

Multi-Year Budget Reduction Options

Presentation to
Committee of the Whole

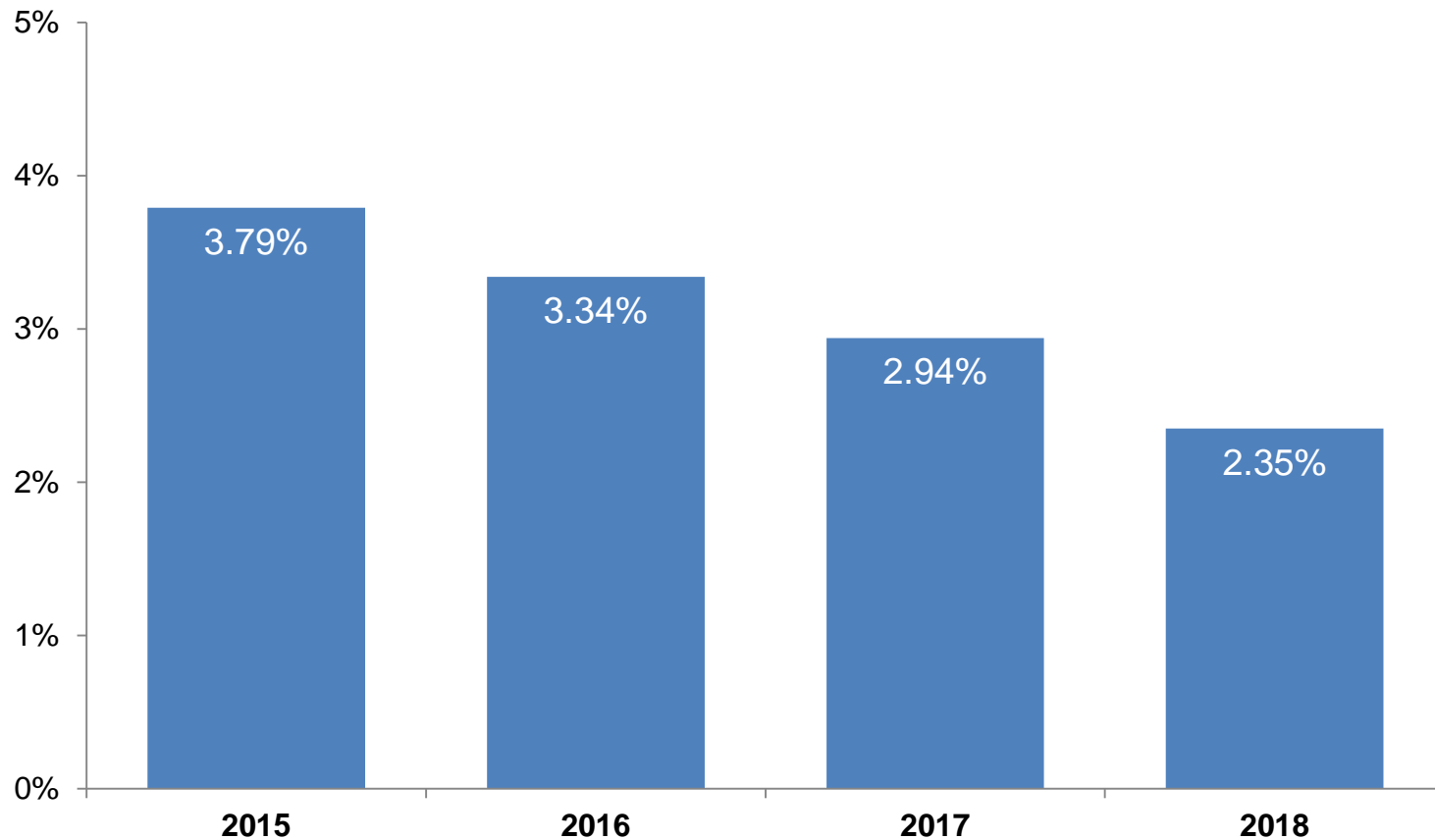
Bill Hughes

February 19, 2015



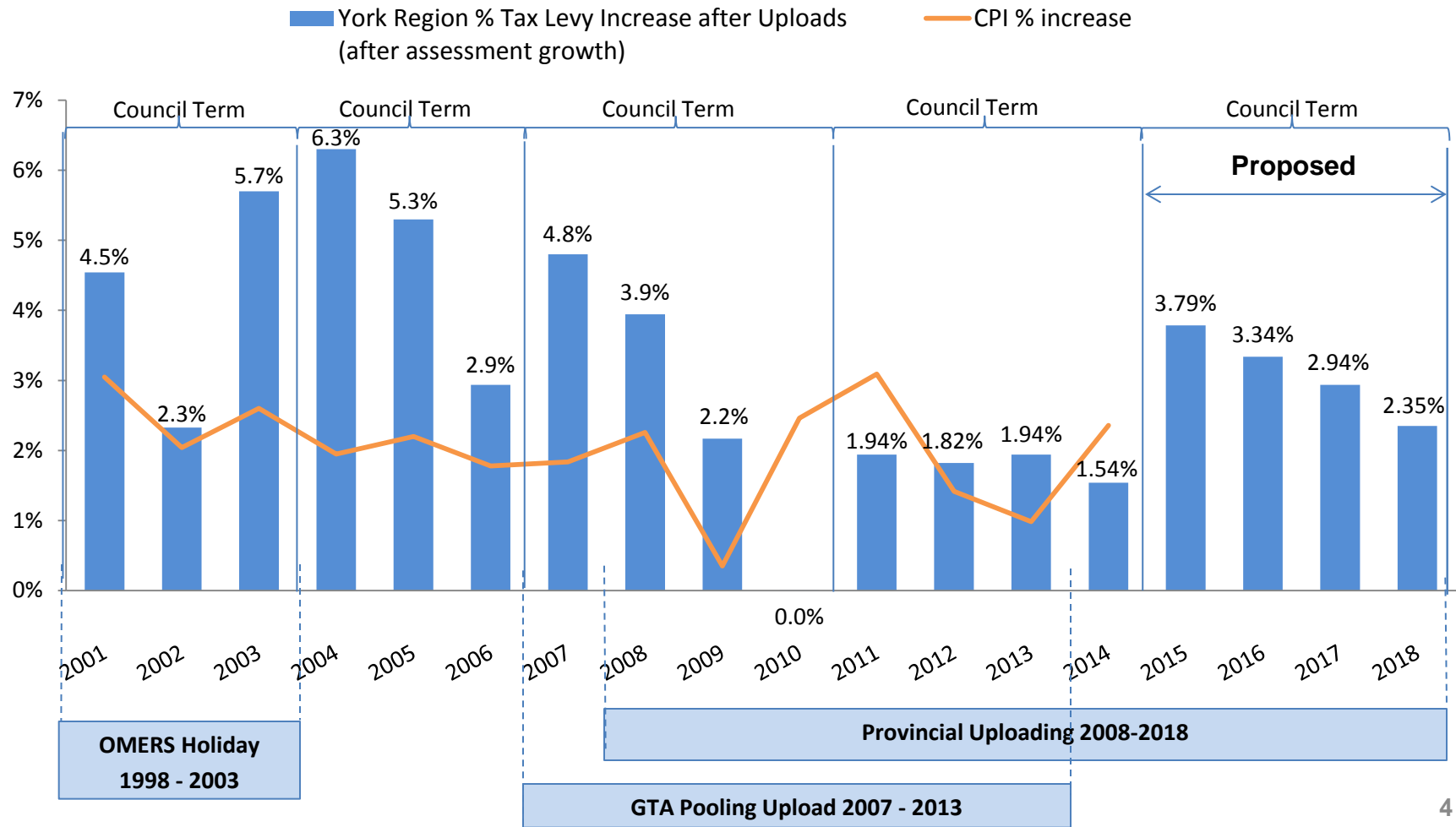
Context

Proposed tax levy increases presented to Council on January 22, 2015



History of tax levy increases

Historical York Region Net Tax Levy Increases



GTA pooling upload has come to an end

Source, \$Million	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Total
GTA Pooling	5.6	13.2	13.2	13.2	13.2	13.2	13.2	-	-	-	-	-	84.8
ODSP	-	1.3	2.9	6.7	11.4	-	-	-	-	-	-	-	22.3
Ontario Works	-	-	-	0.3	0.3	0.8	1.4	1.4	1.4	1.4	1.5	1.4	9.9
Court Security	-	-	-	-	-	0.8	0.8	0.8	0.8	0.8	0.8	0.2	5.0
Total	5.6	14.5	16.1	20.2	24.9	14.8	15.4	2.2	2.2	2.2	2.3	1.6	122.0

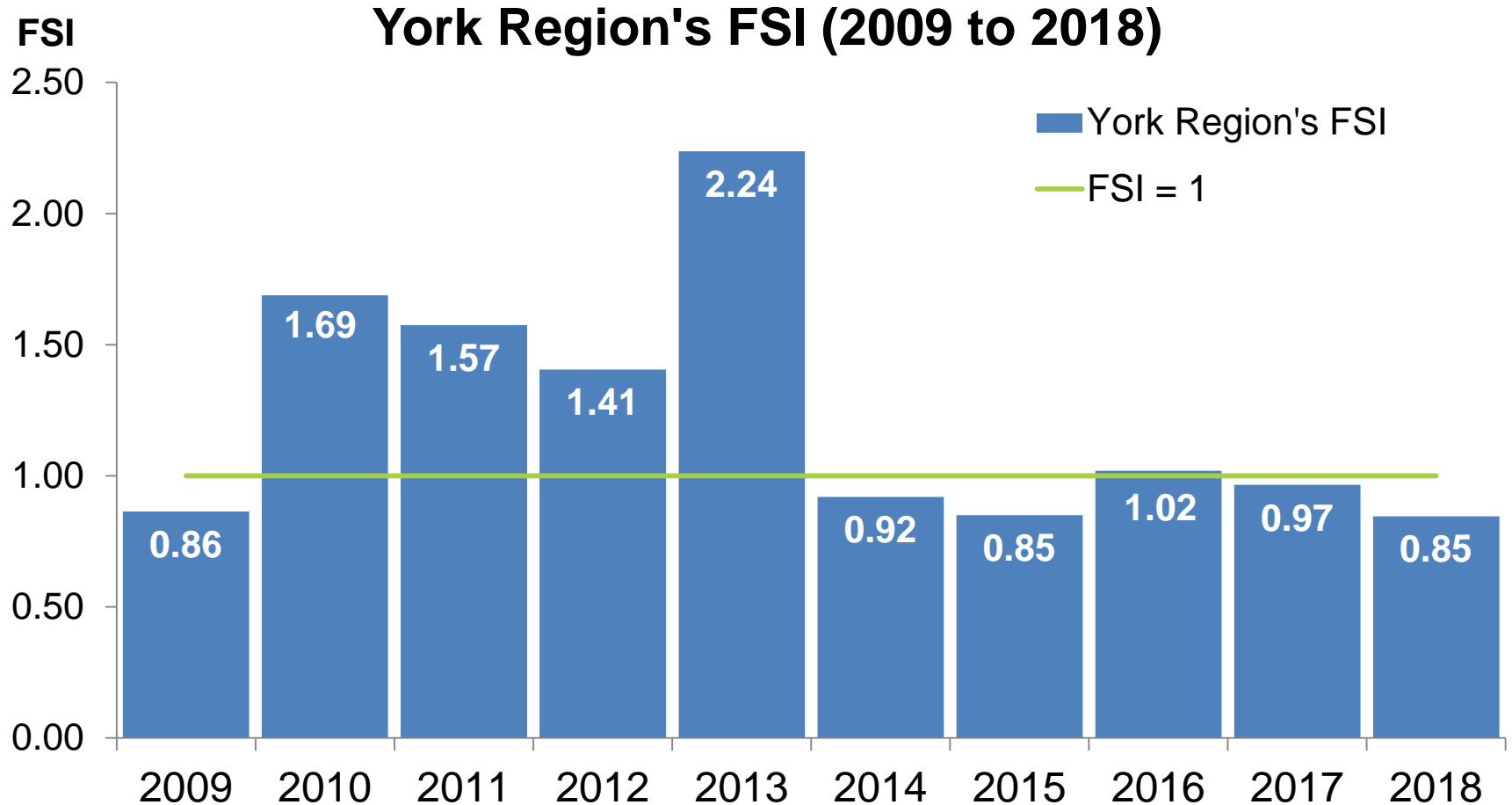
Short-term Fiscal Sustainability Index

- Developed by the City of Edmonton, the Fiscal Sustainability Index is one measure used to track whether spending growth is reasonable

$$FSI = \frac{\% \text{ Change in Operating Spending (Actuals)}}{\% \text{ Population Growth} + \% \text{ Inflation Growth}}$$

- An FSI equal to 1 means that spending is growing in lockstep with growth and inflation
- The most accurate measurement of a short-term Fiscal Sustainability Index requires a Municipal Price Index, as outlined in the Budget submission

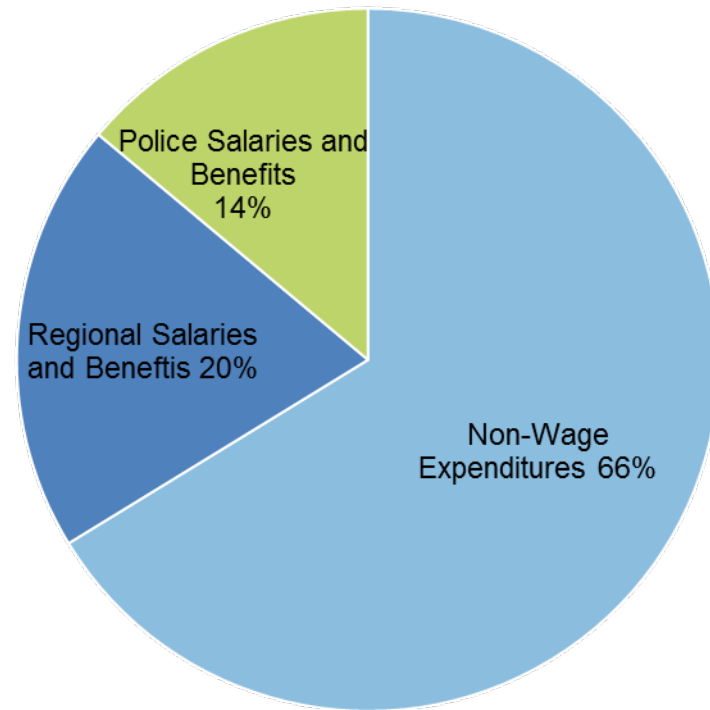
Fiscal Sustainability Index below one



Assessment Growth and the Fiscal Sustainability Index

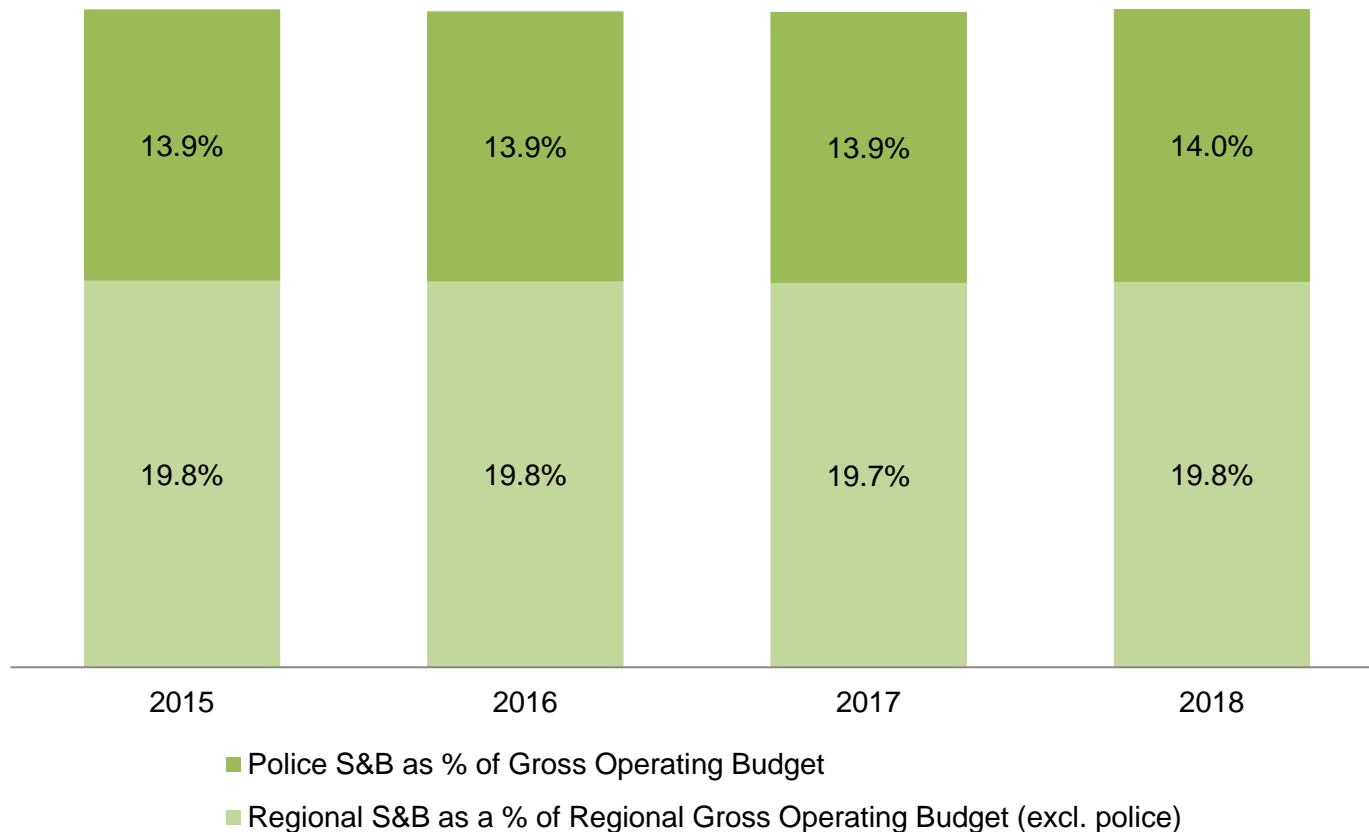
- ❑ If the cost of providing services to new people and businesses is approximately equal to the extra tax revenue resulting from assessment growth, why would tax increases need to be any greater than inflation (measured by the Municipal Price Index)?
- ❑ In a stable municipality with relatively low rates of growth and consistent service levels, it would be reasonable to expect taxes to grow at the rate of inflation
- ❑ That is not the case in high growth municipalities like York Region, where assessment growth is also needed for other purposes:
 - ❑ To compensate for the costs of growth not covered by development charges, which are very substantial
 - ❑ To enhance service levels, as service levels are usually rising in a growing municipality

Salaries and benefits as a share of the 2015 gross operating budget

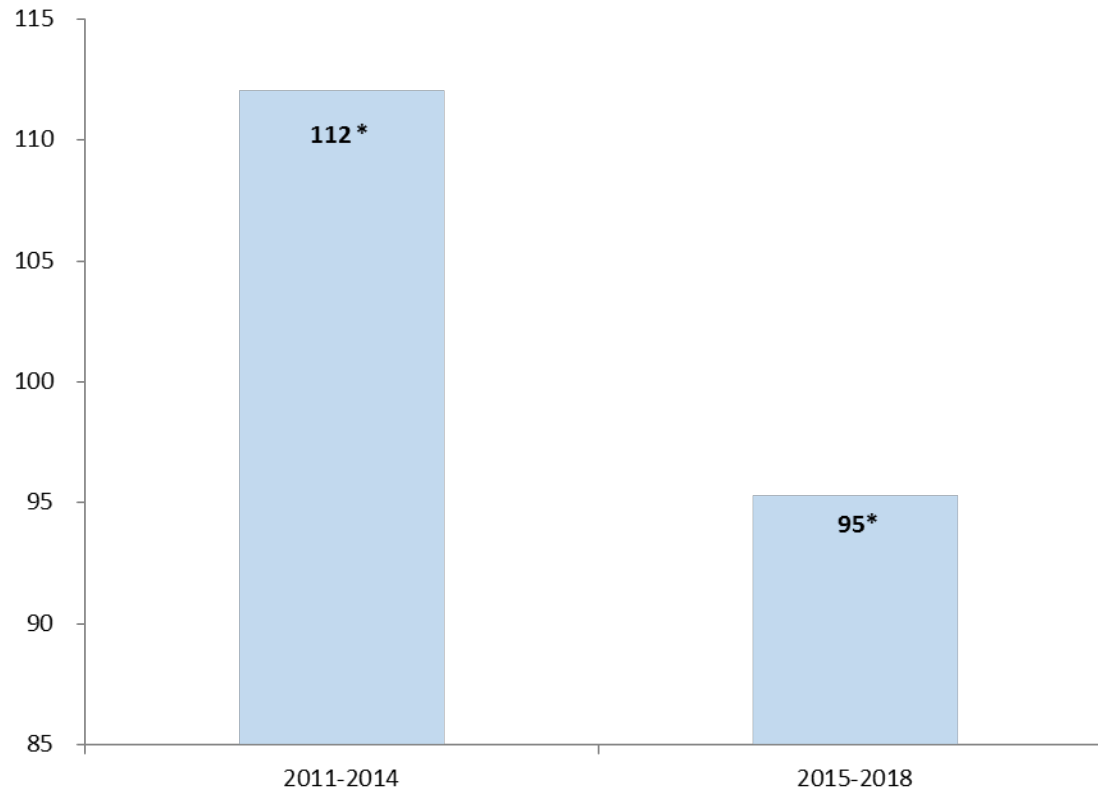


Total Salaries and Benefits represent 34% of the total \$1.9 billion operating budget.

Salaries and benefits as a % of gross operating budgets remain stable



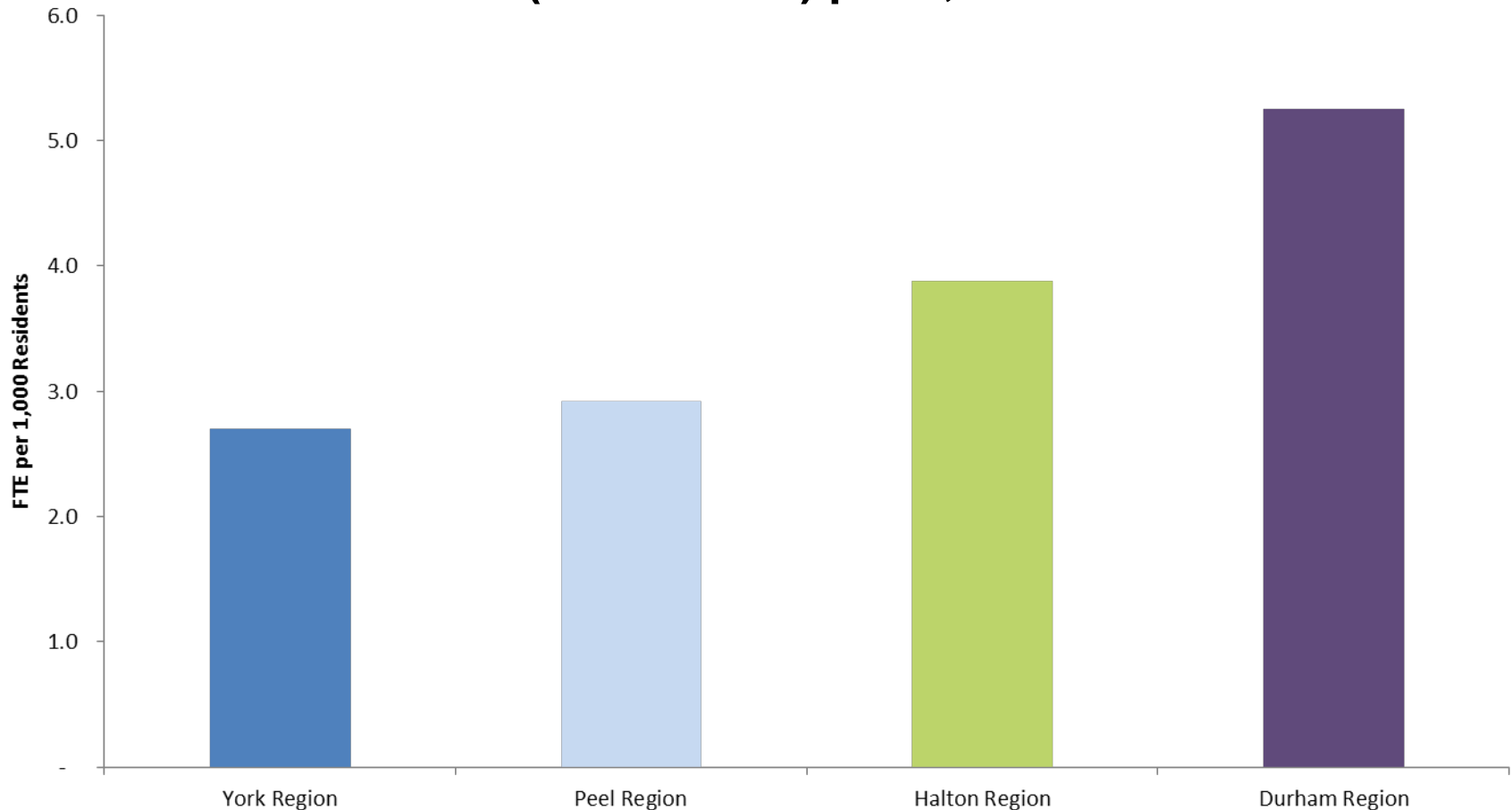
Average annual FTE growth is lower in the 2015 - 2018 budget



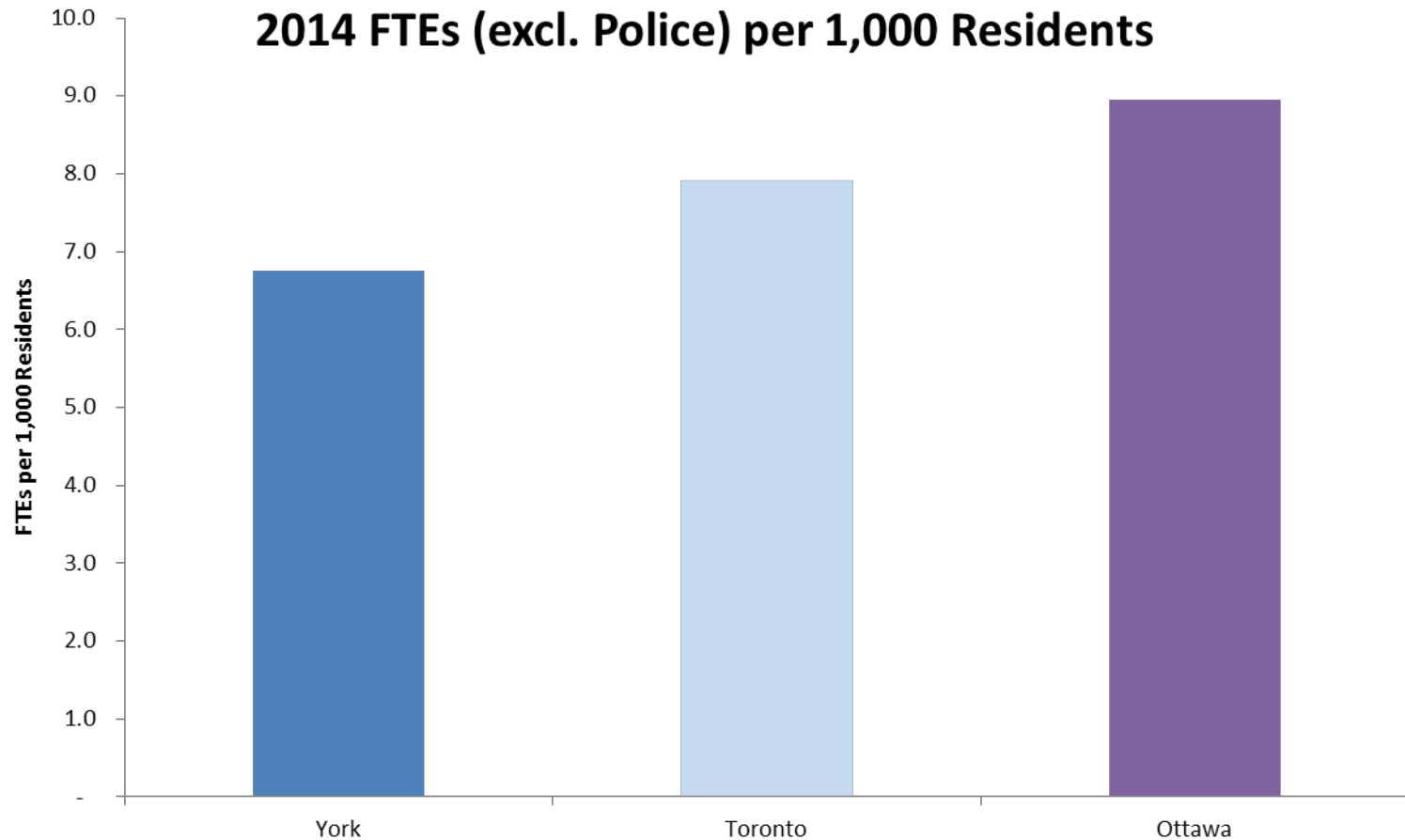
* Regional staff only. Excludes YRP

York Region's staffing per 1,000 residents is lower than other 905 municipalities

2014 FTEs (excl. Police) per 1,000 Residents



York Region's staffing per 1,000 residents is also lower than Toronto and Ottawa



* York includes FTEs employed by both regional and local municipal governments.

Potential levers for reductions

Technical

- MPAC
- Public Health funding

Risk

- Fuel
- Insurance
- Fiscal Stabilization
- Contingency

Service Level

- FTEs
- Program delivery

Option 1

0.5% reduction in 2015
and reduction below 3.0% in 2016

Technical Adjustments

- 2015 MPAC fees were recently confirmed at \$458,025 lower than proposed 2015 budget
 - This is a one-time adjustment for 2015
- The Ministry of Health is providing an additional \$745,000 in base Public Health funding

Risk Adjustment: Corporate Contingency reduction

- The budget contains \$1.25 million in corporate contingency funding each year
- This could be reduced to its former level of \$500,000 for a savings of \$750,000 per year

Impacts: Less ability to respond to unexpected in-year changes. Lower contributions to the Debt Reduction Reserve

Risk Adjustment: major reductions to Fiscal Stabilization Reserve contributions

- Council established the Fiscal Stabilization Reserve in 2012 to help protect the Region against potential revenue shocks.
- The budget contains varying contributions to the reserve, which could be significantly reduced.
- The following reductions could be considered:

Year	\$ millions
2015	(2.5)
2016	(6.3)
2017	(6.0)
2018	(6.0)

Risk Adjustment: Insurance

- The budget contains measures to modestly increase the insurance reserve
- They could be eliminated beginning in 2016, for a savings of \$500,000 per year

Impacts: Modest additional risk related to insurance obligations. Lower contributions to the Debt Reduction Reserve

Risk Adjustment: Corporate fuel stabilization budget reduction

- The corporate fuel budget contains 15 cents a litre in 2015 and 2016, for a total of \$3.75 million
- The budget contains an increase in the corporate fuel budget of five cents a litre in 2017
- Given the recent fall in fuel prices, it would be possible to reduce the budget by \$1.25 million in 2016 and 2017

Impacts: Potential exposure to rising prices. Lower contributions to the Debt Reduction Reserve

Summary of Option 1

\$Millions	2015	2016	2017	2018
Technical Adjustments:				
MPAC fee reduction	(0.5)	-	-	-
Public Health revenue recognition	(0.7)	(0.7)	(0.7)	(0.7)
Risk Adjustments				
Corporate contingency reduction	(0.8)	(0.8)	(0.8)	(0.8)
Fiscal stabilization reserve reduction	(2.5)	(6.3)	(6.0)	(6.0)
Insurance reserve reduction	-	(0.5)	(0.5)	(0.5)
Fuel stabilization reduction	-	-	(1.25)	(1.25)
Total Adjustments	(4.5)	(8.3)	(9.2)	(9.2)
Tax Levy Increase under Option 1	3.29%	2.95%	2.87%	2.37%

Option 2

1% reduction in 2015 and reductions to below the new 2015 increase in outlook years

All measures in Option 1 plus service level reductions and further risk adjustments

Service Level Adjustment: staffing reduction

- 10% reduction in incremental 2015 FTEs (15% reduction in tax-supported FTEs)
- Further 4.5% reduction in incremental 2016 FTEs
- Staffing reduction:

\$Millions	2015	2016	2017	2018
2015 10% reduction	(1.2)	(1.2)	(1.2)	(1.2)
2016 reduction	-	(0.5)	(0.5)	(0.5)
Total	(1.2)	(1.7)	(1.7)	(1.7)

Criteria for potential service level reductions

- Discretionary programs within Regional control
- Impact on tax levy (exclude rate-based programs)
- Not provincially mandated or subsidized (large cuts needed to affect tax levy)

Service Level Adjustment: Transit service reduction

- \$0.5M could be saved by eliminating the most expensive transit routes with the lowest ridership

\$Millions	2015	2016	2017	2018
Service reduction on routes with low ridership	(0.5)	(0.5)	(0.5)	(0.5)

Impacts:

- Will have a local municipality impact.
- Could result in customer complaints and inconsistent service levels across municipalities.

Service Level Adjustment: reduce Housing Repair and Renovation Pilot Program by 50%

- Reduction of \$150K/year

\$Millions	2015	2016	2017	2018
50% reduction to the Housing Repair and Renovation Pilot	(0.15)	(0.15)	(0.15)	(0.15)

Impacts:

- The proposed reduction reduces the total number of families served from approximately 50 to 25.
- The program includes assistance to enable seniors to return home from hospital or to delay placement in long term care. It also funds emergency repairs such as replacement of furnaces no longer in service. Without this program, some York Region residents may not be able to remain in their homes.
- With the cancellation of a federal program in 2012, the Region's program is the only source of funds for low income homeowners who need urgent repairs/accessibility modifications to stay in their homes.

Service Level Adjustment: reduce Community Development Investment Fund by \$1M beginning in 2016

- Reduction of \$1M beginning in 2016.
- Council approved 2015 disbursements in November 2014.

\$Millions	2015	2016	2017	2018
Reduce Community Development Investment Fund	-	(1.0)	(1.0)	(1.0)

Impacts:

- A \$1M reduction will result in a 19% funding cut to community agencies.
- Calls for proposals will be the lowest call to the community since 2008.
- With the reduction, the Region will be able to fund approximately 19 projects in comparison to 27 one-year projects funded in 2015.

Service Level Adjustment: Police reduction

- A reduction of \$1M per year in Police Services could be requested
- Any reduction in the Police Services budget would have to be approved by the Police Services Board
- This would represent approximately 0.3% of the Police Services gross budget in 2015

Risk Adjustment: further reduction to Fiscal Stabilization Reserve

- Council established the Fiscal Stabilization Reserve to help protect the Region against revenue shocks
- Additional reductions over and above the reductions in Option 1 could be considered:

Year	\$ millions
2015	(1.6)
2016	(2.1)
2017	(3.9)
2018	(4.3)

Summary of Option 2

\$Millions	2015	2016	2017	2018
Option 1	(4.5)	(8.3)	(9.2)	(9.2)
Tax Levy Increase under Option 1	3.29%	2.95%	2.87%	2.37%
Option 2				
Service Level Adjustment				
10% staffing reduction	(1.2)	(1.2)	(1.2)	(1.2)
Staffing Reduction in 2016	-	(0.5)	(0.5)	(0.5)
Program Reductions	(0.7)	(1.7)	(1.7)	(1.7)
Police Services Reductions	(1.0)	(1.0)	(1.0)	(1.0)
Risk Adjustment				
Further reductions to Fiscal Stabilization Reserve	(1.6)	(2.1)	(3.9)	(4.3)
Total Option 2 Adjustments	(4.5)	(6.5)	(8.3)	(8.7)
Tax Levy Increase under Option 2	2.79%	2.75%	2.70%	2.35%