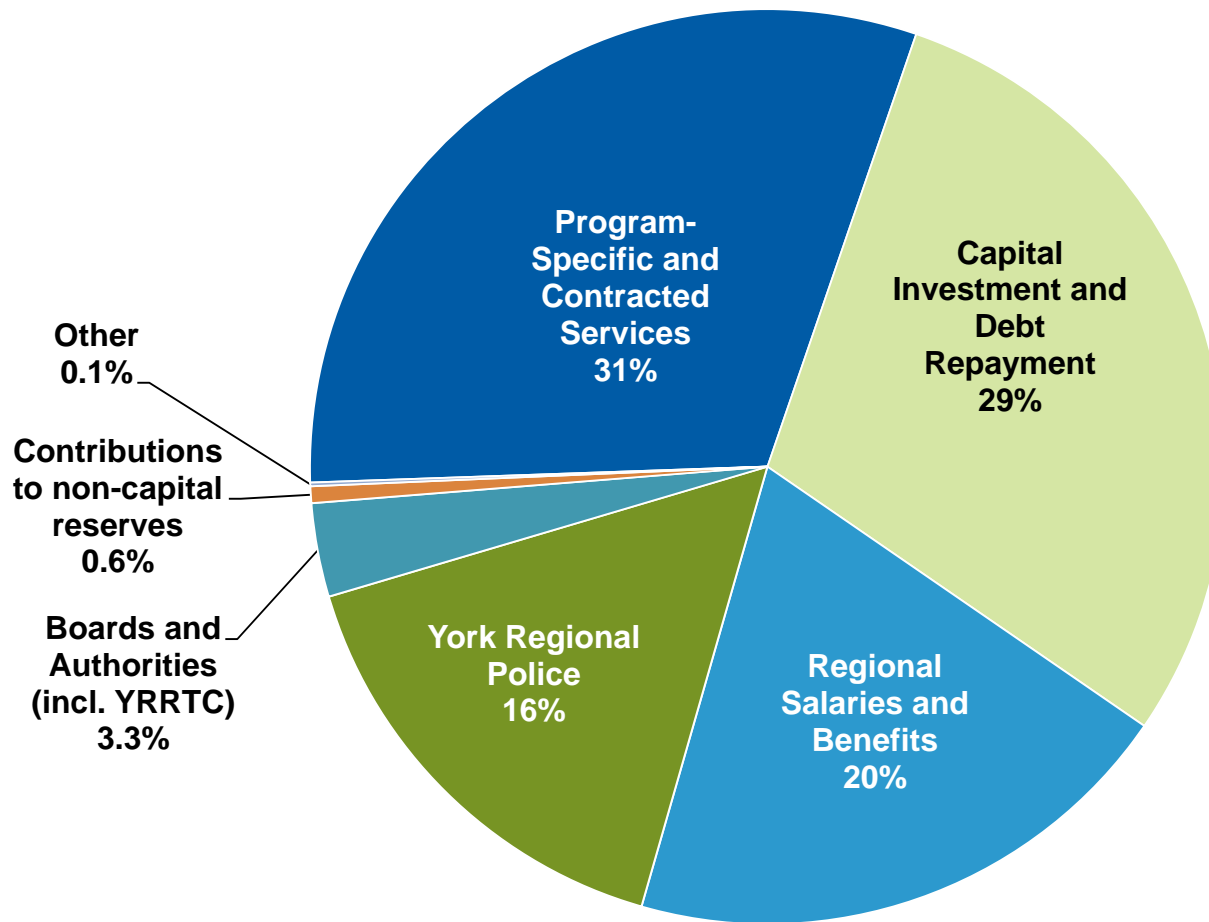
Environment, CHS, Transportation and Police account for 83% of spending

2018 Gross Operating Expenditures - \$2.2 Billion



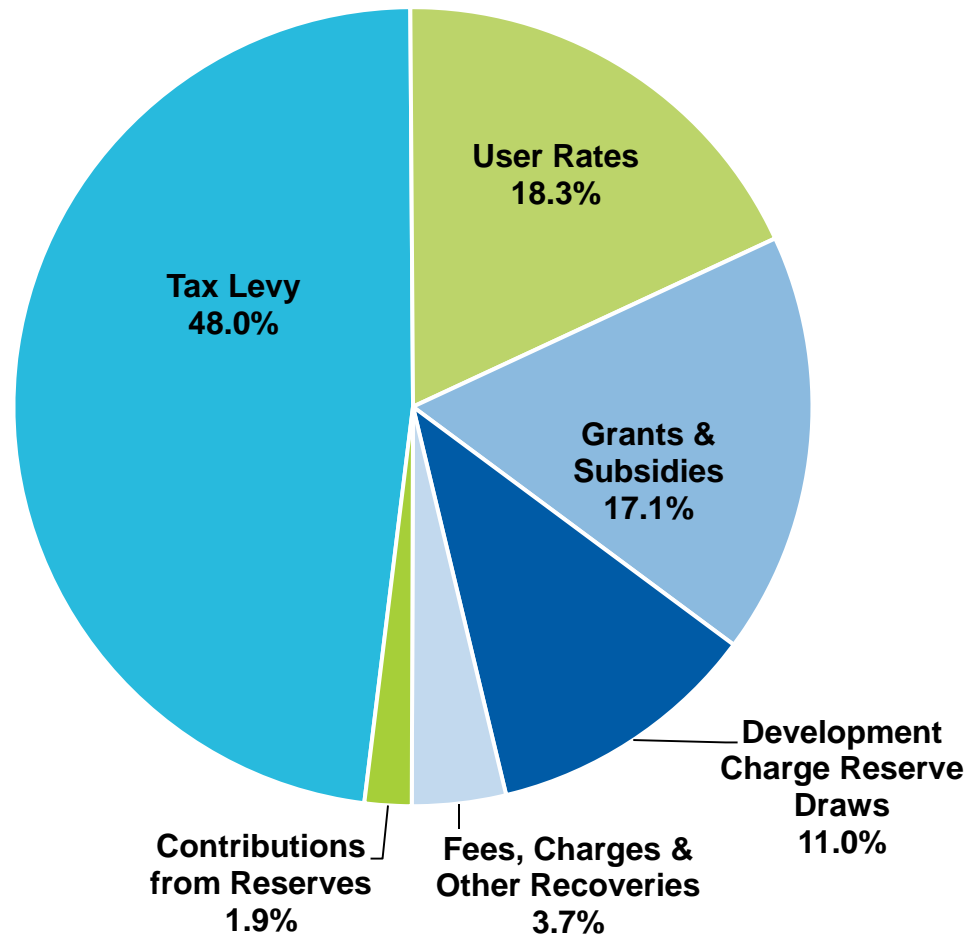
Program-specific and contracted services represent 31% of spending

2018 Gross Operating Expenditures - \$2.2 Billion



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

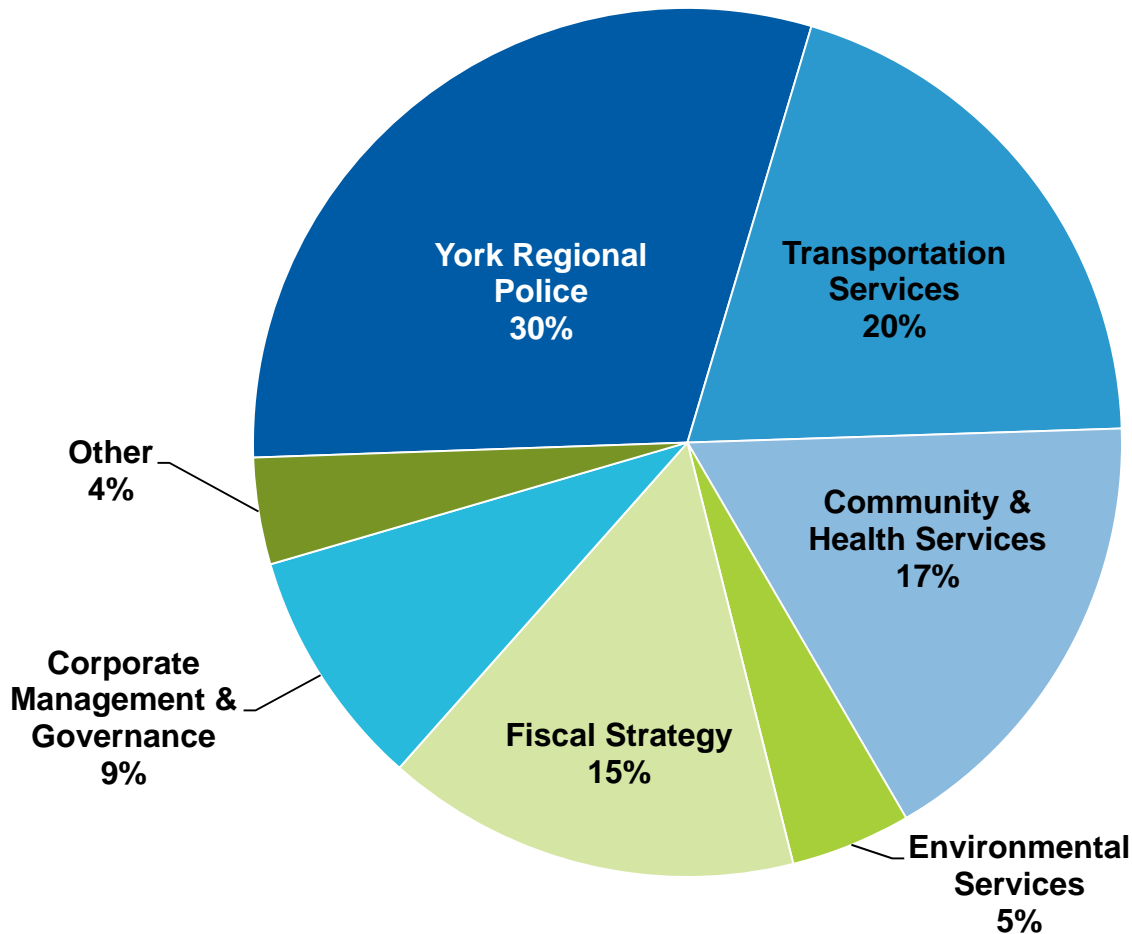
2018 Operating Revenues - \$2.2 Billion



Proposed 2018 Budget - November 16, 2017

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

2018 Net Expenditures - \$1.1 Billion



Higher assessment growth and YRP savings help offset pressures in 2018

Changes to 2018 Outlook	Variance to Outlook (in \$000s)	Change to Net Tax Levy Outlook
Increased PRESTO Commissions	1,400	0.14%
York Telecom Network organization	793	0.08%
Increased investment in public health	487	0.05%
Strengthening the Office of CAO	348	0.03%
Legal Support for planning	104	0.01%
Agricultural Specialist	129	0.01%
Higher-than-expected assessment growth	(1,143)	(0.12%)
York Regional Police	(726)	(0.07%)
Corporate offset	(129)	(0.01%)
Total	1,263	
Proposed Tax Levy Increase over Outlook		0.12%

Note: positive / negative values represent higher / lower tax levy

New initiatives in 2018

Examples of Initiatives

York Telecom Network

Additional resources in Public Health for immunization programs

Increased access to child care

Provincial transfer of EarlyON child and family centres to the Region

Expanded responsibilities in homelessness prevention

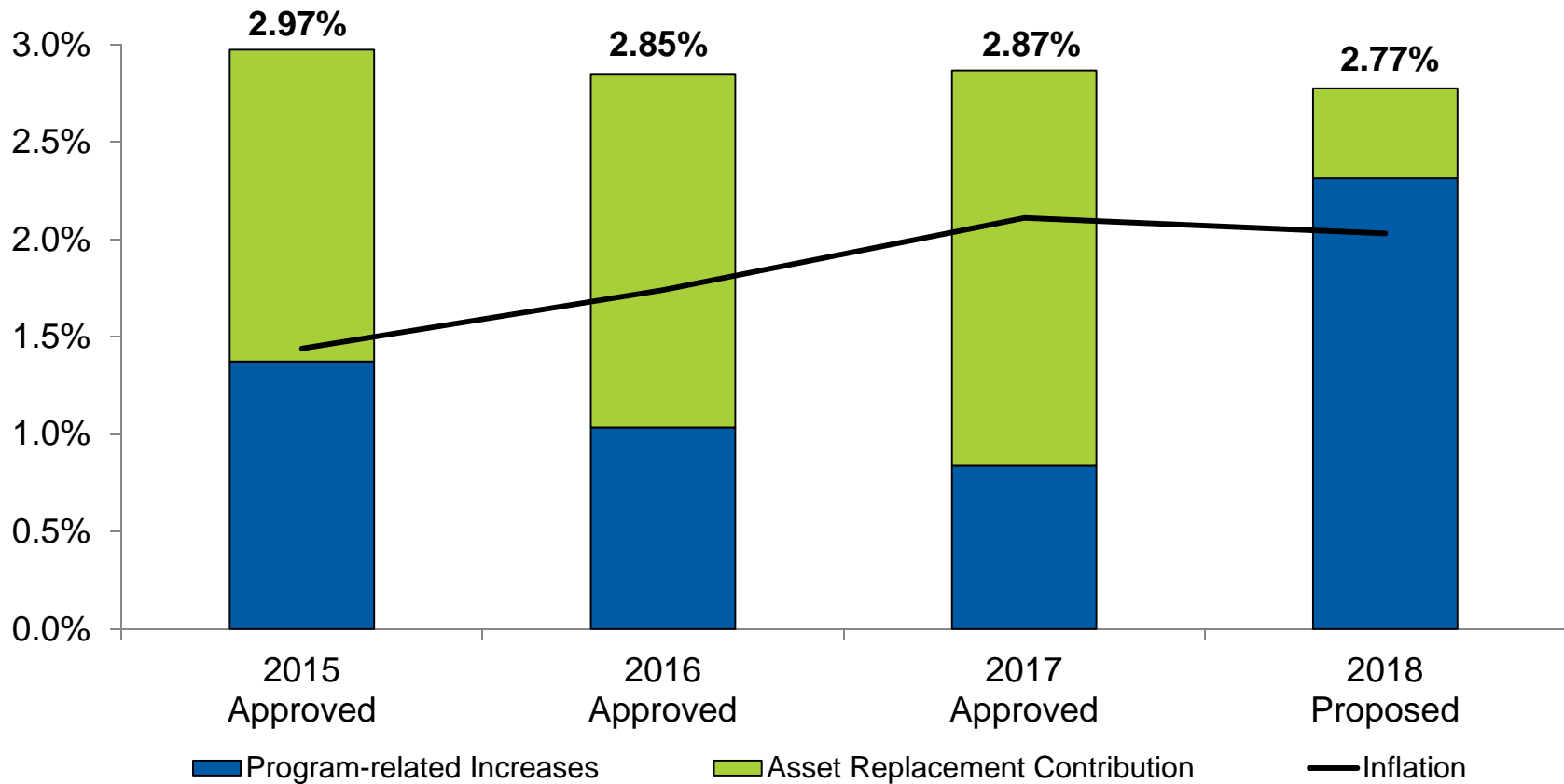
New Travel Smart Program

16 new Paramedic Services staff

22 new York Regional Police staff

New Agricultural Specialist

Program spending is well controlled

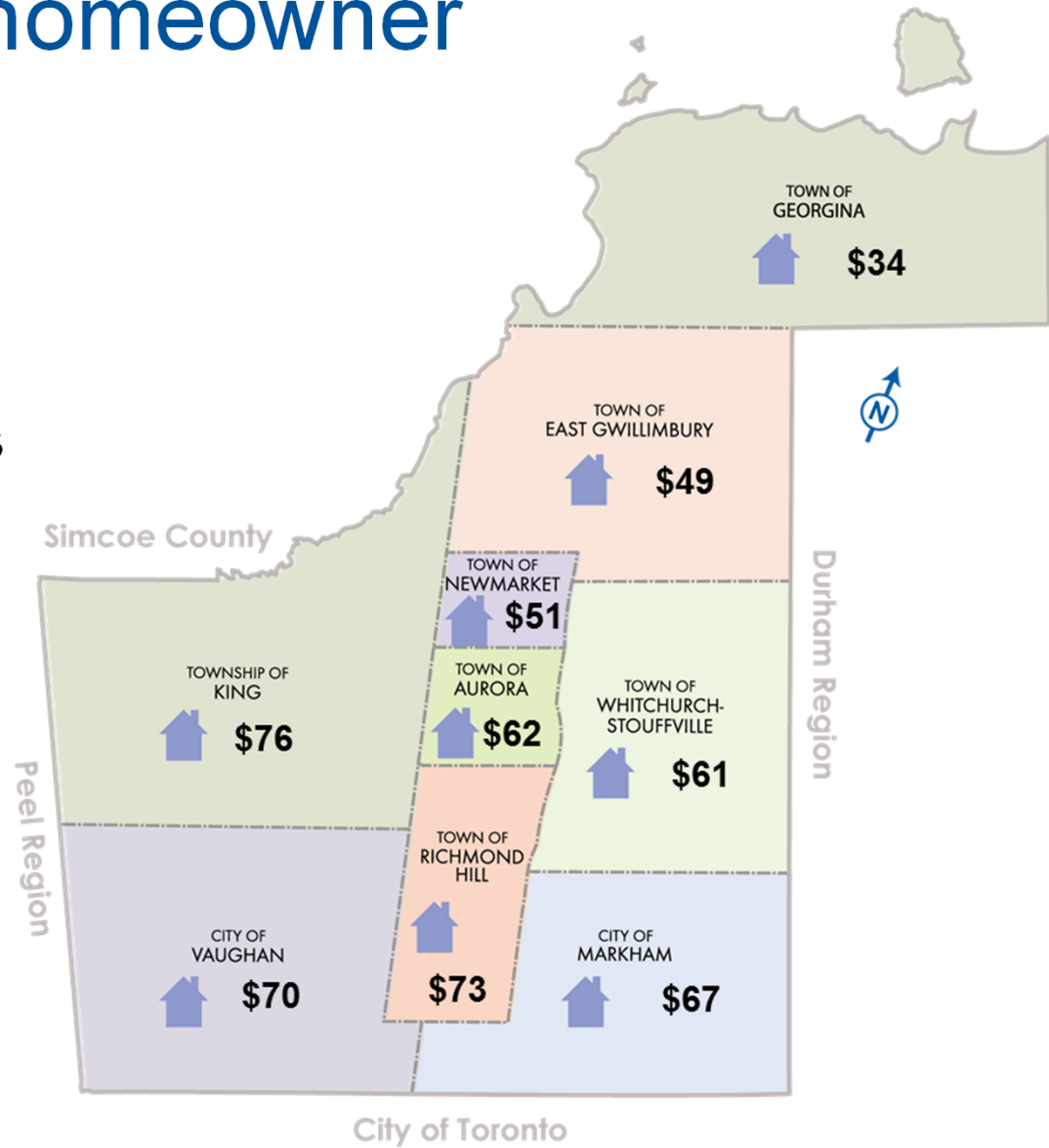


Note: asset replacement contributions exclude individual department contributions to capital asset replacement reserves

Tax impact on homeowner

The average assessed value of a residential property in the Region is \$632,000

A tax levy increase of **2.77%** in 2018 equates to **\$65** per household, on average

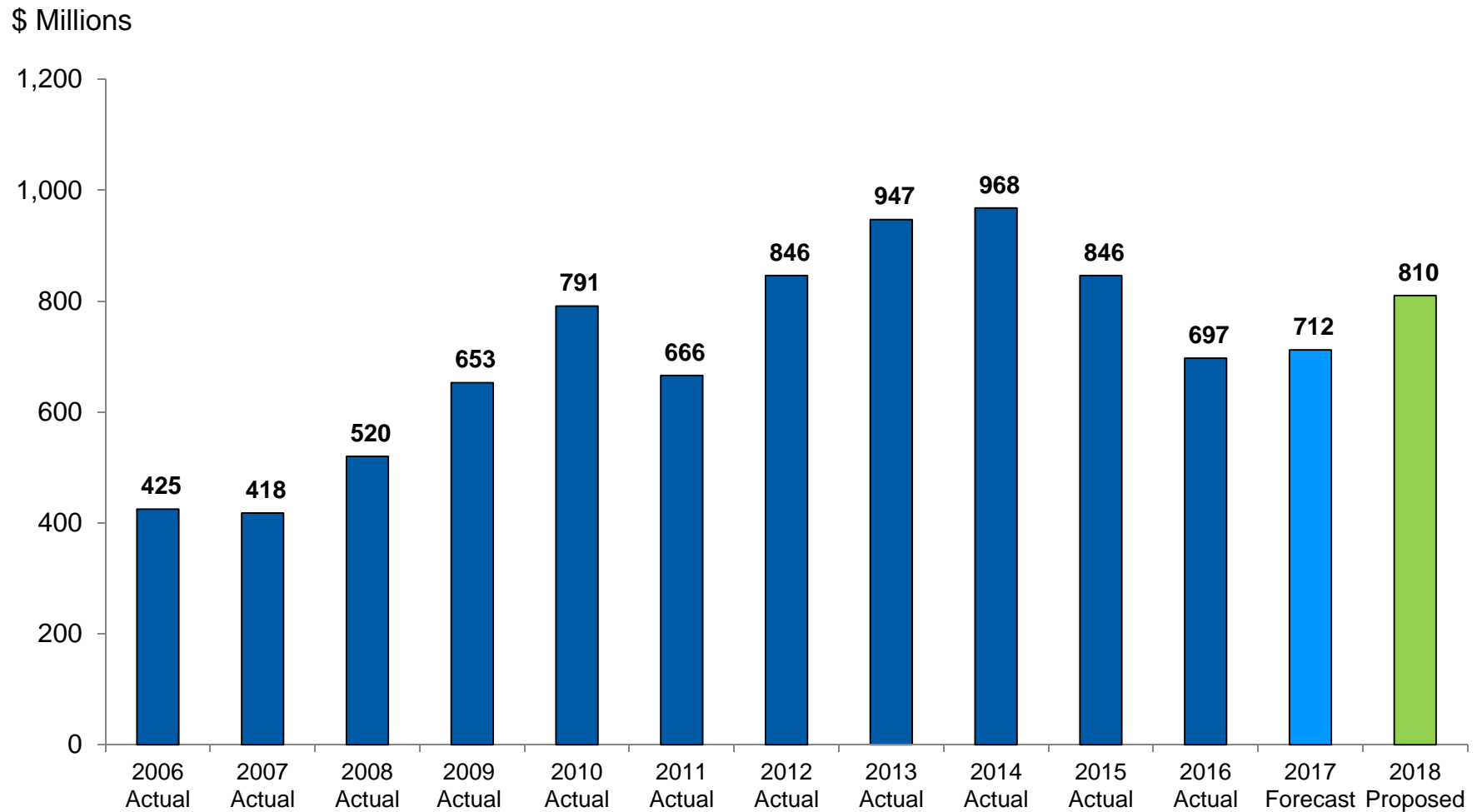


Capital Budget

Proposed capital budget

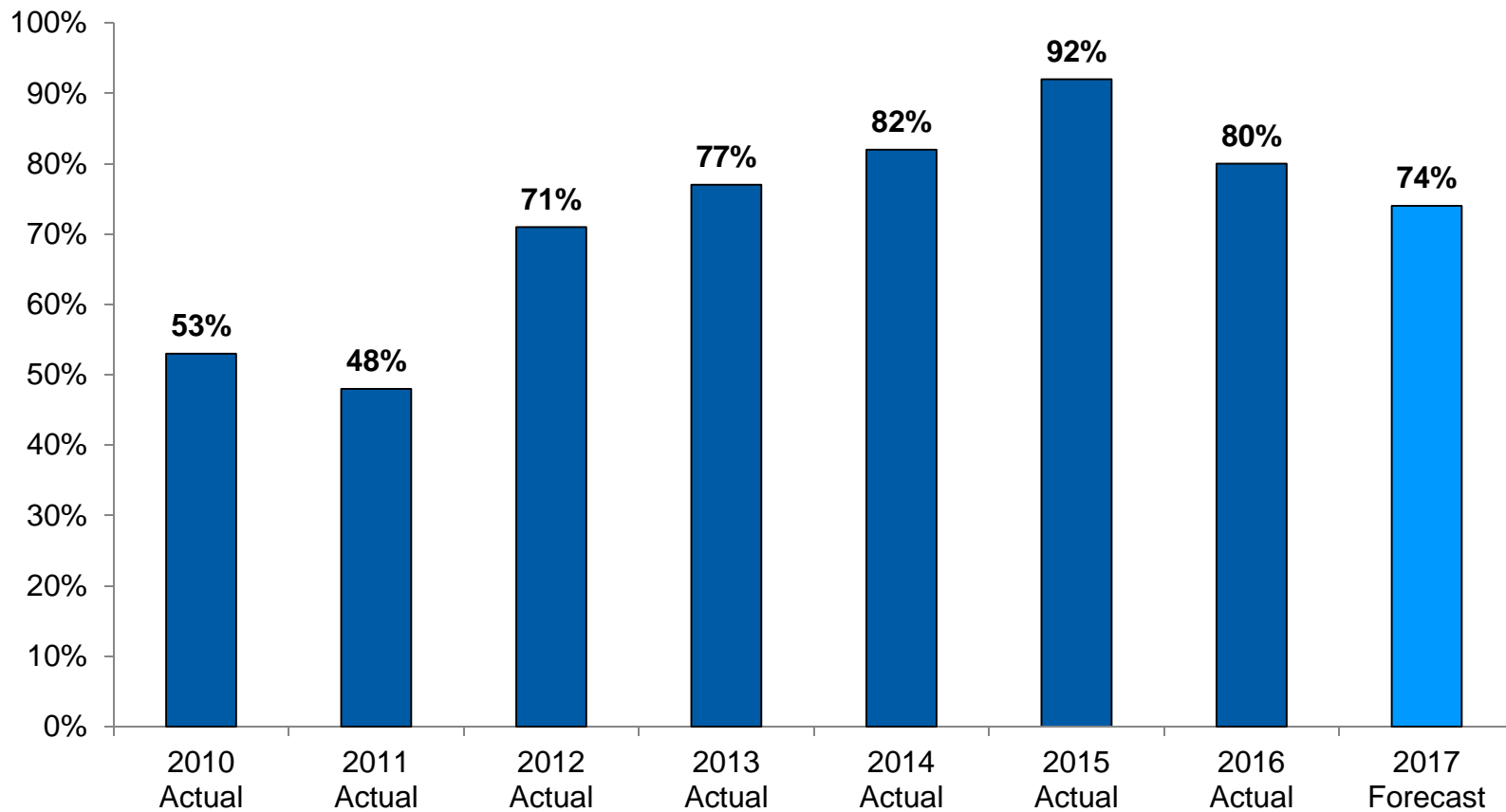
2018 Capital Budget	
2018 Capital Approval	\$810M
2018 Capital Spending Authority	\$2.2B
Ten-Year Capital Plan	\$5.9B

High levels of capital investment



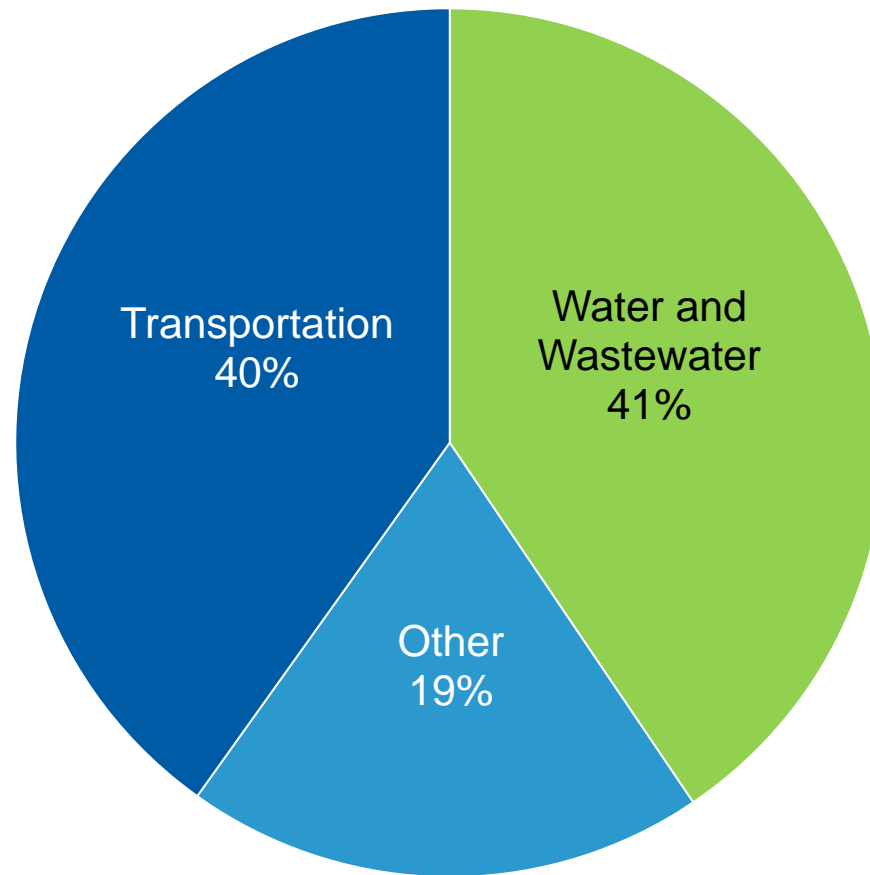
Delivering on the capital plan

% of Capital Budget Delivered

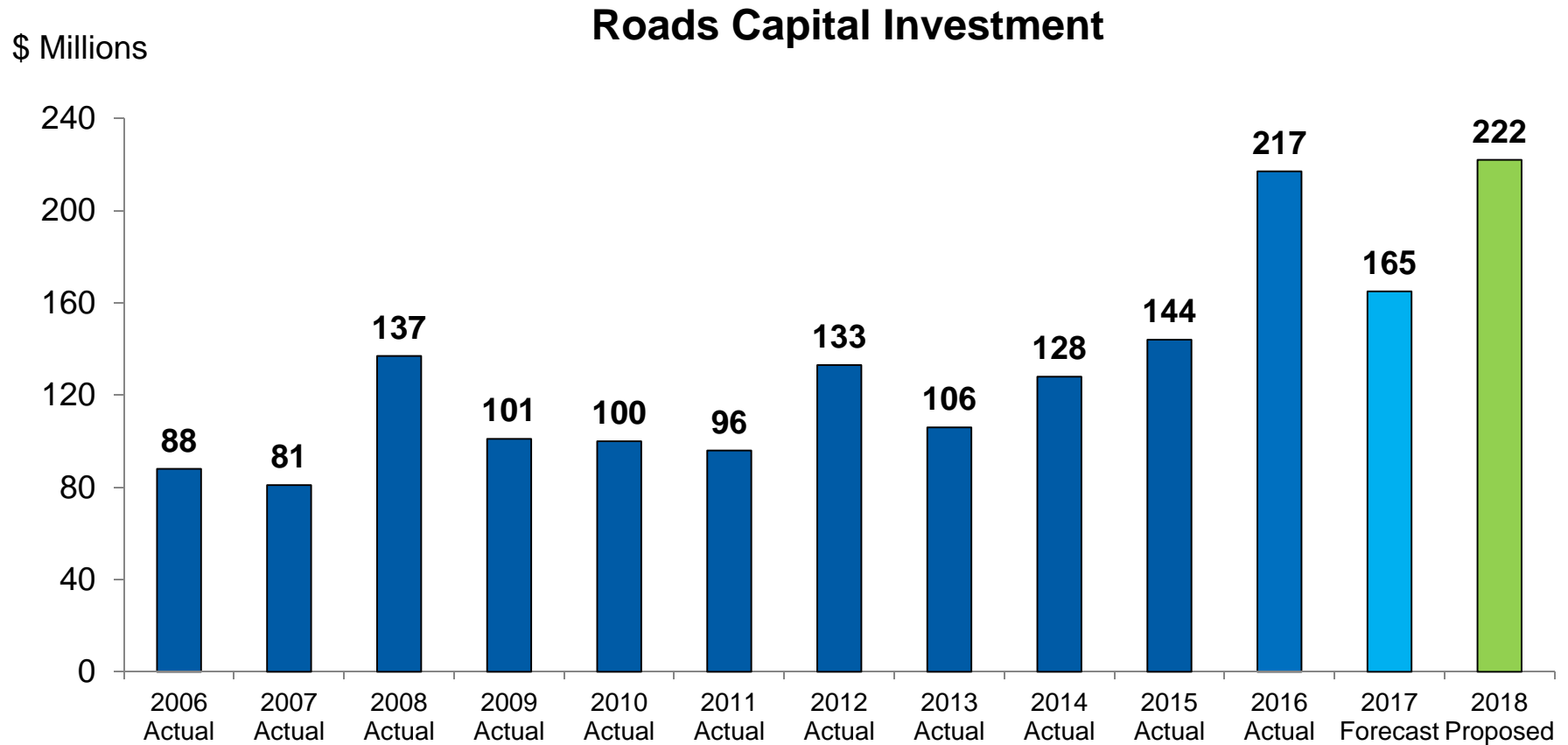


Transportation, water and wastewater are over 80% of the ten-year capital plan

2018 10-Year Plan - \$5.9 Billion

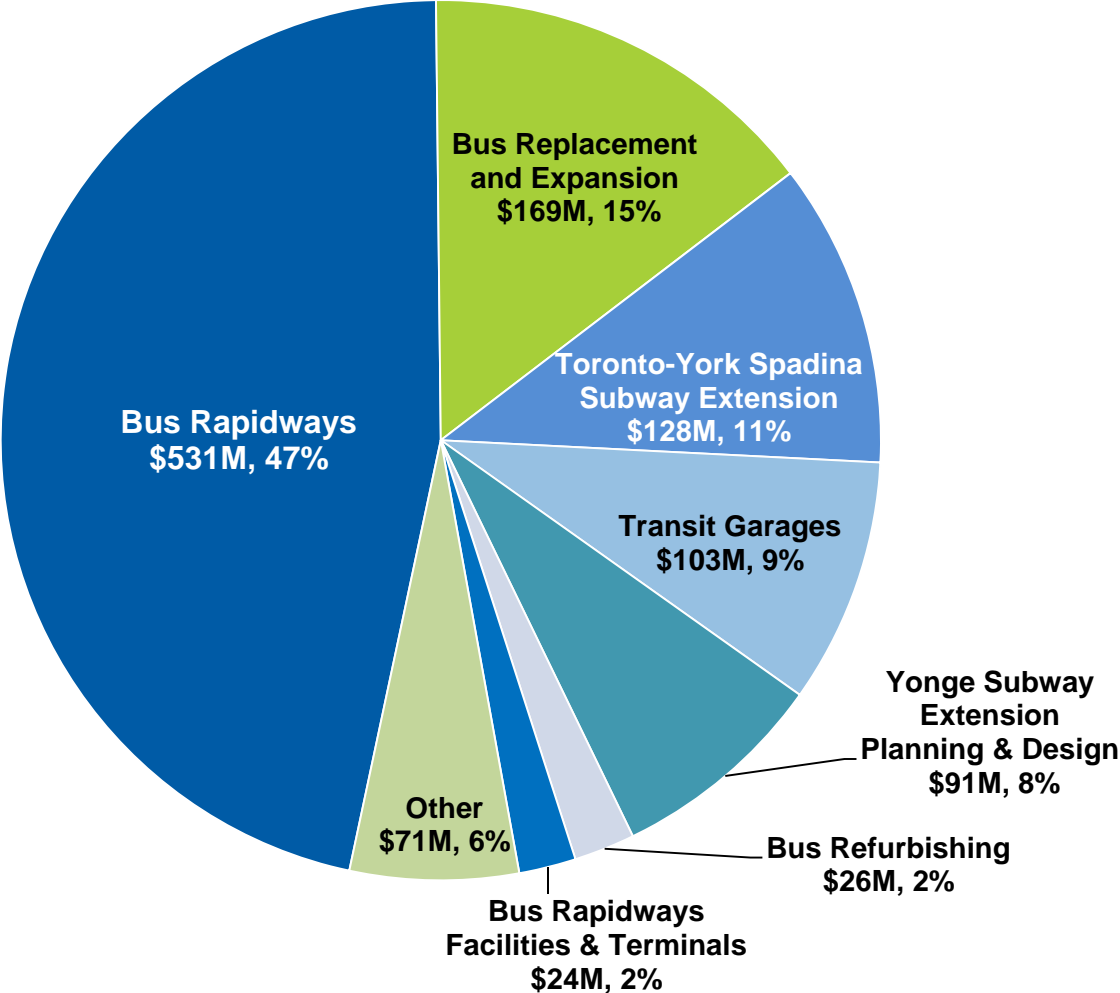


Record levels of roads investment



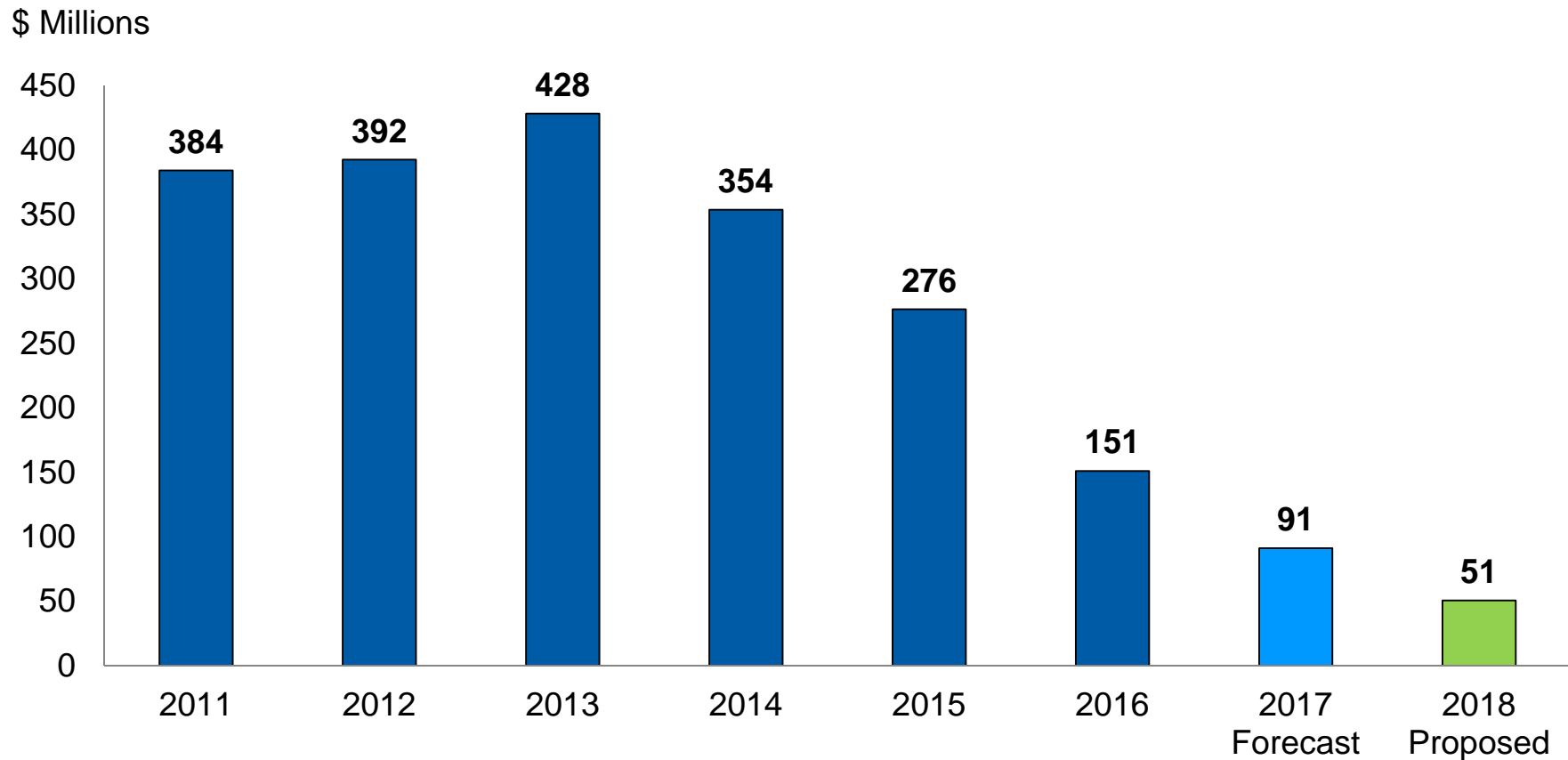
Large transit investments underway

2018-2022 Transit Investments total \$1.1 Billion



\$2.0 billion in growth-related water and wastewater infrastructure already in place

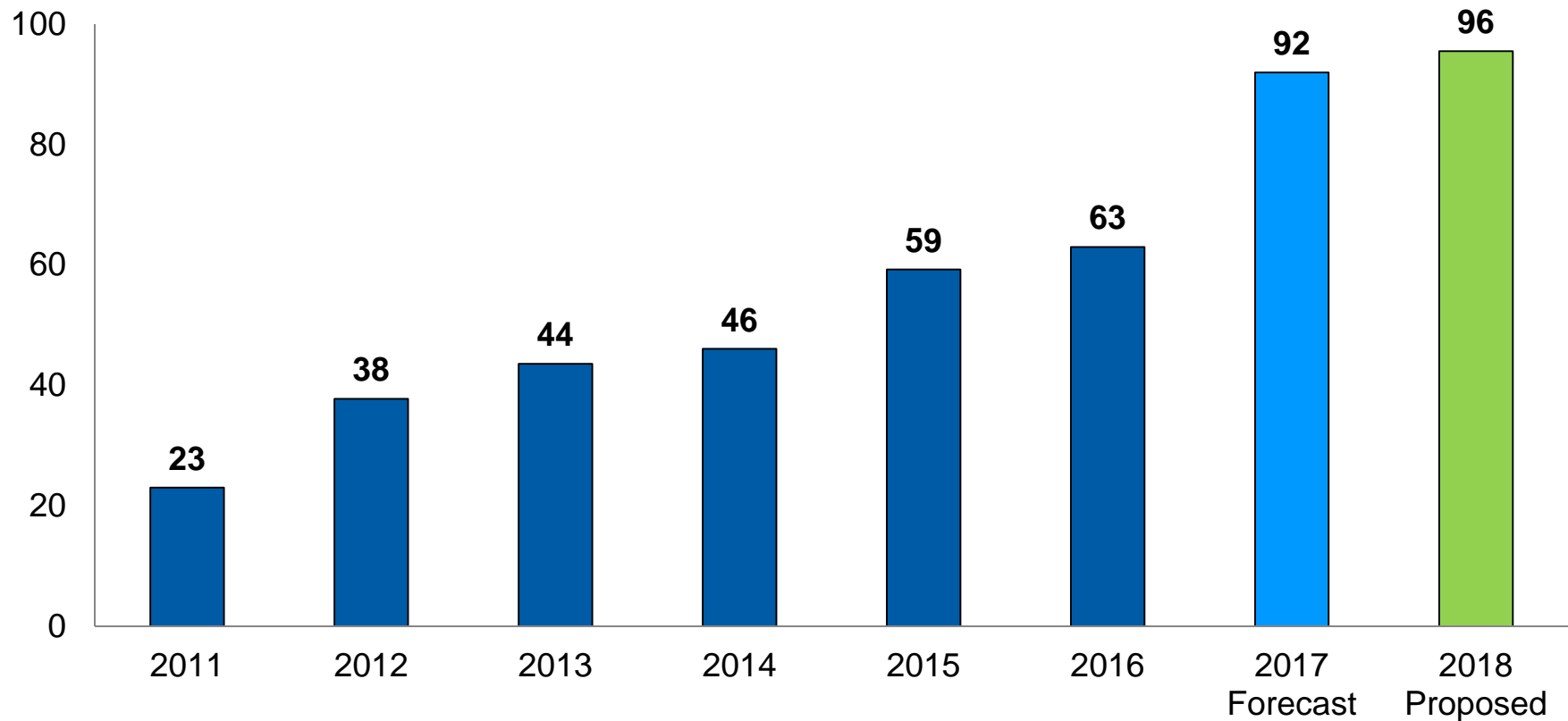
Water and Wastewater Growth-Related Infrastructure



Rehabilitation and replacement investments in water and wastewater infrastructure are increasing

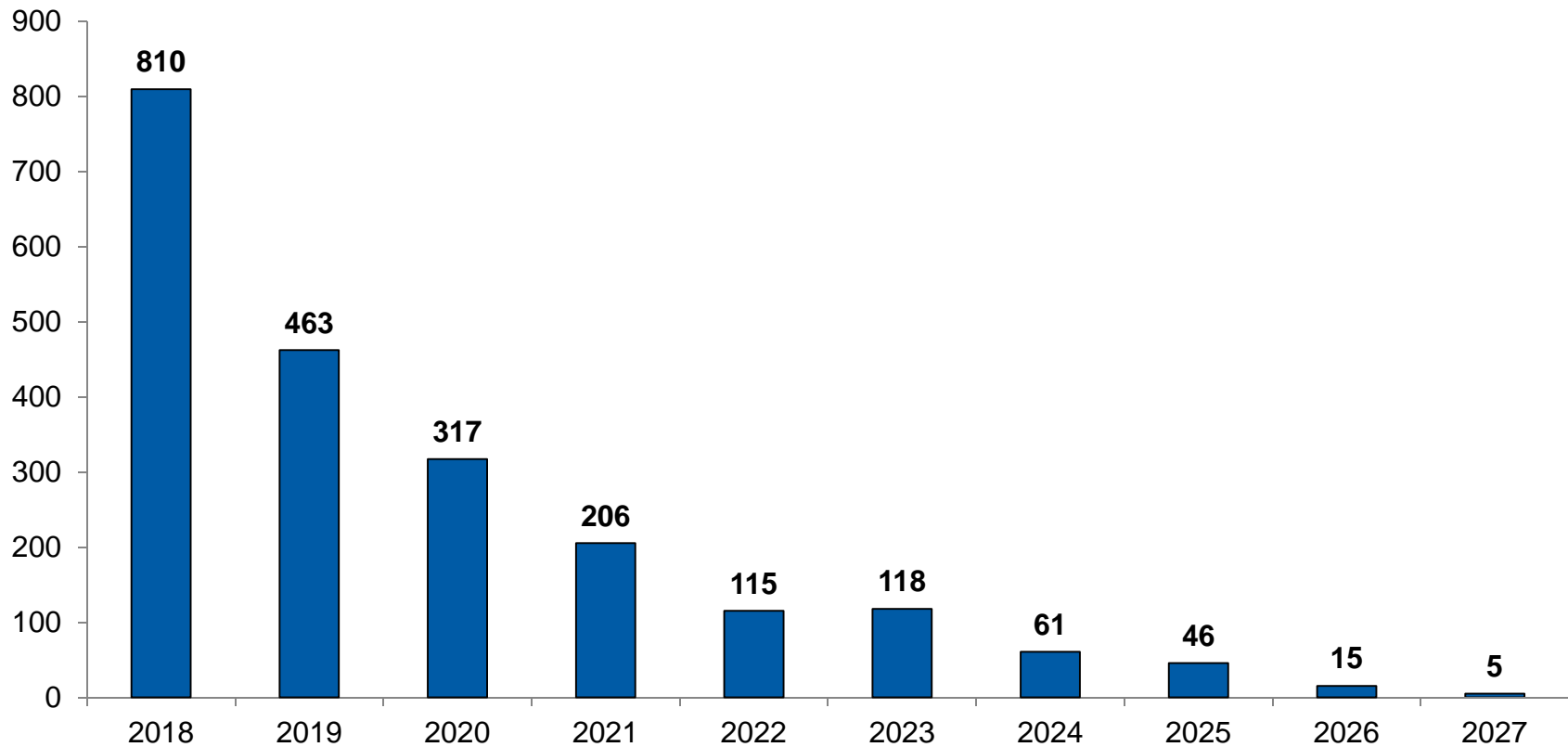
Water and Wastewater Rehabilitation Expenditure

\$ Millions



Proposed 2018 Capital Spending Authority of \$2.2 billion

\$ Millions

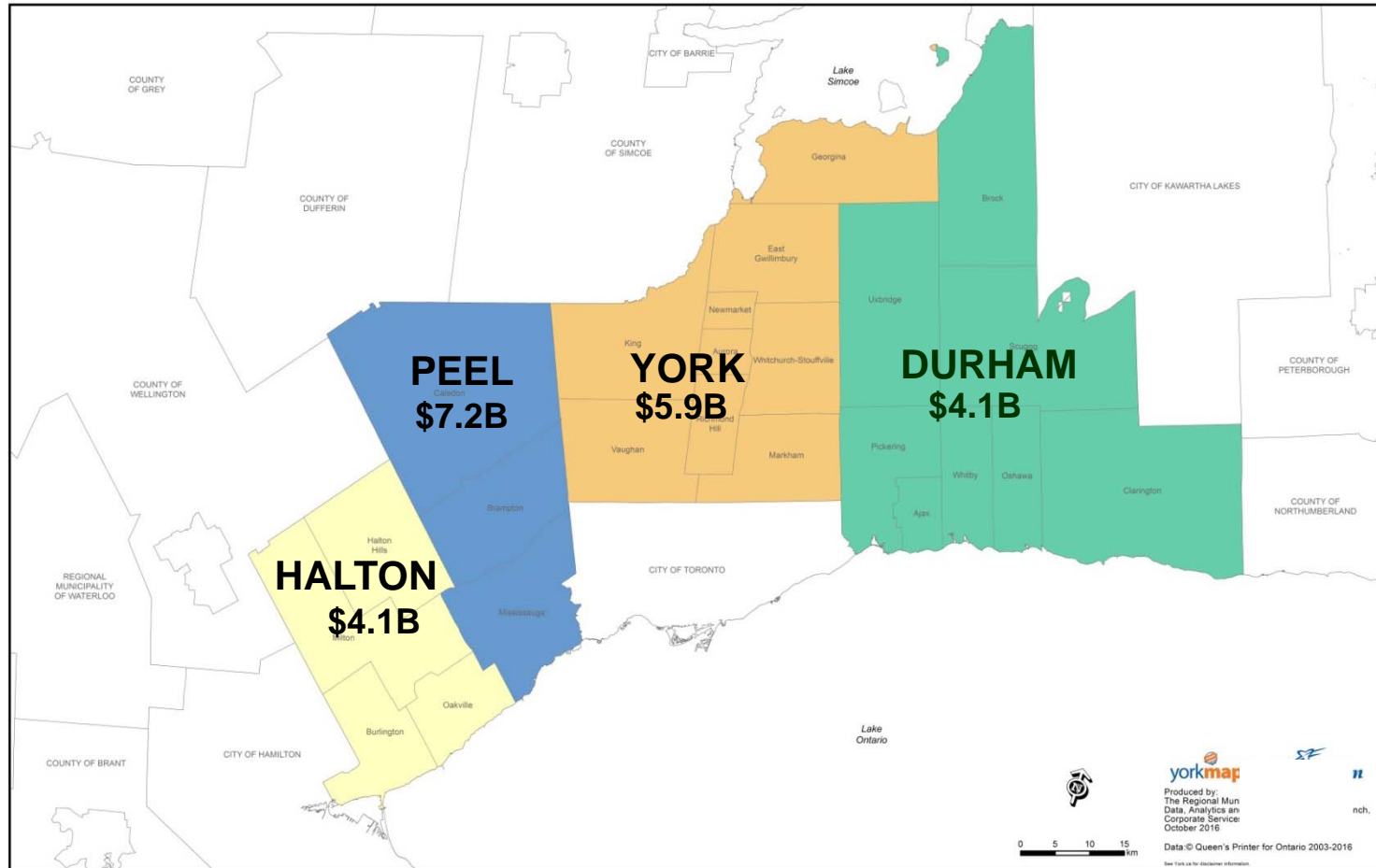


Note: there is \$1 million in CSA beyond 2027

Top 10 capital projects by Capital Spending Authority

Projects	Proposed 2018 CSA (\$ Millions)
Duffin Creek Incinerators	181
York Durham Sewage System – Rehabilitation	142
Administrative Centre Annex	140
Spadina Subway Extension	128
Southeast Collector Rehabilitation	106
Unionville Housing Redevelopment	79
Upper York Sewage Servicing	71
Major Mackenzie Dr. – Hwy 27 to Pine Valley Dr.	59
Major Mackenzie Dr. – CP Rail to Hwy 27	56
Toronto Water Supply – Cost Shared Works	41

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



Reflects Ten-Year Capital Plans approved in 2017, except York and Peel, which reflect 2018 proposed Ten-Year Capital Plans

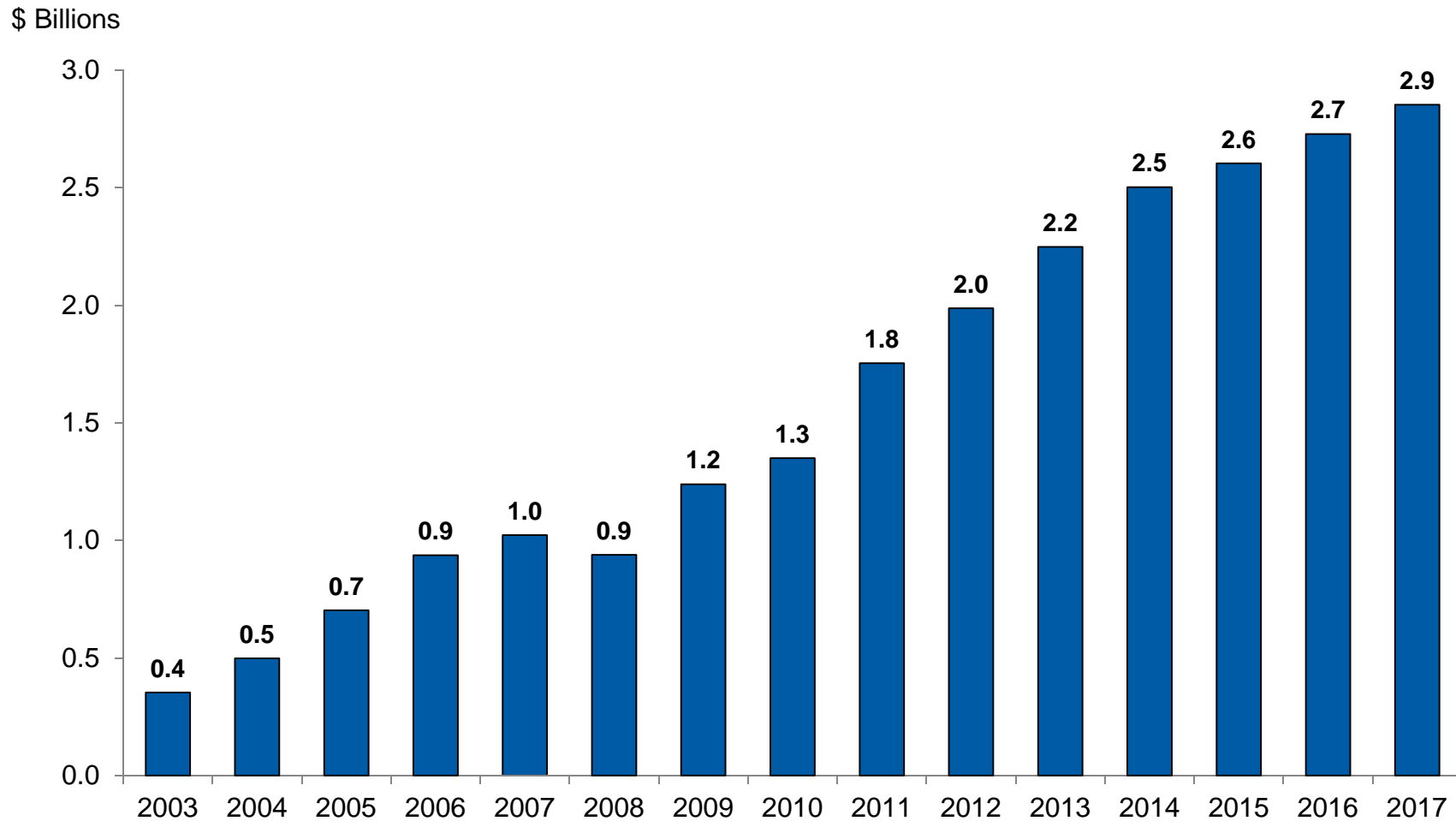
Fiscal Strategy

The essence of fiscal sustainability

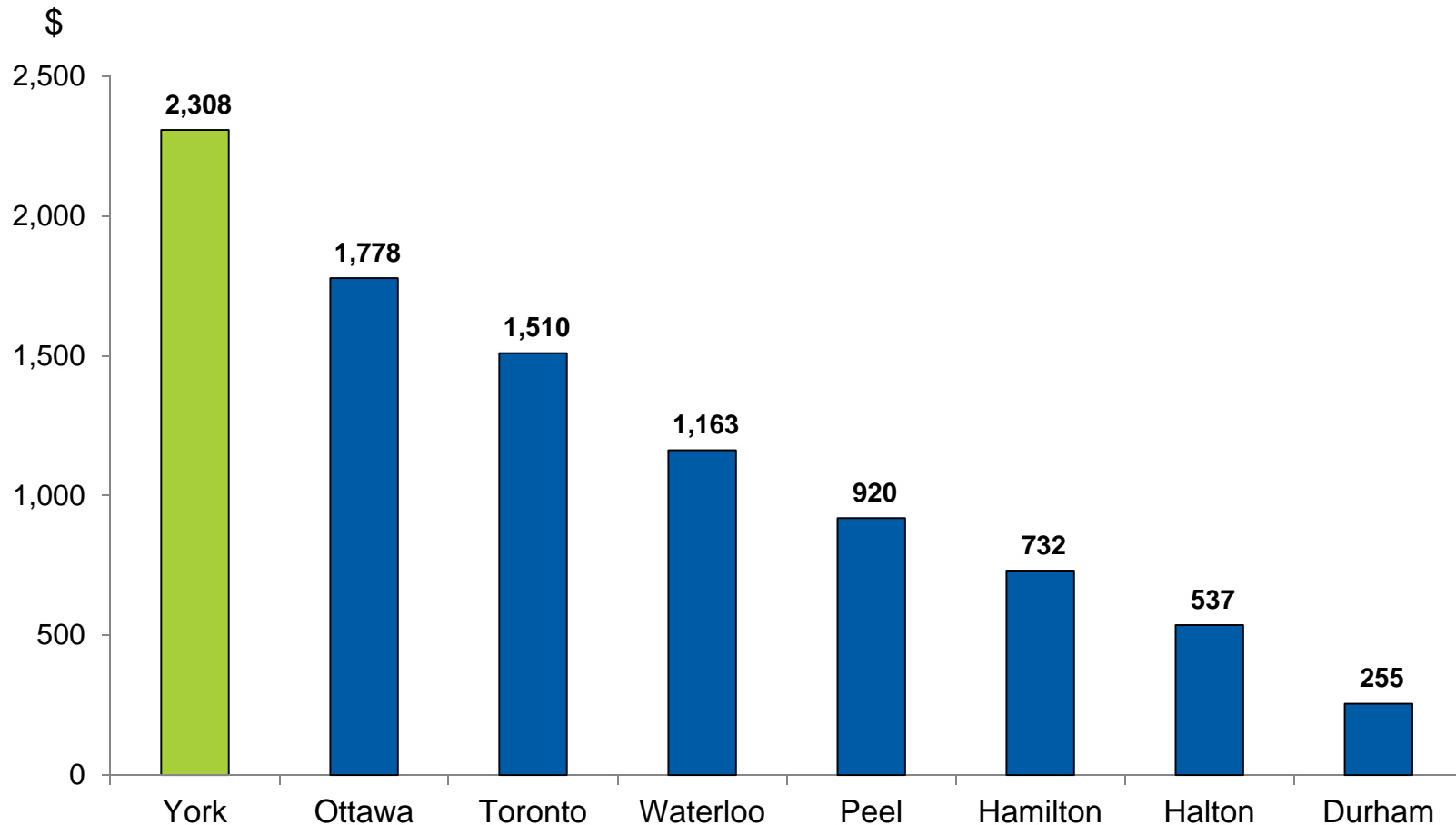


Debt Management

Net debt expected to reach nearly \$2.9 billion this year

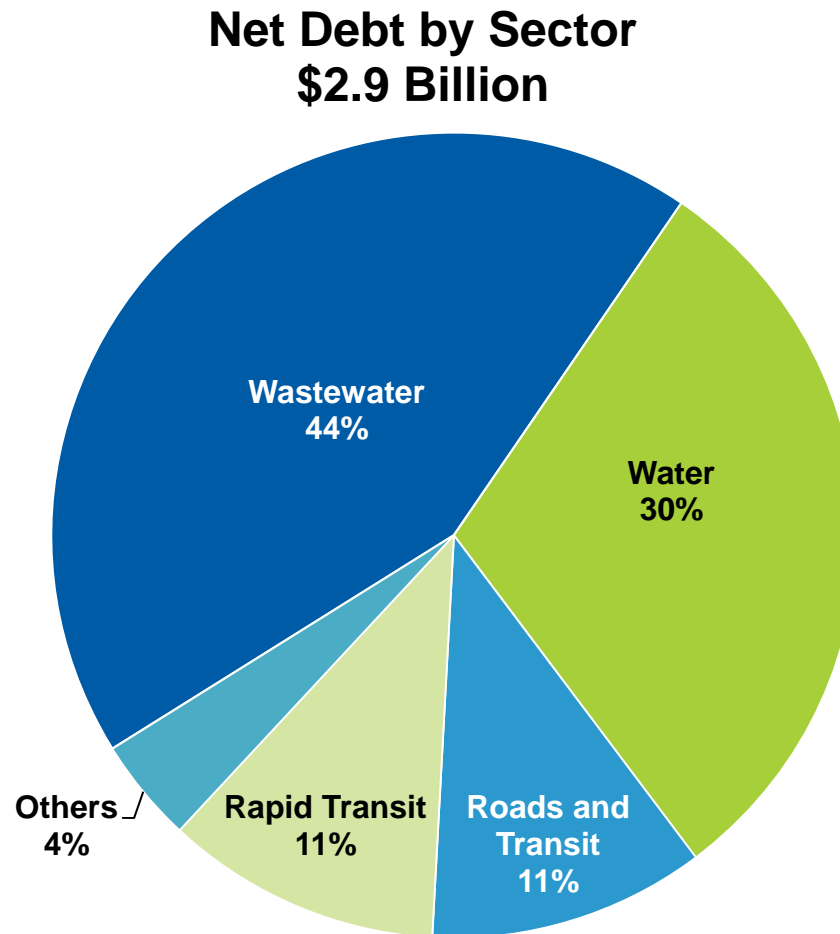


York Region's debt per capita is comparatively high



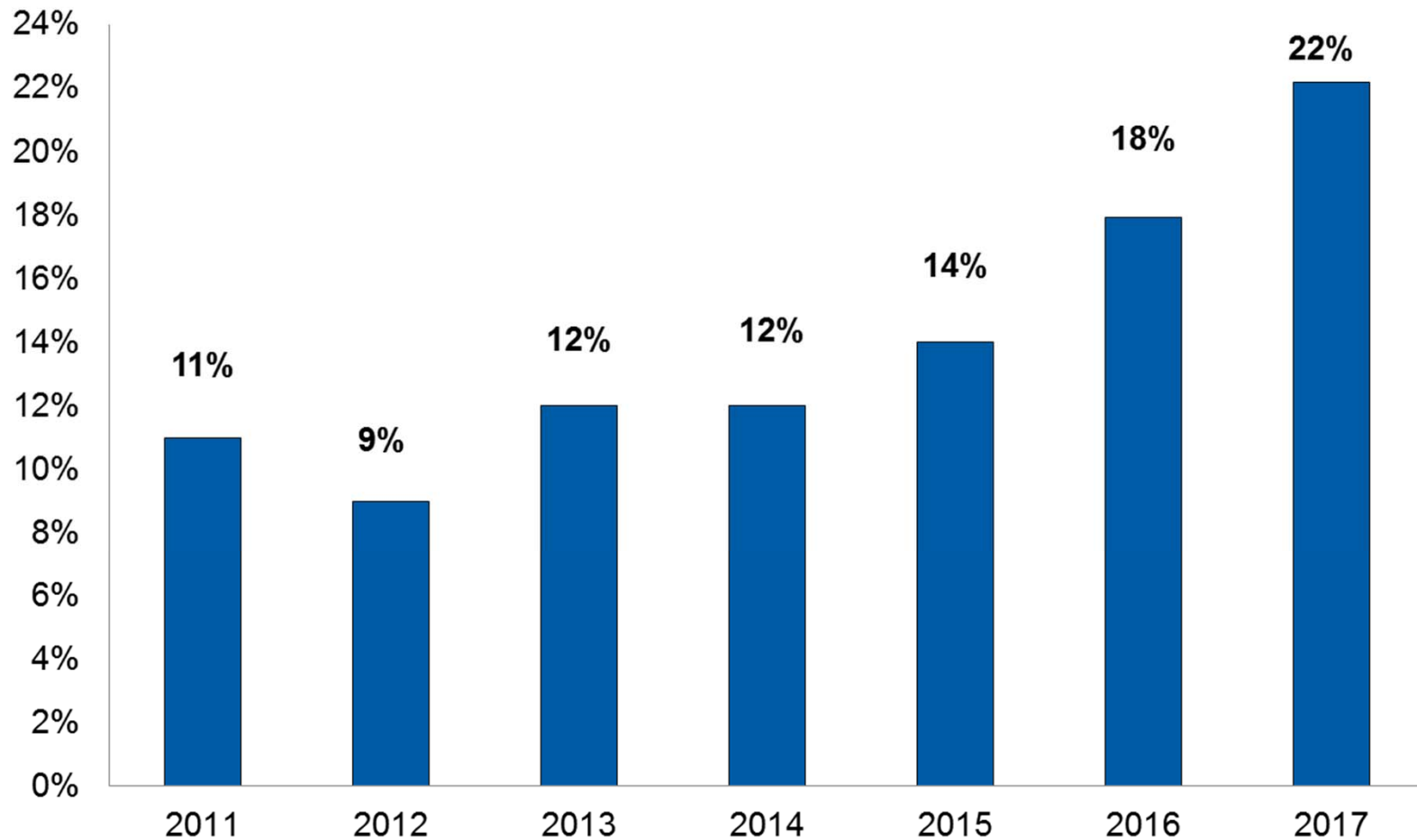
Source: 2016 Financial Information Return

Water and wastewater projects account for 74% of current debt



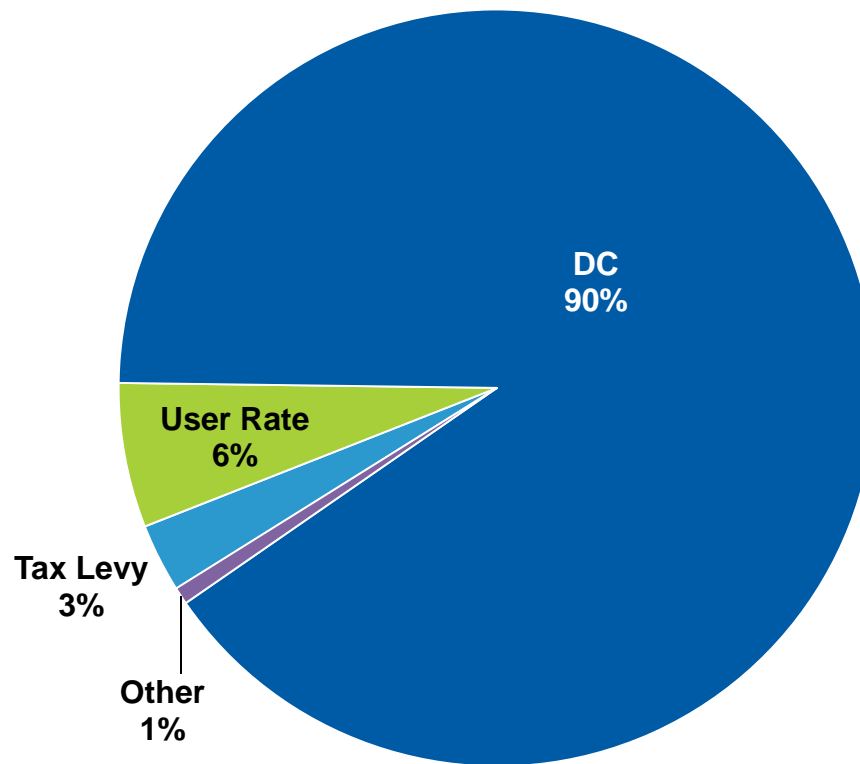
Roads and transit share of debt has been increasing

Share of Net Outstanding Debt



Development charges will be used to repay 90% of existing debt

**Net Debt by Repayment Source
\$2.9 Billion**



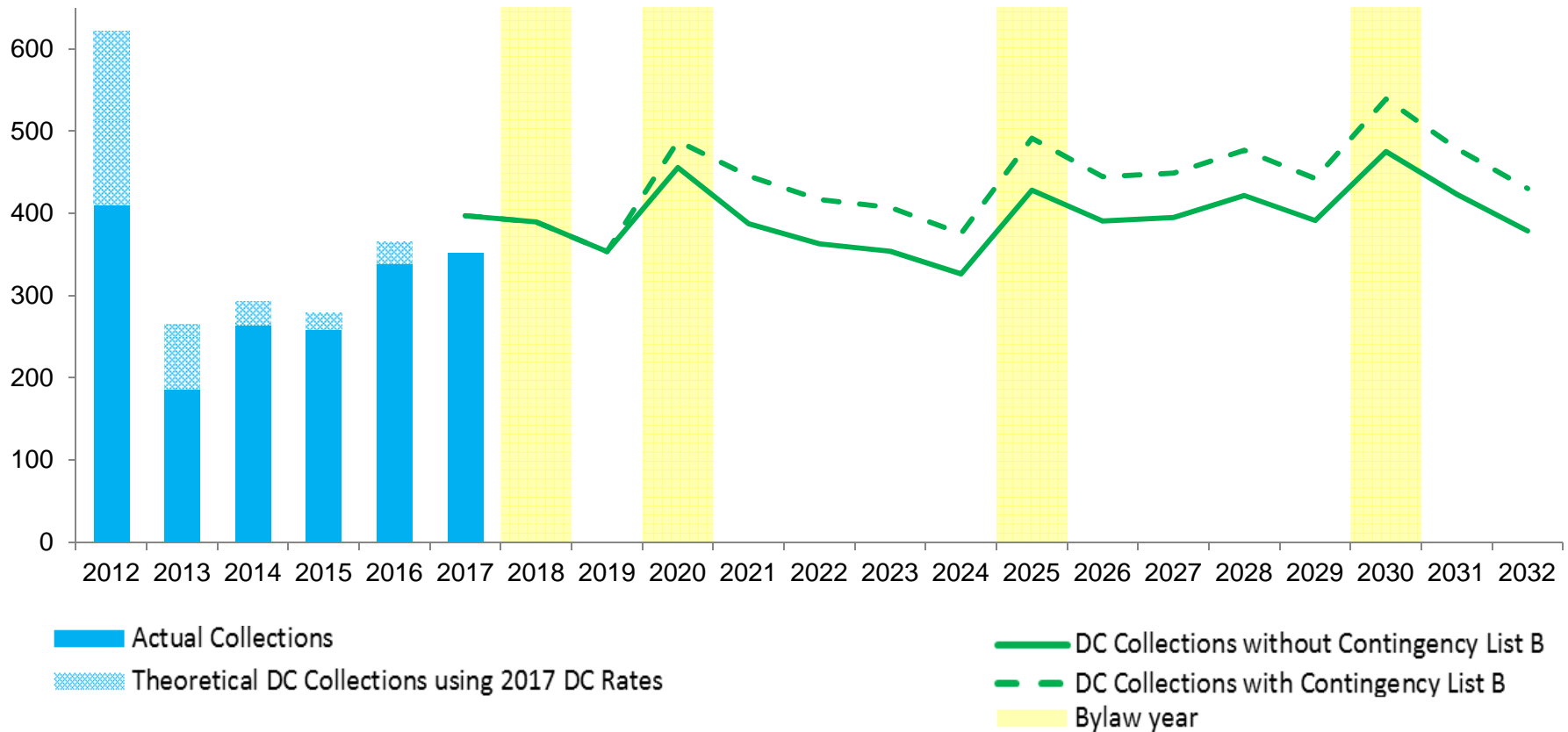
Debt management is reliant on future DC collections

Annual Development Charge Collections Actual and Forecast

15-Year Collection Sum (2018-2032)
 Excluding Contingency List B: \$5.9B
 Including Contingency List B: \$6.6B

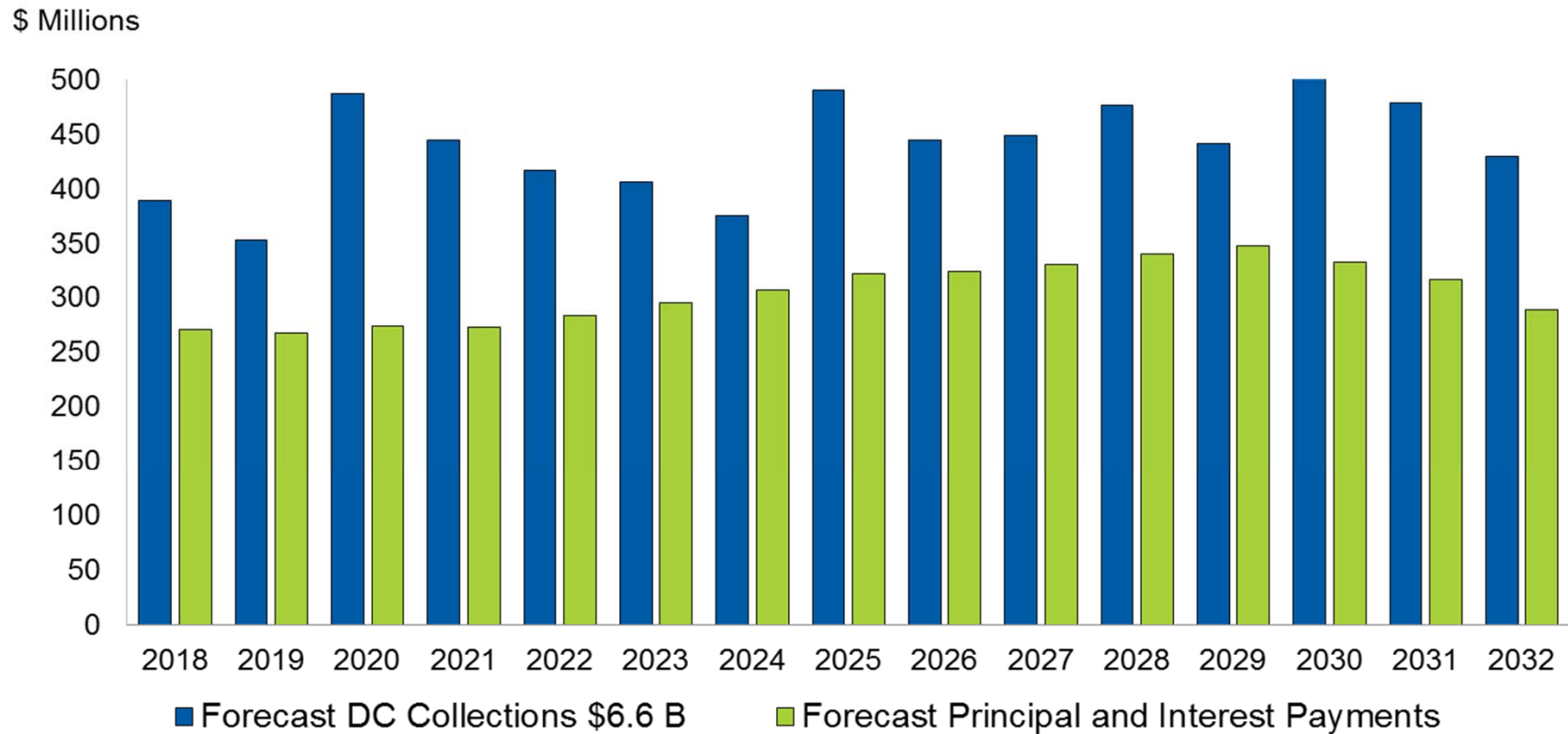
2017 YTD Collections
 \$351.7M

\$ Millions



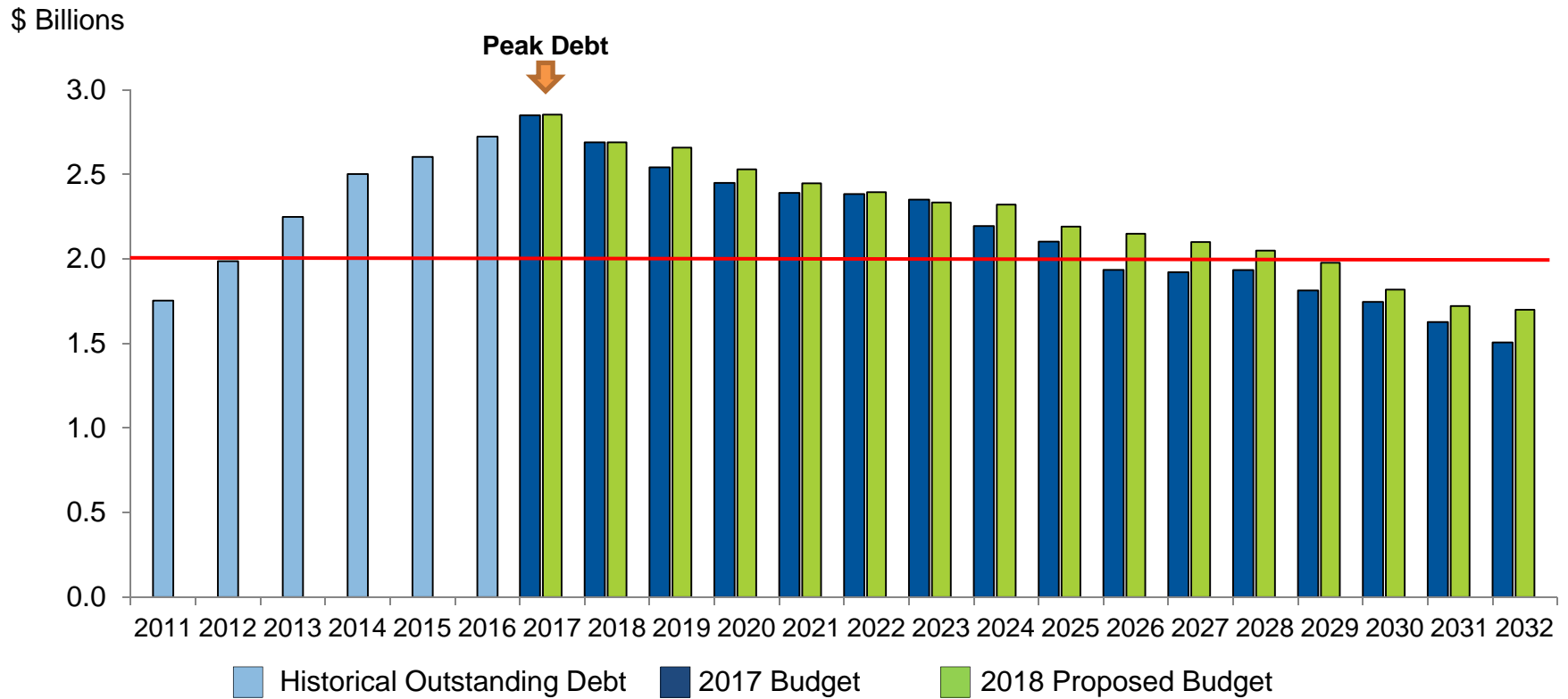
Debt servicing costs are high, but there is still room for direct funding of growth-related projects

DC Collections vs. Debt Servicing (\$6.6B Forecast DC Collections)

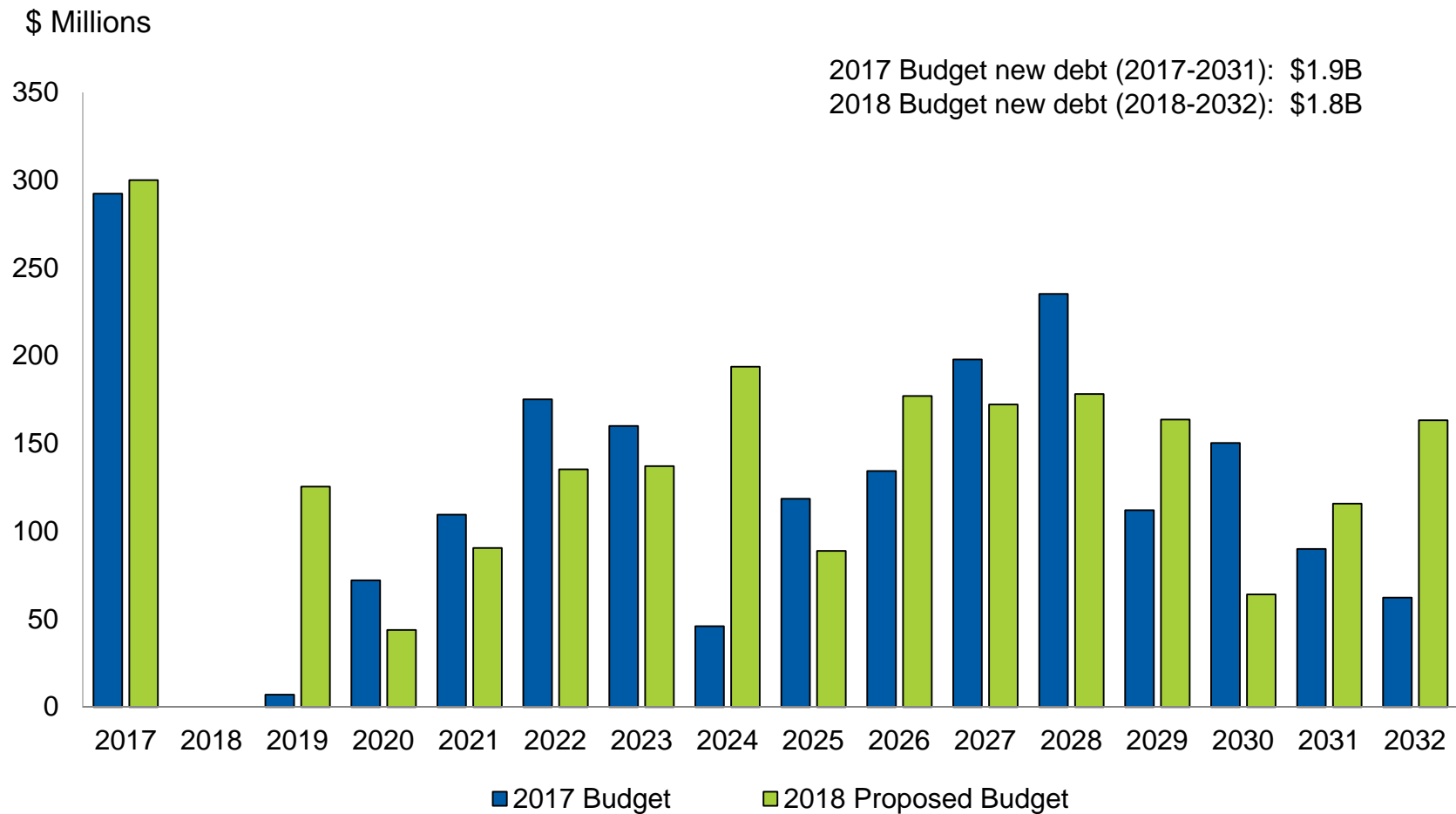


Fiscal strategy will reduce debt levels

**Net Outstanding Debt Projection
2017 Budget vs. 2018 Proposed Budget
(With \$6.6B of DC Collections)**



The Region expects to issue \$1.8 billion of debt in the next 15 years



Debt is highly sensitive to development charge collections and capital spending

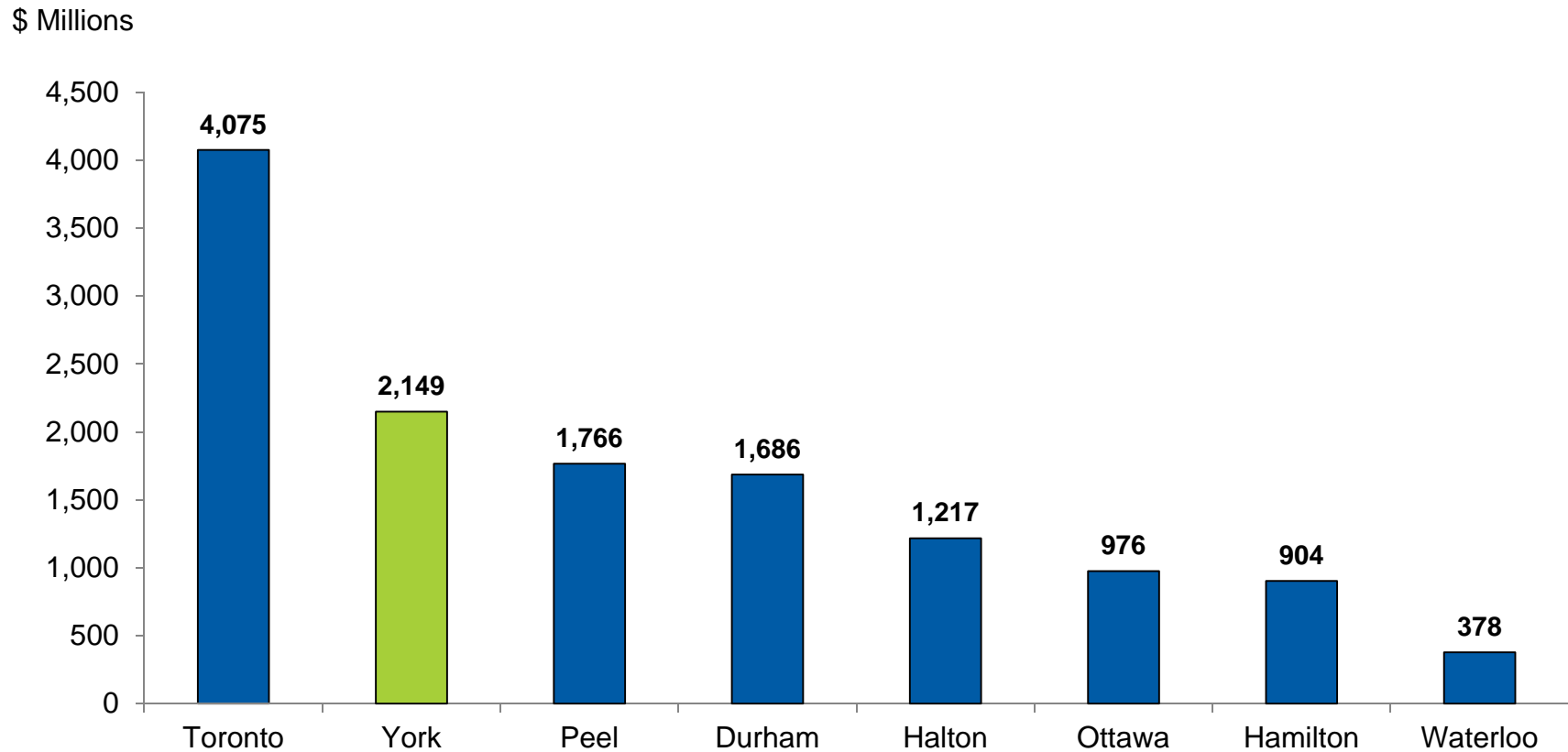
- Increases to the capital plan for growth-related projects would place upward pressure on debt
- Any unexpected shortfalls in development charge collections would place upward pressure on debt
- A sustained shortfall in development charge collections may require capital deferrals

Reserves

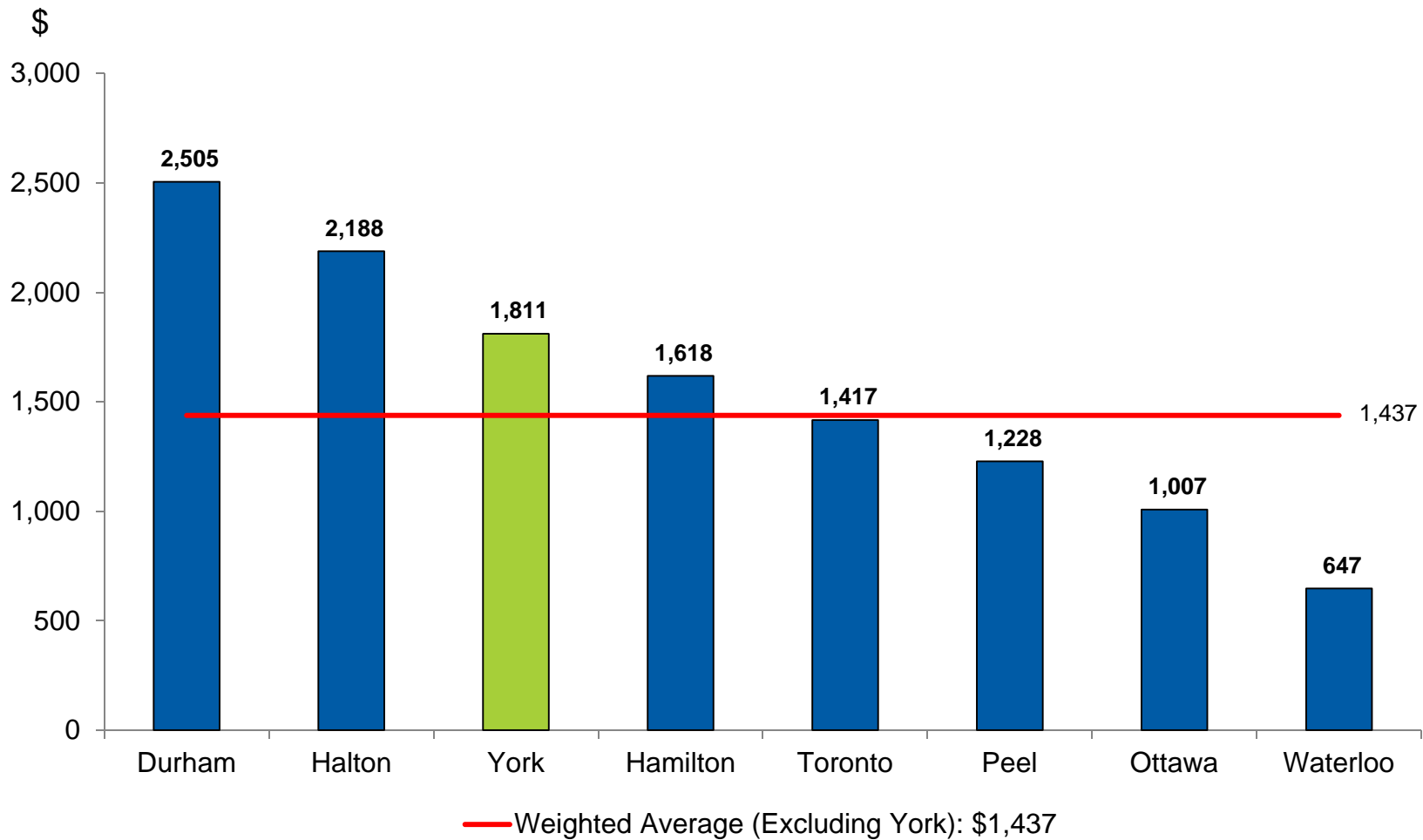
Reserve management plan is key to achieving financial sustainability

- Long-term financial sustainability requires:
 1. Saving for future capital asset life cycle and replacement investments
 2. Using reserves judiciously to help manage debt

In 2016, York Region's reserves were second only to Toronto's

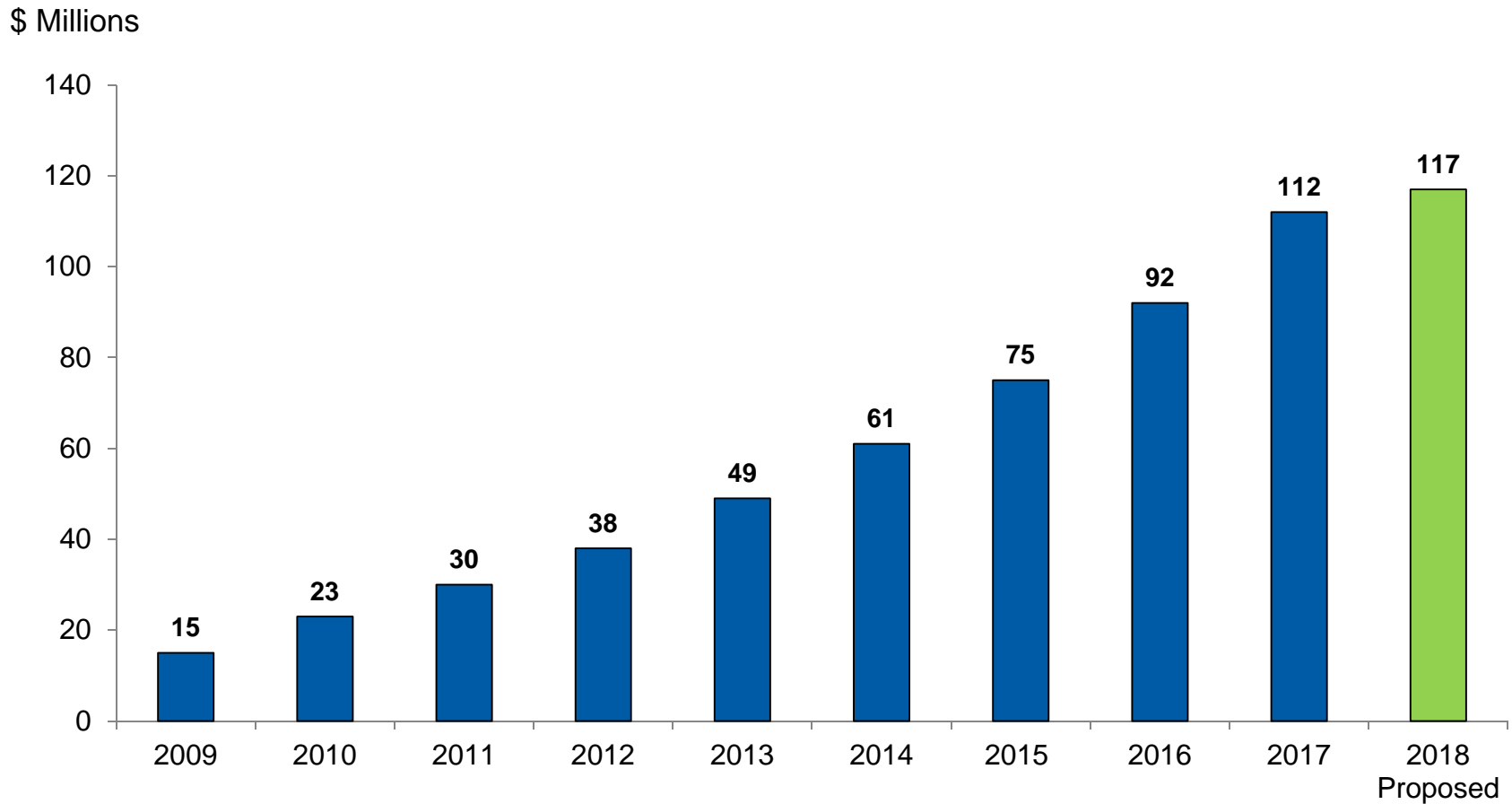


High levels of reserves per capita

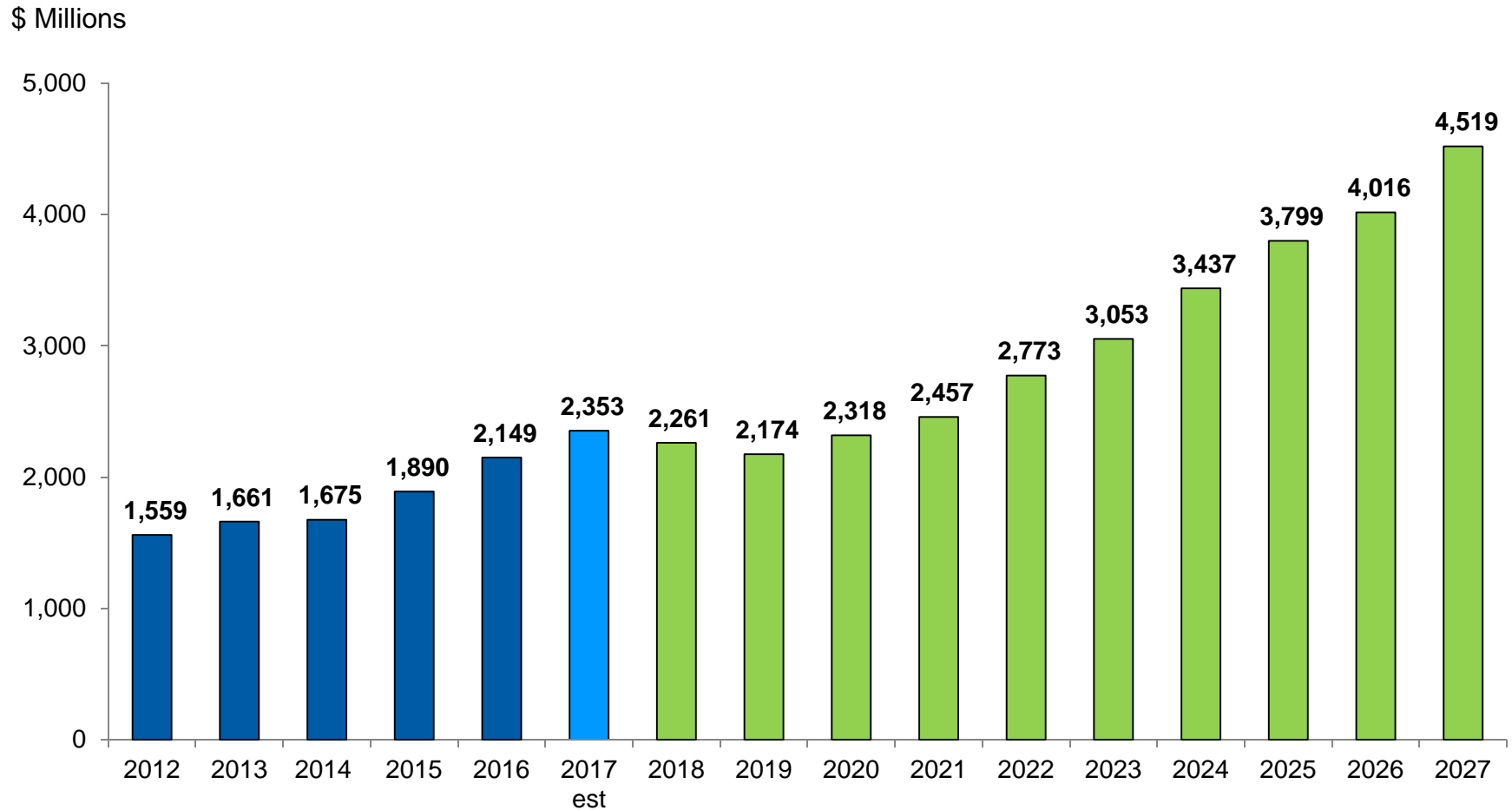


Source: Financial Information Return 2016

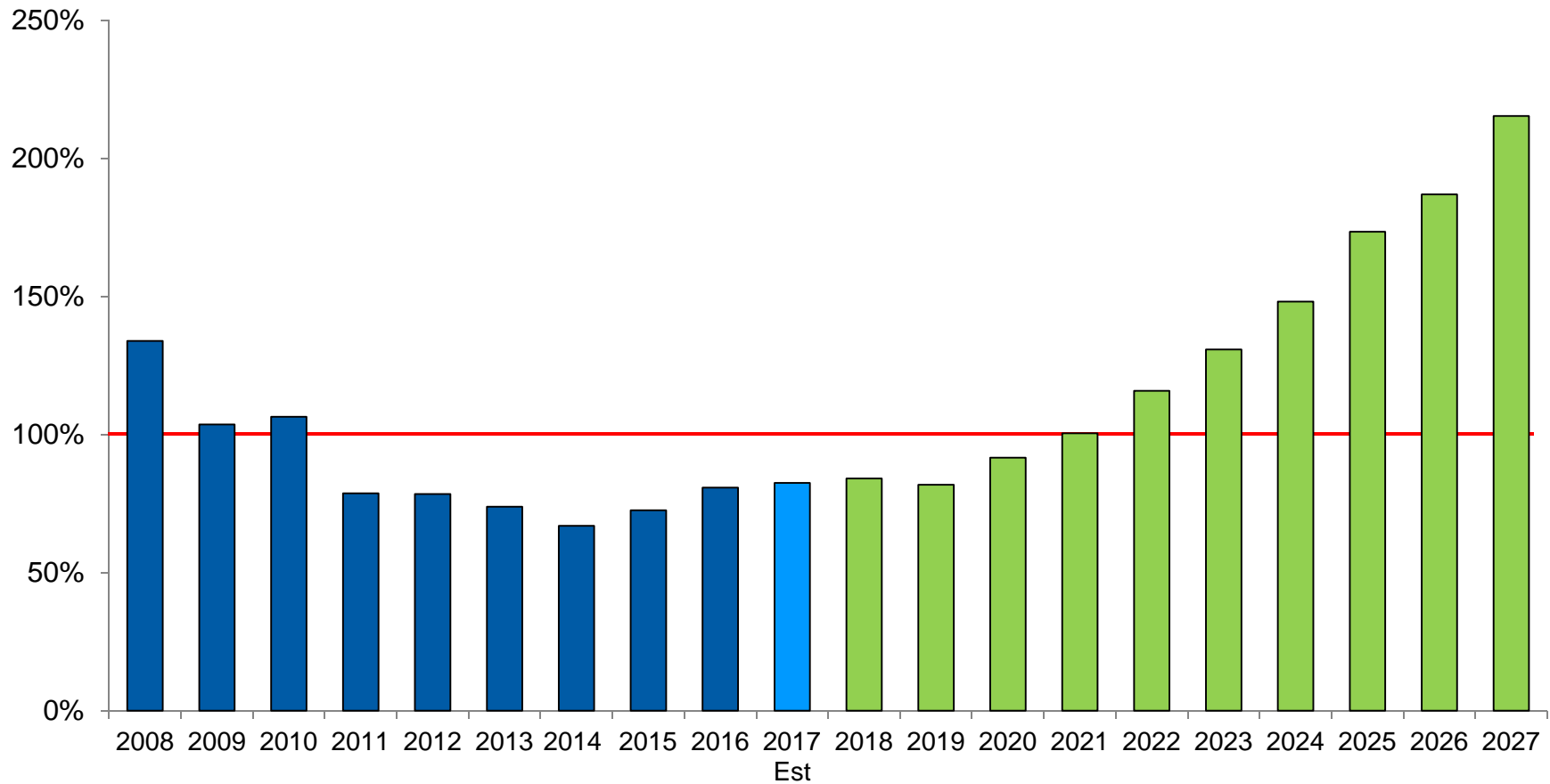
Contributions to capital asset replacement reserves continue to grow



Growth in total reserves is expected to be moderate in the near term and then improve

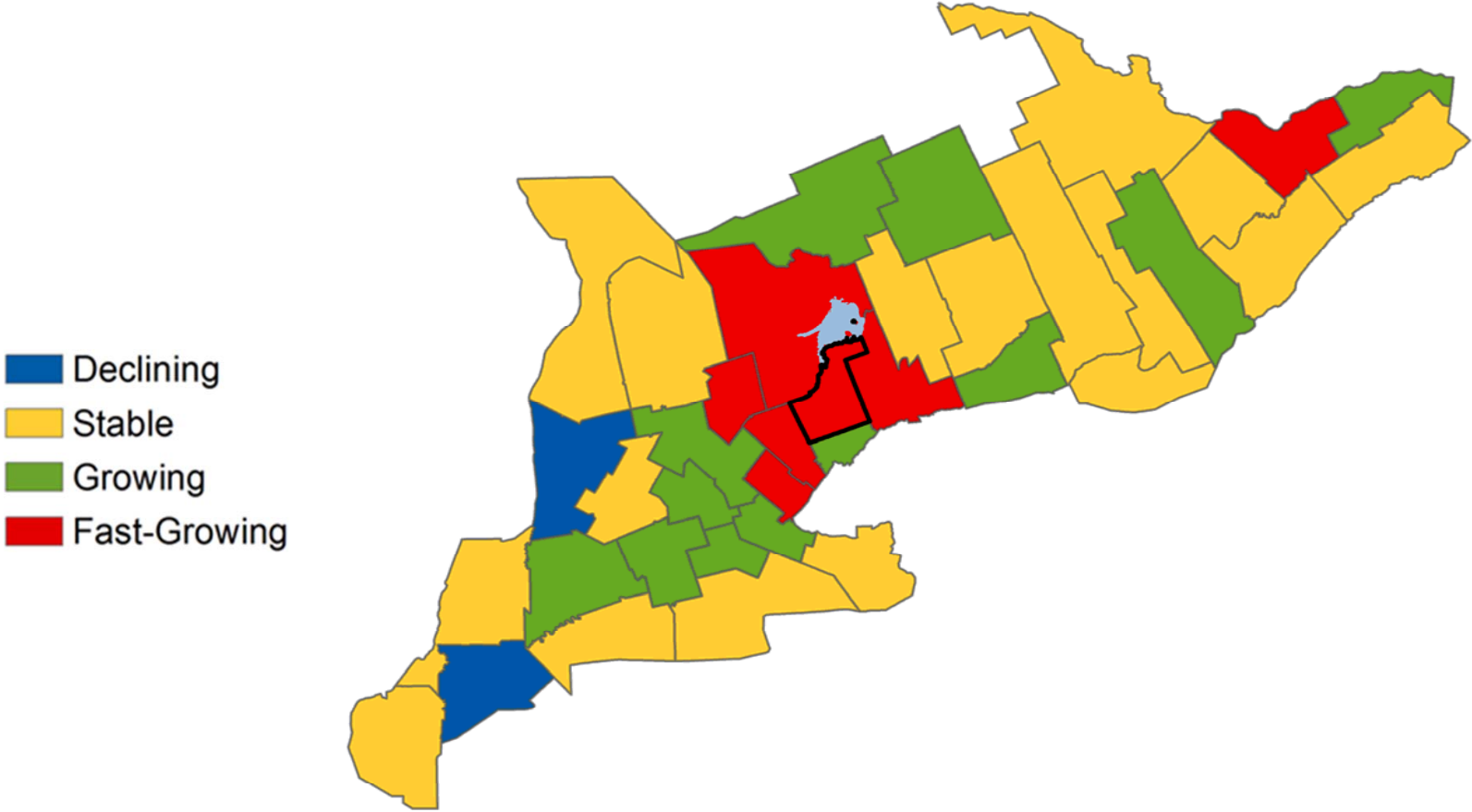


The Region will become a net investor by 2021



Achieving Financial Sustainability

Growth creates an opportunity for financial sustainability

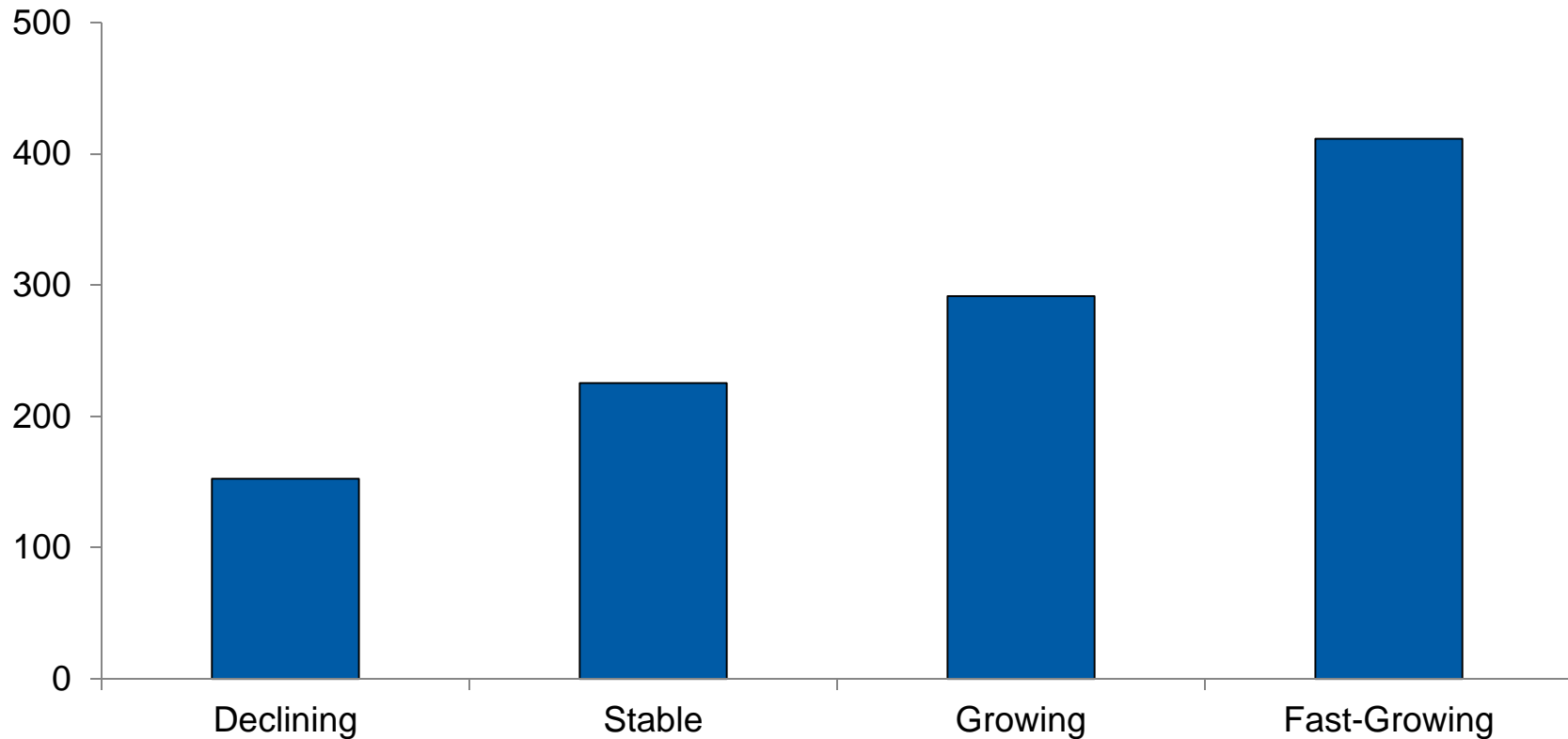


Source: Ontario Ministry of Finance, Spring 2016 Population Projections Update

Growing municipalities tend to have more fiscal capacity

Fiscal Capacity
(\$000s)

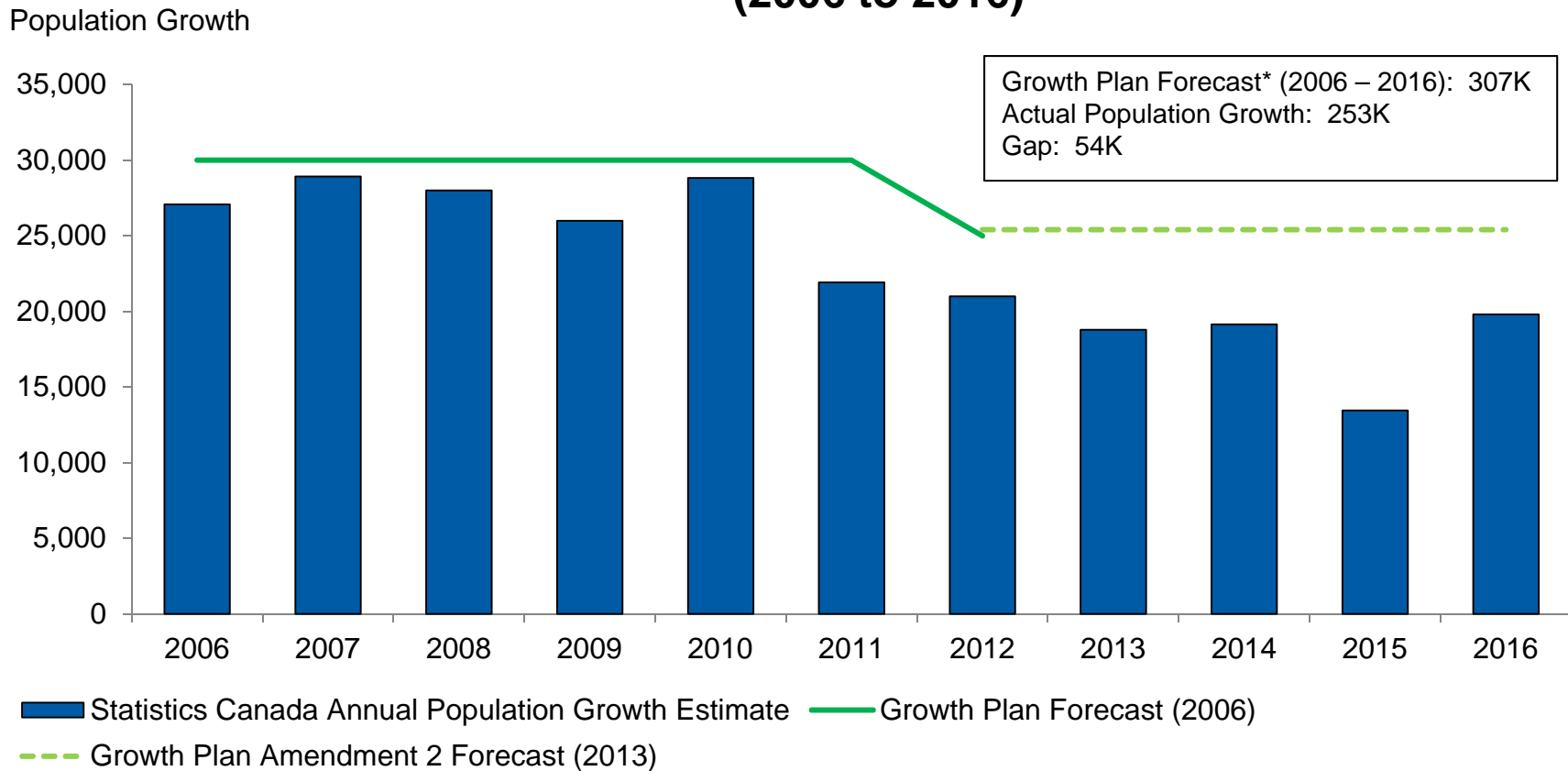
Municipal Growth Profile



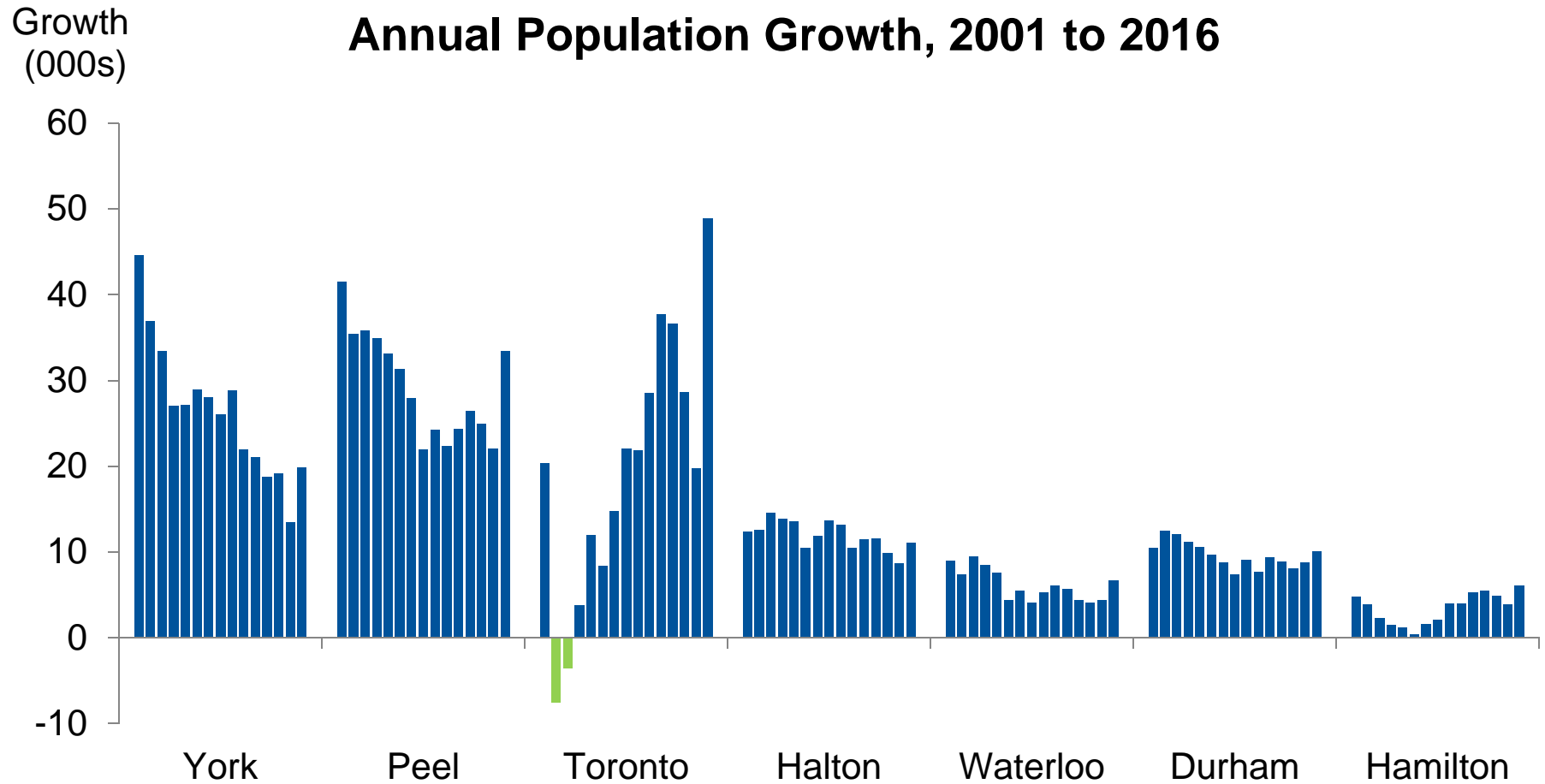
Sources: Fiscal capacity = Weighted average assessment per household, 2013, FIR; Household, 2013, MPAC; population, 2009-2013, Ontario Ministry of Finance

York Region's population growth has been below the Growth Plan target

Historic Actual and Forecast Annual Population Growth (2006 to 2016)



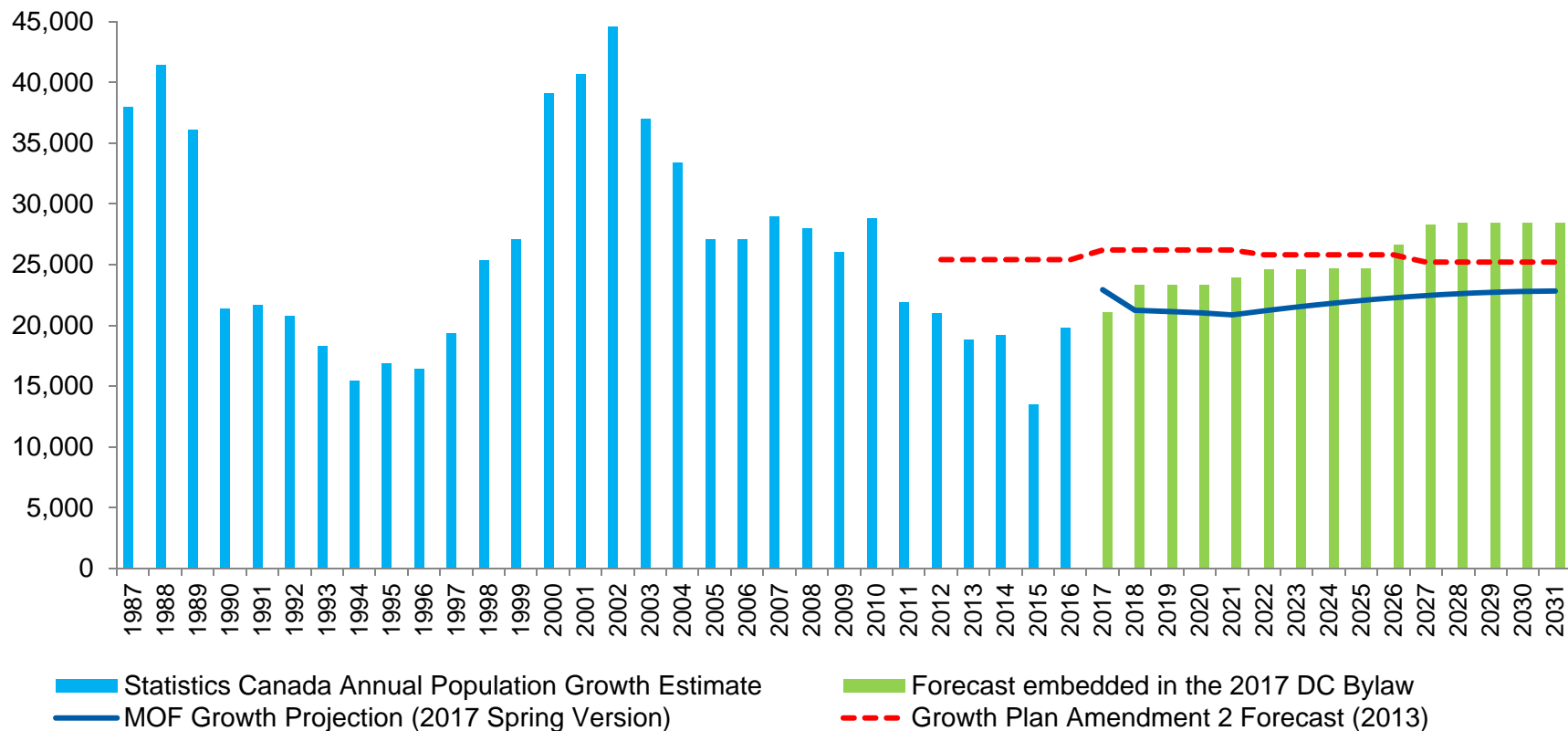
Toronto is capturing a higher than expected share of growth



Source: Statistics Canada

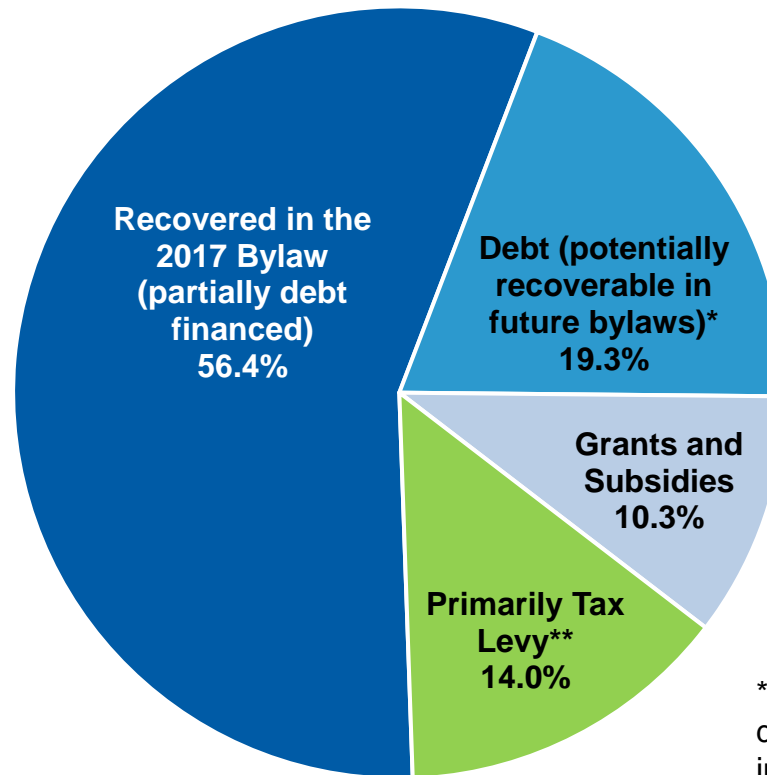
Lower-than-expected growth creates financial risks

Historic Annual Population Growth Estimate and Forecast Annual Population Growth



Even if growth takes place in line with the Growth Plan, DCs do not cover the full cost of growth

Funding Sources for Growth-Related Expenditures (2017 DC Bylaw)



* Associated with post-period benefit deductions, which translate directly into debt
** Includes tax levy and user fee

Note: development charge exemptions also lead to lower-than expected collections

The Region is making excellent progress towards financial sustainability

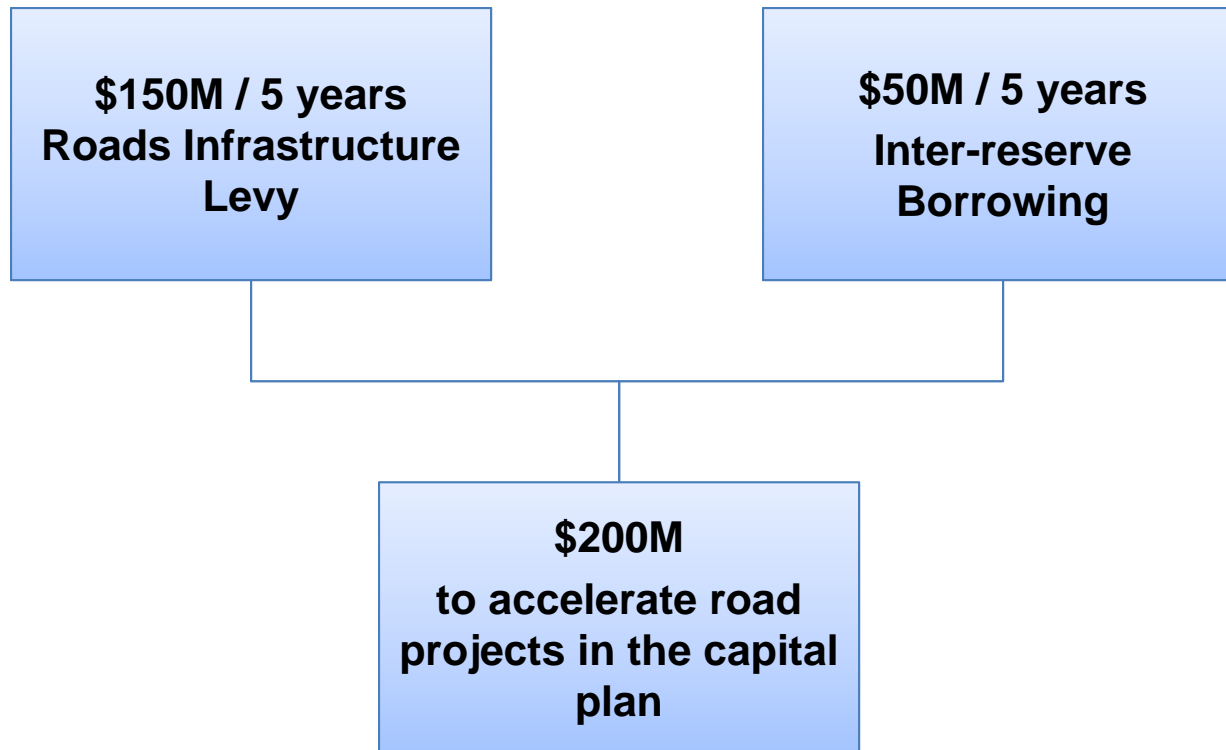
Working towards financial sustainability	A sound financial strategy is in place
	Debt will peak in 2017 and then fall
	Reserves to meet future asset management obligations are growing
	Full cost recovery for water and wastewater will be achieved by 2021
	The Region will be a net investor by 2021

The remaining steps

Next steps to achieving financial sustainability	Stay the course on prudent financial decisions already made
	Vigilant oversight of the capital plan
	Further increases in contributions to asset replacement reserves
	Federal and provincial subsidies for infrastructure mega-projects
	New revenue sources, primarily for growth-related capital

Option: Accelerating Roads Projects

A new Roads Capital Acceleration Reserve could be established to advance road projects in the capital plan



How it would work

- ❑ 1% incremental roads tax levy each year for five years
- ❑ Would apply to projects **already in the capital plan**
- ❑ Would allow high priority road projects to proceed sooner **(without increasing external debt)**
- ❑ Functions as inter-reserve borrowing – Roads Capital Acceleration Reserve would be repaid from future development charges
- ❑ Reserve would ultimately be re-purposed to capital asset replacement

Examples of projects that could be accelerated

Project Name	Capital Plan Budget Year	Accelerated Timing
16 th Avenue – Woodbine to Warden	2036	2024
16 th Avenue – Warden to Kennedy	2036	2024
Bayview Avenue – Highway 7 to 16 th Avenue	2030	2021
McCowan Road – Steeles Avenue to 14 th Avenue	2026	2022
Midblock Crossing – Highway 404 North of 16 th Avenue	2028	2021
Midblock Crossing – Highway 404 North of Major Mackenzie	2032	2024

Overview with infrastructure levy

Budget Year	2015	2016	2017	2018
Approved 2017	2.97%	2.85%	2.87%	2.65%
Proposed 2018				2.77%
With Infrastructure Levy				3.77%

Budget Review Process and Conclusion

Council / Committee Review Process



Summary of the 2018 budget

- ❑ Fourth 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 future debt levels and higher reserve balances
- ❑ No tax levy debt for the foreseeable future
- ❑ No rate-supported debt for the foreseeable future
- ❑ Proposed tax levy increase of 2.77%



**ECONOMIC
VITALITY**



**HEALTHY
COMMUNITIES**



**SUSTAINABLE
ENVIRONMENT**



**GOOD
GOVERNMENT**