

Environmental Services 2014 Business Plan & Budget

Presentation to Committee of the Whole

Erin Mahoney

December 12, 2013

Agenda

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2 CAPITAL >

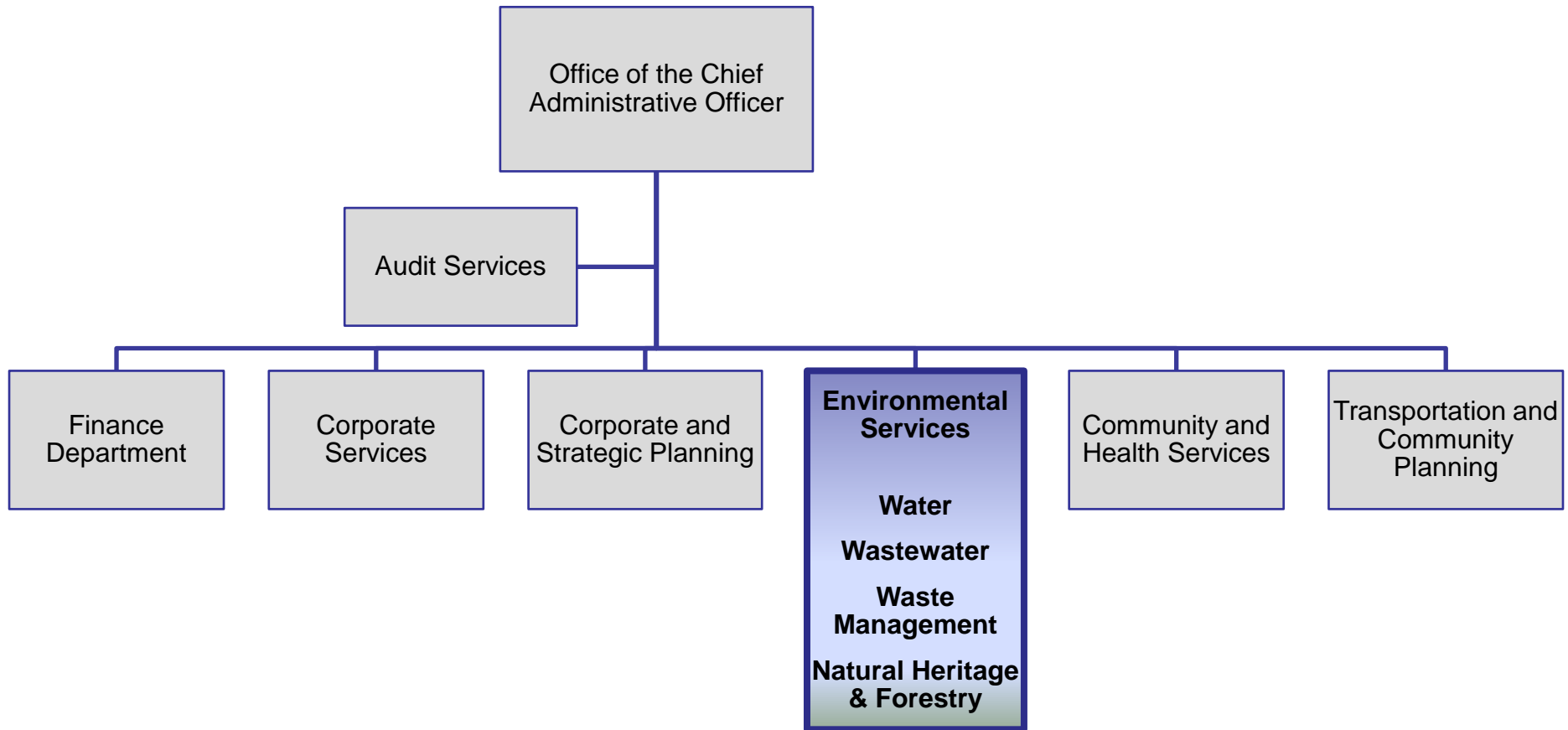
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1 OVERVIEW

York Region Organizational Structure



2013 Environmental Services Branch program areas

Commissioner,
Environmental Services
Erin Mahoney

Director,
Operations
Maintenance &
Monitoring
Brett Bloxam

Director,
Capital Planning &
Delivery
Daniel Kostopoulos
Mike Rabeau (Acting)

Director,
Environmental
Promotion &
Protection
Laura McDowell

Director,
Strategy & Business
Planning
Lucas Cugalj

Operate & Maintain Pumping
Stations

Operate & Maintain Treatment
Plants & Groundwater Systems

Maintain & Monitor Storage
Facilities

Inspect & Maintain Linear
Assets

Preventative Maintenance

Calibration & Process Control

Statutory Training

Systems Modelling

Capacity Monitoring &
Assessment

Environmental Assessments

Capital Implementation
Planning

Conceptual, Preliminary &
Detailed Design

Capital Construction,
Commissioning & Turnover

Monitoring & Oversight of Cost
Shared Capital

Comprehensive Project
Management

Program Planning, Promotion &
Public Education

Regulatory Compliance &
Reporting

Forestry & Natural Heritage

Policy Planning Research &
Development

Communications & Public
Engagement

Quality Management Standard
Audit / Program Management

Source Water Protection

Hydrogeological Monitoring &
Analysis

Waste Management Diversion &
Disposal

Operate & Maintain Community
Environmental Centres

Strategic & Business Planning

Financial Management &
Reporting

Business & Continuous
Improvement

Information Management

Administrative & Business
Support

Employee Training &
Development

Business Continuity Planning &
Preparedness

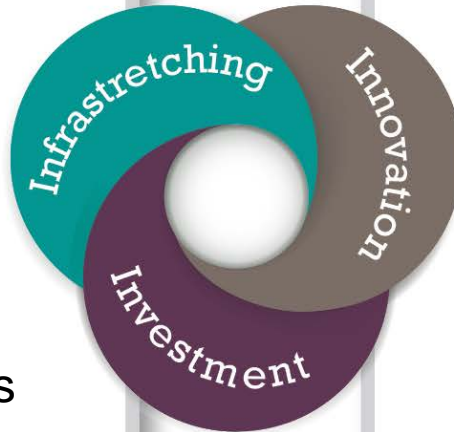
Contract Management &
Monitoring

Infrastructure & Asset
Management

Core Service Delivery Responsibilities

REALIZING OPERATIONAL EXCELLENCE

- Providing services to 1.1M residents
- Managing \$3.5B in capital infrastructure
- Managing 374,000 tonnes of solid waste per year
- Complying with complex Provincial environmental regulations



DELIVERING CRITICAL INFRASTRUCTURE

- Driving \$3.2B 10-Year capital plan
- Implementing asset management for infrastructure renewal
- Growing educational and advocacy programs to reduce per capita water use and waste generation

2013 Key Accomplishments



Water

- Zero non-compliances with Ministry of the Environment facility inspections
- Participated in research and innovation initiatives with leading industry partners
- Maintained water quality and compliance in a complex regulatory framework
- Delivered \$155M of water capital across 66 projects



Wastewater

- Additional capacity assigned within the York-Durham Sewage System service area to accommodate approved growth
- Eco-Justice Report confirmed Duffin Creek as second highest rated Wastewater Plant
- Delivered \$269M of wastewater capital across 55 projects



Waste Management

- Completed SM4RT Living Master Plan in collaboration with Local Municipal Partners
- Finalized 40,000 tonne source separated organics and 70,000 tonne energy-from-waste contracts
- Advanced construction on Durham York Energy Centre
- Advocated municipal position on proposed *Waste Reduction Act*



Forestry

- Planted 2,100 trees and removed 1,500 Emerald Ash Borer infested trees
- Secured 120 hectares of forested property
- Commissioned 2.5 kilometres of VivaNext Streetscaping
- Planted 1 millionth tree

2014 Key Initiatives



Achieve Excellent Performance

- Regulatory Excellence Action Plan
- Deliver \$461M of capital across more than 115 projects
- Complete Durham York Energy Centre
- Forestry bylaw regulatory improvements



Demonstrate Leadership

- Increase regional system capacity to accommodate growth
- Raise public awareness through 'Water Is' campaign
- Initiate implementation of SM4RT Living Master Plan
- Update Water and Wastewater Master Plan



Proactively Manage Risk

- Deliver comprehensive asset management strategy for aging assets
- Develop source water protection risk management programs
- Enhance partnerships with conservation authorities to protect assets
- Monitor Inflow and Infiltration reduction



Sustain Financial Management

- Smooth capital delivery requirements over 10-year plan
- Develop multi-year full-cost recovery pricing structure
- Implement energy management initiatives to reduce cost per capita

Key Budget Drivers



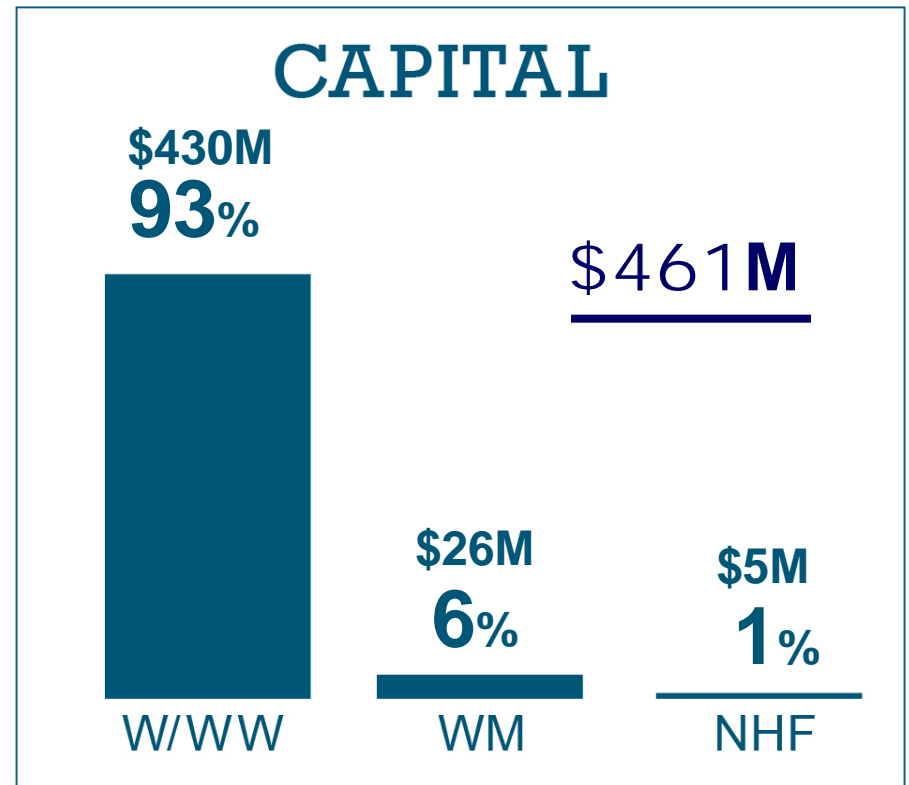
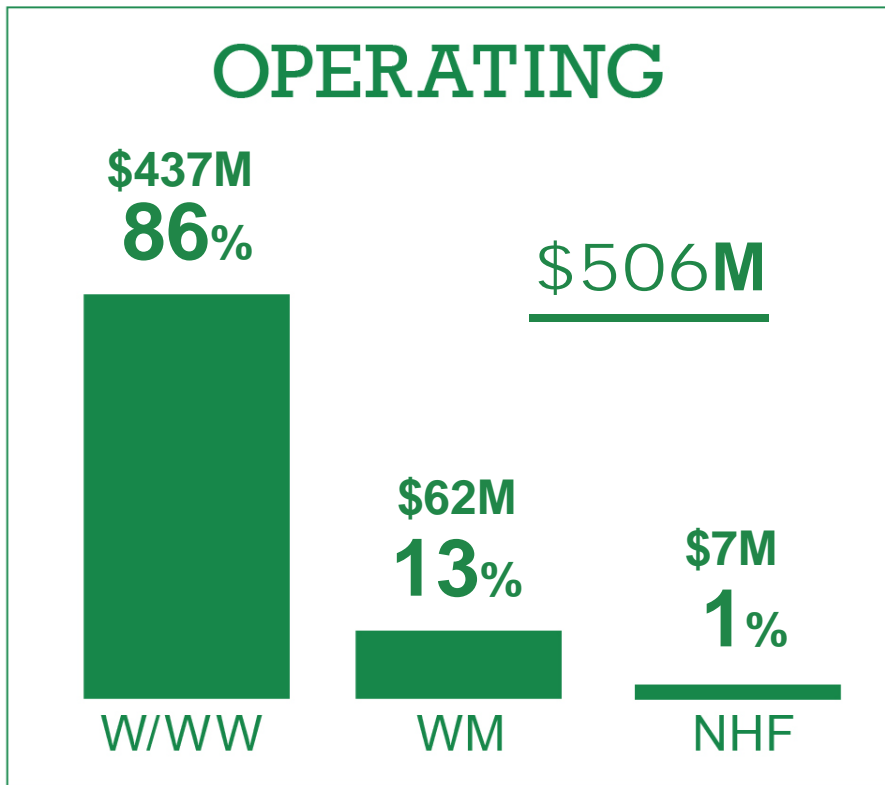
Business Challenges

- Population growth increases demand for water, wastewater, waste management services and street tree maintenance
- Aging infrastructure with increasing capital needs to replace and upgrade systems
- Maintaining compliance in a complex regulatory framework and working environment
- Waste Diversion Ontario revenue uncertainty
- Working in an urbanizing environment increases complexity of capital delivery
- Acceleration of Emerald Ash Borer infestation
- Street tree maintenance requirements for VivaNext Rapidways

Balancing operational excellence today while investing for growth tomorrow



Overview of 2014 Budget



Water and Wastewater accounts for 90% of the nearly \$1B spending planned for 2014 in Environmental Services

High Quality Service Provided Through Evidence-Based Decision-Making

zero

water restrictions
since 2008

zero

boil water
advisories
since 2004

82%

of waste in 2012
was diverted
from landfill

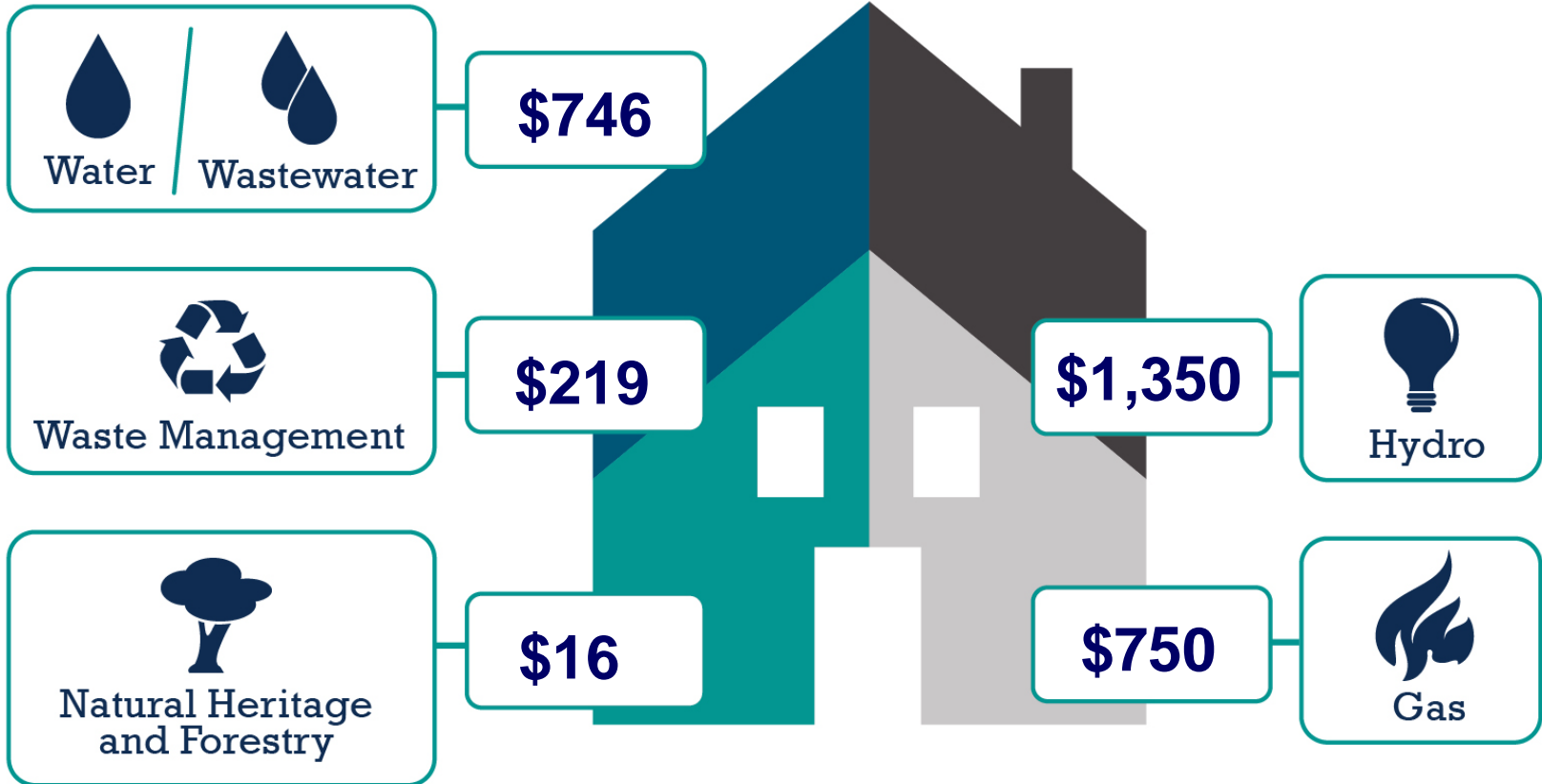
100%

of York Region
residents rely on
our services

28,231

preventative maintenance
work orders without service interruptions
from October 2012 to October 2013

Annual Environmental Services vs. Other Household Costs



Average Hydro and Gas costs based on 2011 average use per household in Ontario per Statistics Canada

2013 Service Volume Indicators

(% Increase from 2005 to 2013)



**Gross Cost of
Capital Delivery**
\$521M
87% increase



**Budgeted 10-Year
Capital Plan**
\$4.0B
160% increase



**Facilities
Managed**
144
36% increase



**Kilometres of
Water/Sewer Mains
Maintained**
618 kms
55% increase

2013 Service Volume Indicators *Cont'd*

(% Increase from 2005 to 2013)



Built Assets
\$3.5B
183% increase



WDO Diversion Rate (Forecasted)
58%
76% increase



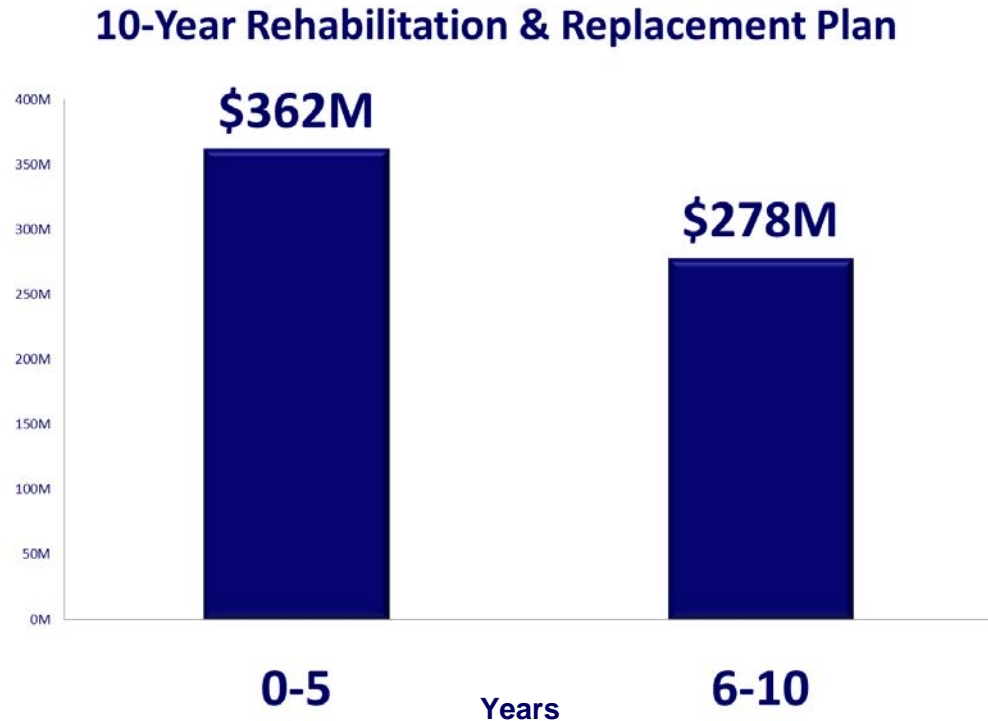
Street Tree Assets
36,000
140% increase



Gross Operating Expenditures
\$485M
162% increase

Strategically Investing in Infrastructure

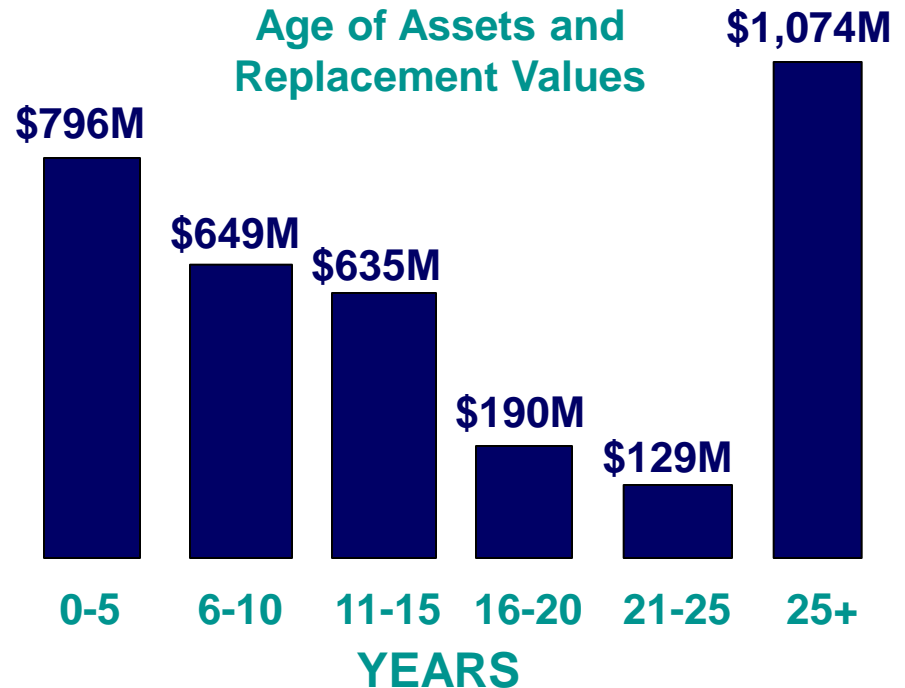
- \$64M average annual investment over the next 10 years required to rehabilitate and replace infrastructure
- Key asset management projects include:
 - Duffin Creek Reactors \$132M
 - Trunk Sewers \$102M
 - Southeast Collector \$92M
 - Transmission Mains \$39M



Long-term asset management planning identifies over \$1B investment required by 2033

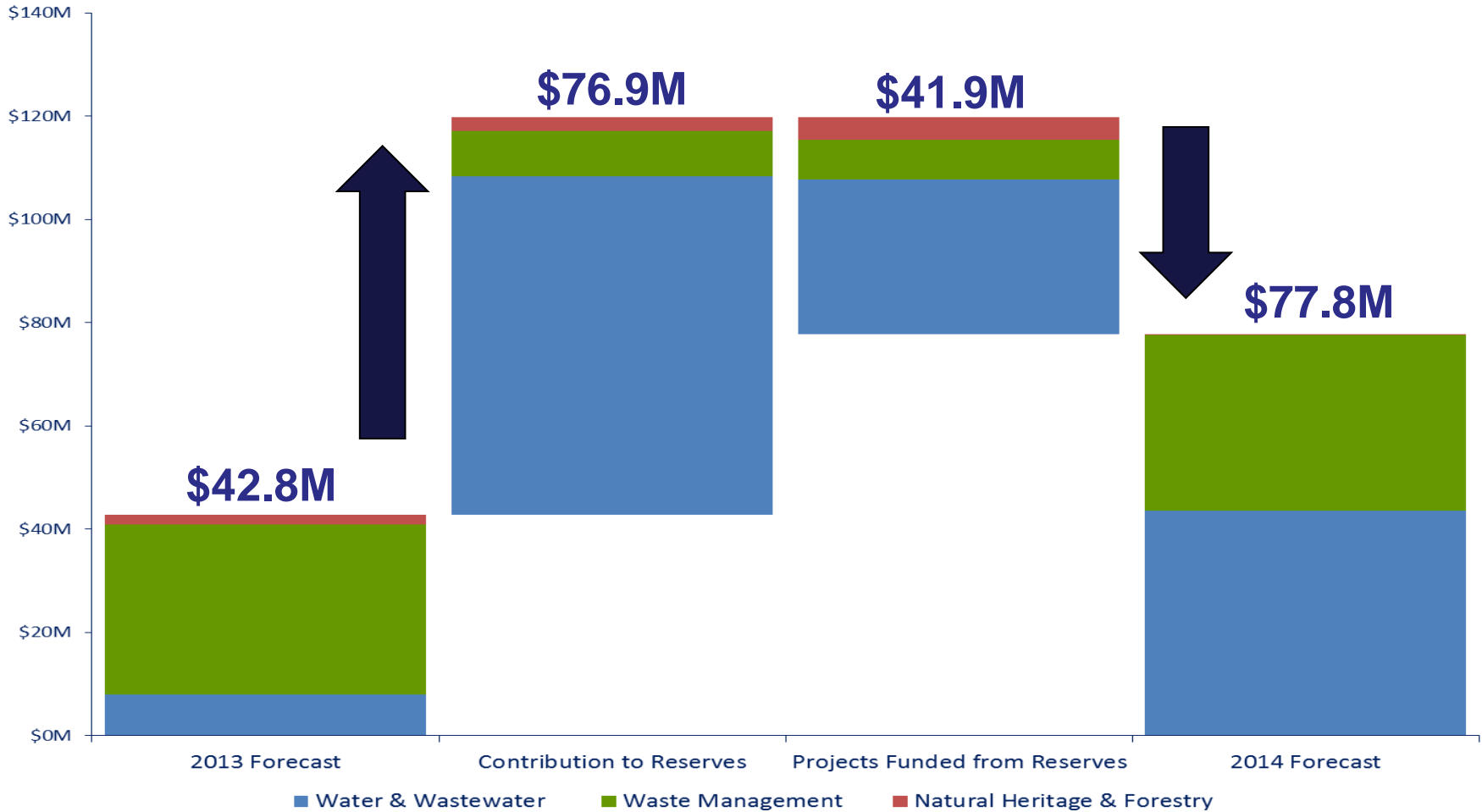
Reserves and Future Infrastructure Investment

- 14% of 2014 water and wastewater rate contributes to capital replacement reserves
- Over \$18M of blue box revenues contributed to Solid Waste Reserve since 2009
- Financial sustainability requires saving for future capital asset lifecycle and replacement investments



Significant investment in infrastructure requires continued reserve contributions for asset management

Status of Reserves 2014 Forecast



2 CAPITAL

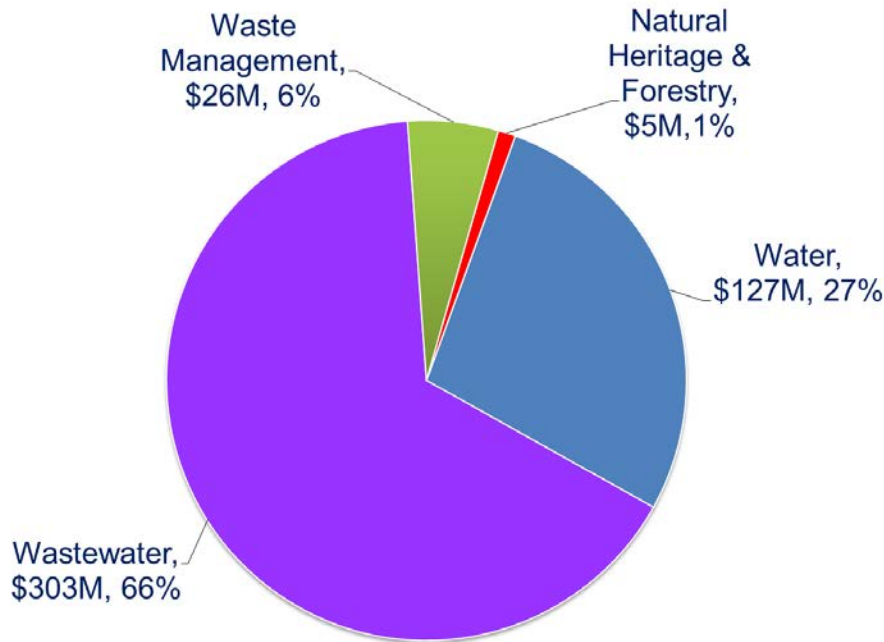
Proposed Capital Budget at a Glance

2014 Capital Budget	\$ Millions
Capital Budget for 2014	461
10-Year Plan	3,165
Capital Spending Authority (CSA)	1,331
CSA Change from Approved Outlook (10-Year Total)	136

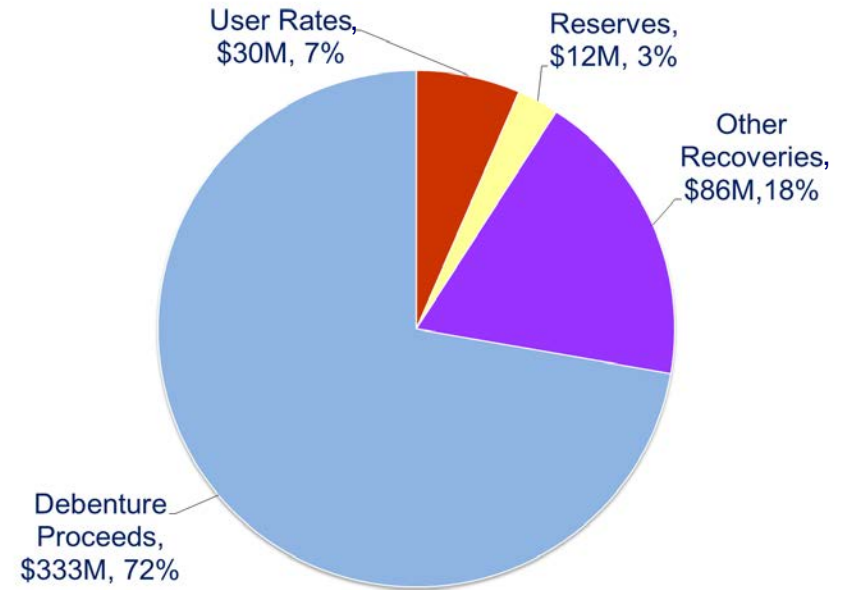
Environmental Services Capital Budget focused on delivering required capacity to service growth

2014 Capital Budget Overview

Gross Expenditures \$461 Million

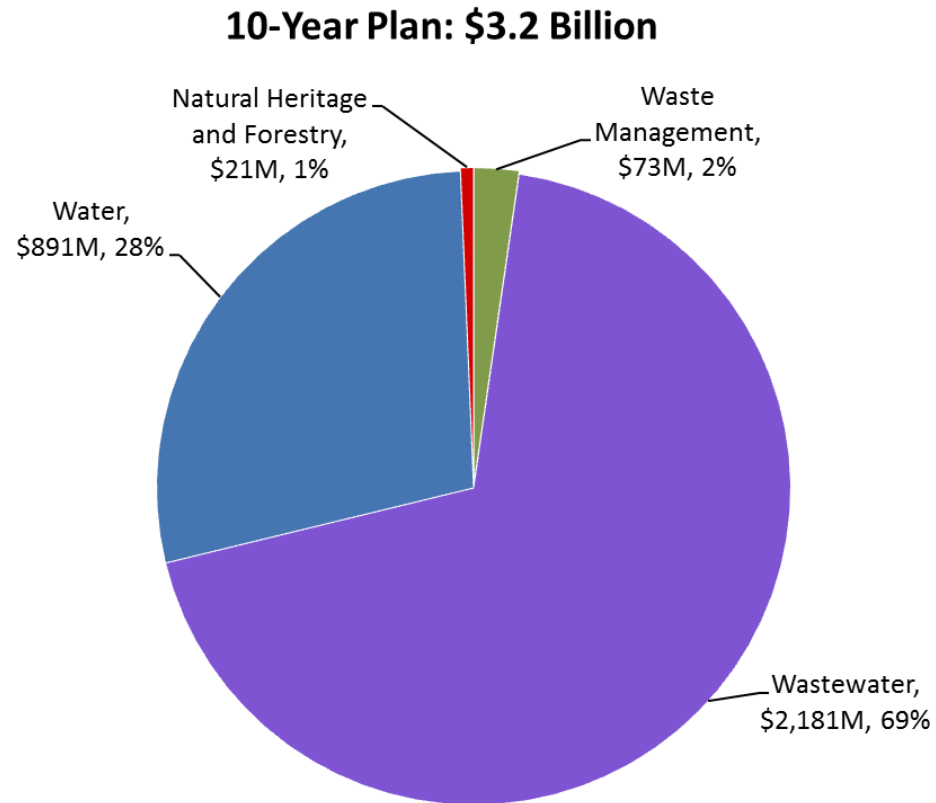


Financing Sources \$461 Million



\$461M 2014 Capital Budget with over 115 active projects

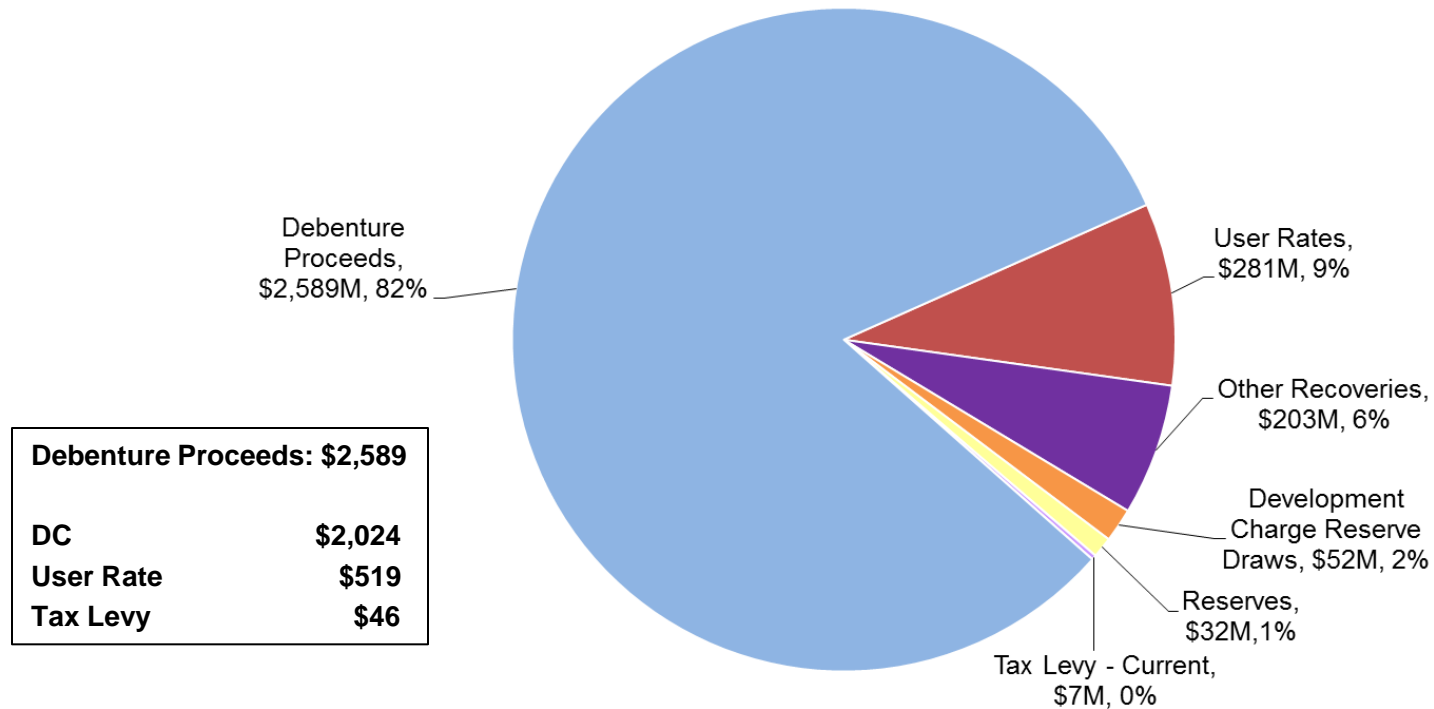
10-Year Capital Plan



\$3B Water and Wastewater Budget represents 97% of 10-Year Capital Plan

10-Year Capital Financing

10-Year Financing Sources: \$3.2 Billion



Over 80% of 10-Year Capital Plan financed through debentures

2014 to 2023 Capital Plan



Water

\$891M

Asset Rehabilitation & Replacement

\$172M

Peel Cost Share

\$142M

Toronto Cost Share

\$95M

East Vaughan Servicing

\$61M



Wastewater

\$2,181M

Asset Rehabilitation & Replacement

\$450M

Upper York

\$419M

Duffin Creek Upgrades

\$221M

West Vaughan Servicing

\$215M



Waste Management

\$73M

Community Environmental Centres

\$22M

Durham York Energy Centre

\$19M

Source Separated Organics Facility

\$16M



Natural Heritage and Forestry

\$21M

Street Tree Planting

\$10M

Stewardship and Education Centre

\$3M

Emerald Ash Borer

Street Tree

Replacement

\$3M

\$3.2B 10-Year Capital Plan with 76% related to growth

Proposed Capital Changes to 2014 Approved Budget

Capital Budget

Capital Spending Authority

2014 approved outlook	\$646M
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2014 approved outlook	\$1,195M
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proposed change	(\$185M)
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proposed change	\$ 136M
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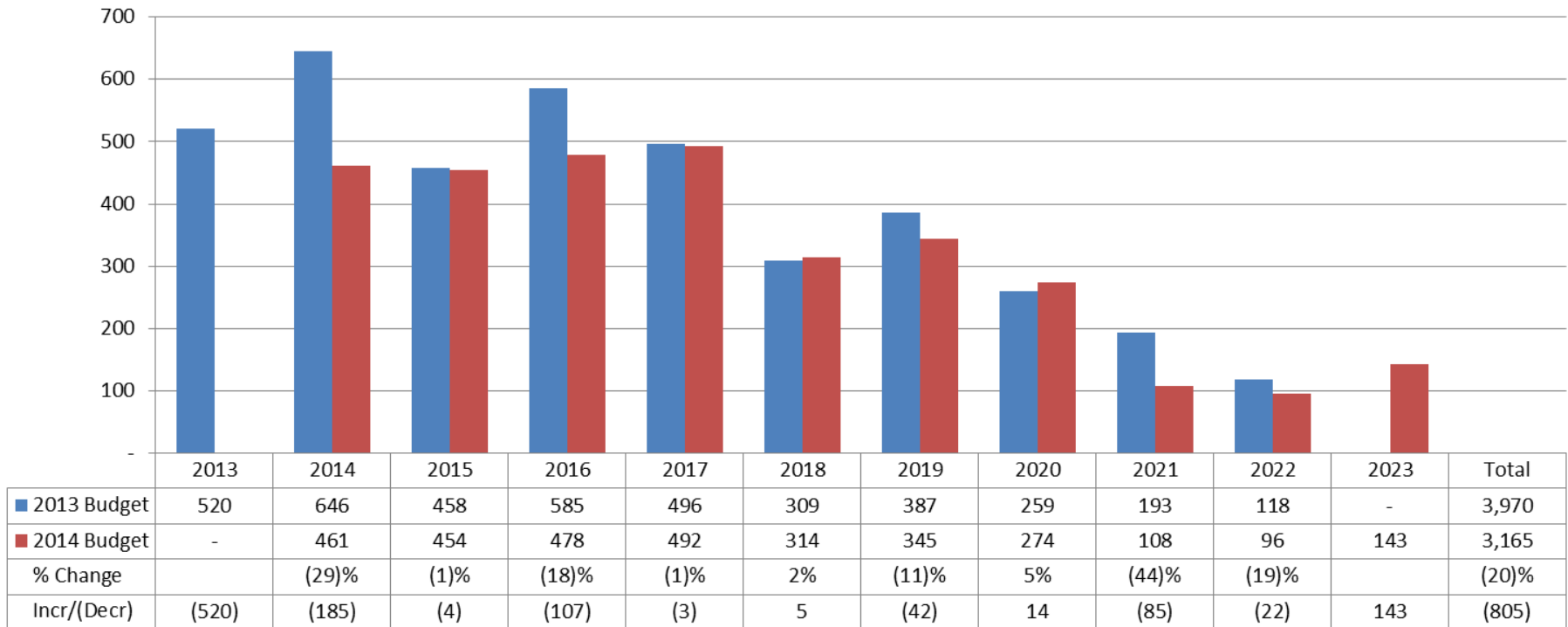
2014 proposed budget	\$461M
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2014 proposed budget	\$1,331M
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Continuing to deliver growth capacity while optimizing annual capital spending

2013 Plan vs. 2014 Plan

10-Year 2014 Budget Comparison to 2013 Budget (\$M)

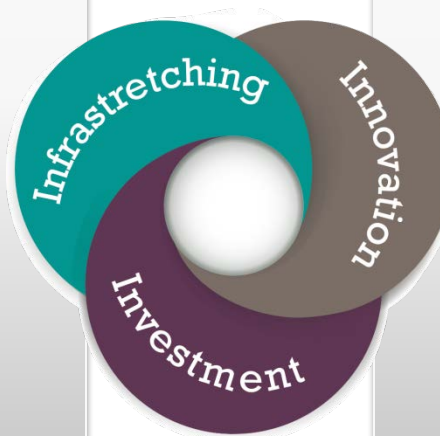


Proposed 10-Year Capital Plan smooths spending while delivering required capacity

Driving Reductions in the 10-Year Capital Plan

Unlocking Value of Water Conservation

- Continued reduced consumption rates drive \$226M of project deferrals and reductions
- Key projects include:
 - Toronto Cost-Shared \$126M
 - Peel Cost-Shared \$100M



Innovations in Capital Delivery

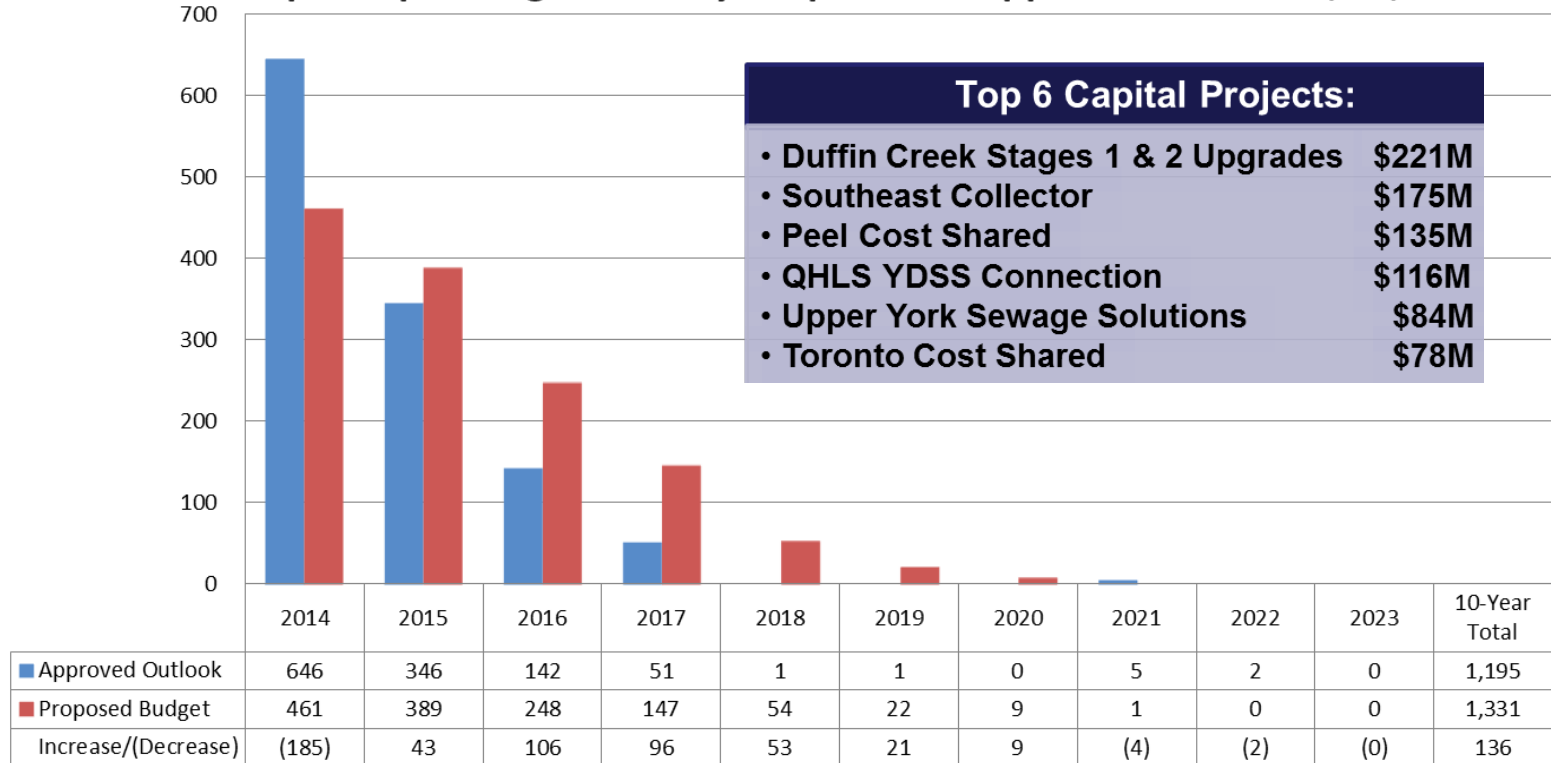
- Key projects include:
 - Duffin Creek Outfall modifications saves \$148M
 - Upper York Sewage Solutions Phasing in 2 modules saves \$70M

47% reduction due to shifting of 10-Year time period

- \$377M reduction due to lower spending in 2023 versus 2013 due to majority of growth program spent in first four years of the 10-Year plan

Capital Spending Authority (CSA)

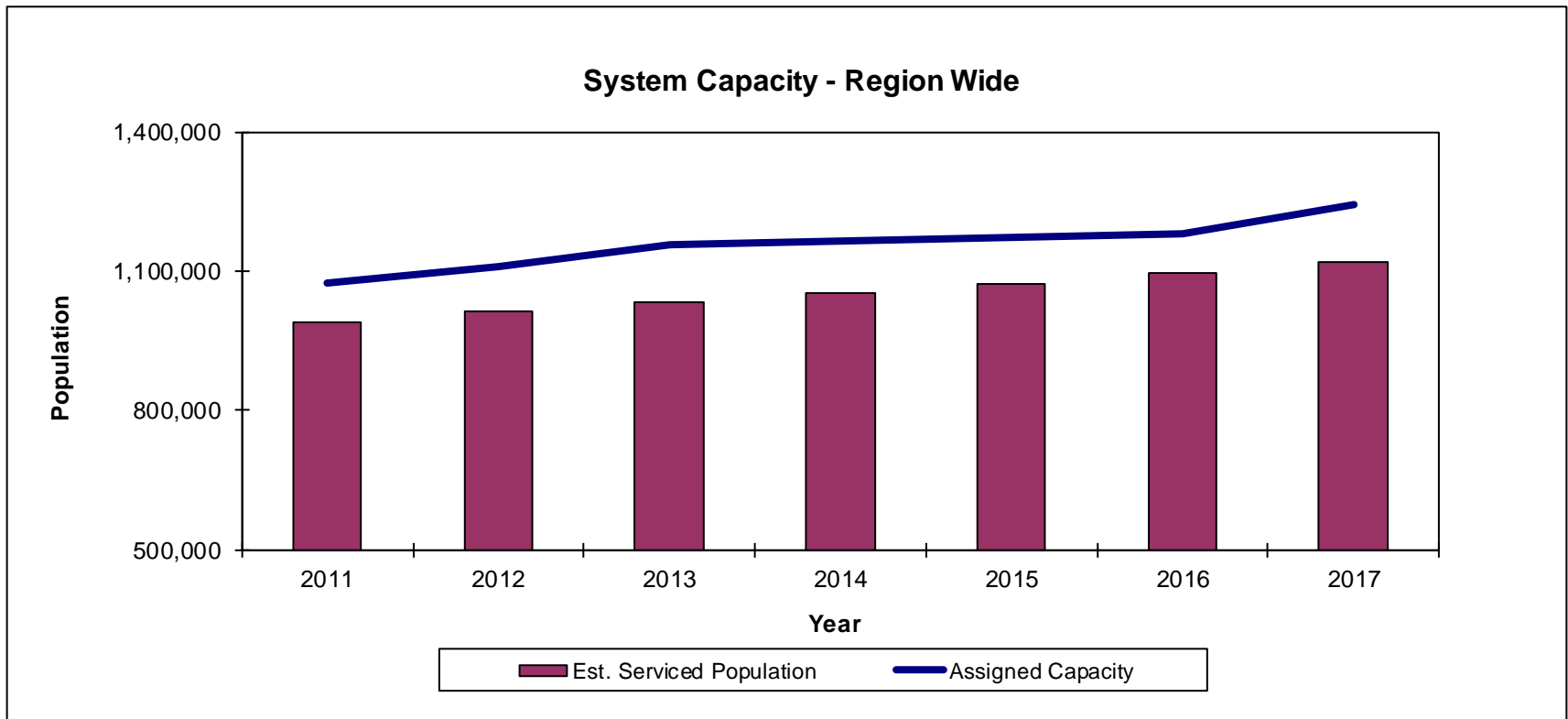
2014 Capital Spending Authority Proposed vs Approved Outlook (\$M)



- Top 6 Capital Projects:**
- Duffin Creek Stages 1 & 2 Upgrades \$221M
 - Southeast Collector \$175M
 - Peel Cost Shared \$135M
 - QHLS YDSS Connection \$116M
 - Upper York Sewage Solutions \$84M
 - Toronto Cost Shared \$78M

10-Year CSA increase associated primarily with changes in wastewater growth projects

Bringing Certainty to Capital Delivery

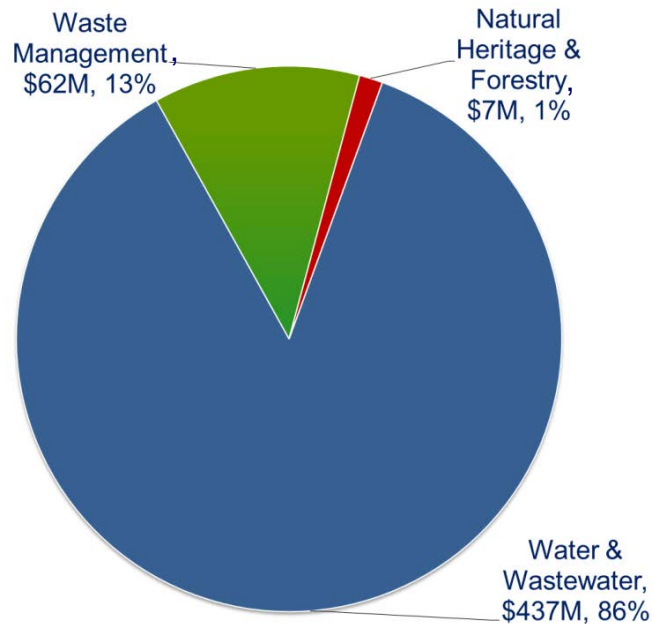


Delivering capital program in a timely manner providing infrastructure to meet Provincial growth targets

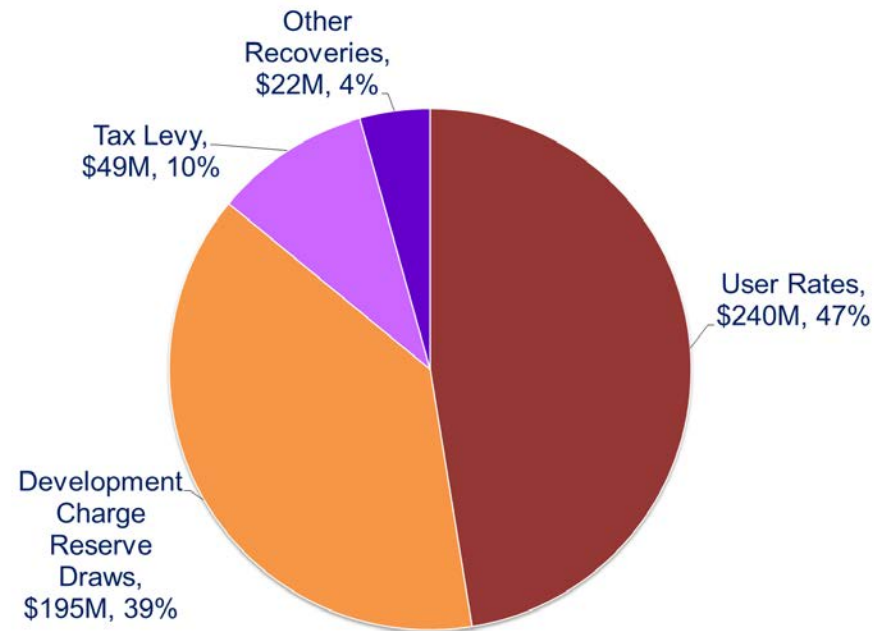
3 OPERATING

2014 Operating Budget Overview

GROSS EXPENDITURES \$506 Million



GROSS REVENUES \$506 Million



\$242M or 48% of the operating expenditures are debenture repayments

2014 Operating Budget at a Glance

(\$ in Millions)	2014 Outlook	2014 Proposed	Change to Outlook
Gross Expenditures	532.4	506.3	(26.1)
Non-Tax Revenue	482.2	457.8	(24.4)
Net Expenditures	50.2	48.5	(1.7)
Net Expenditure Increase/(Decrease)	3.3%	(0.0%)	(3.3%)
FTEs Requested	16	16	-

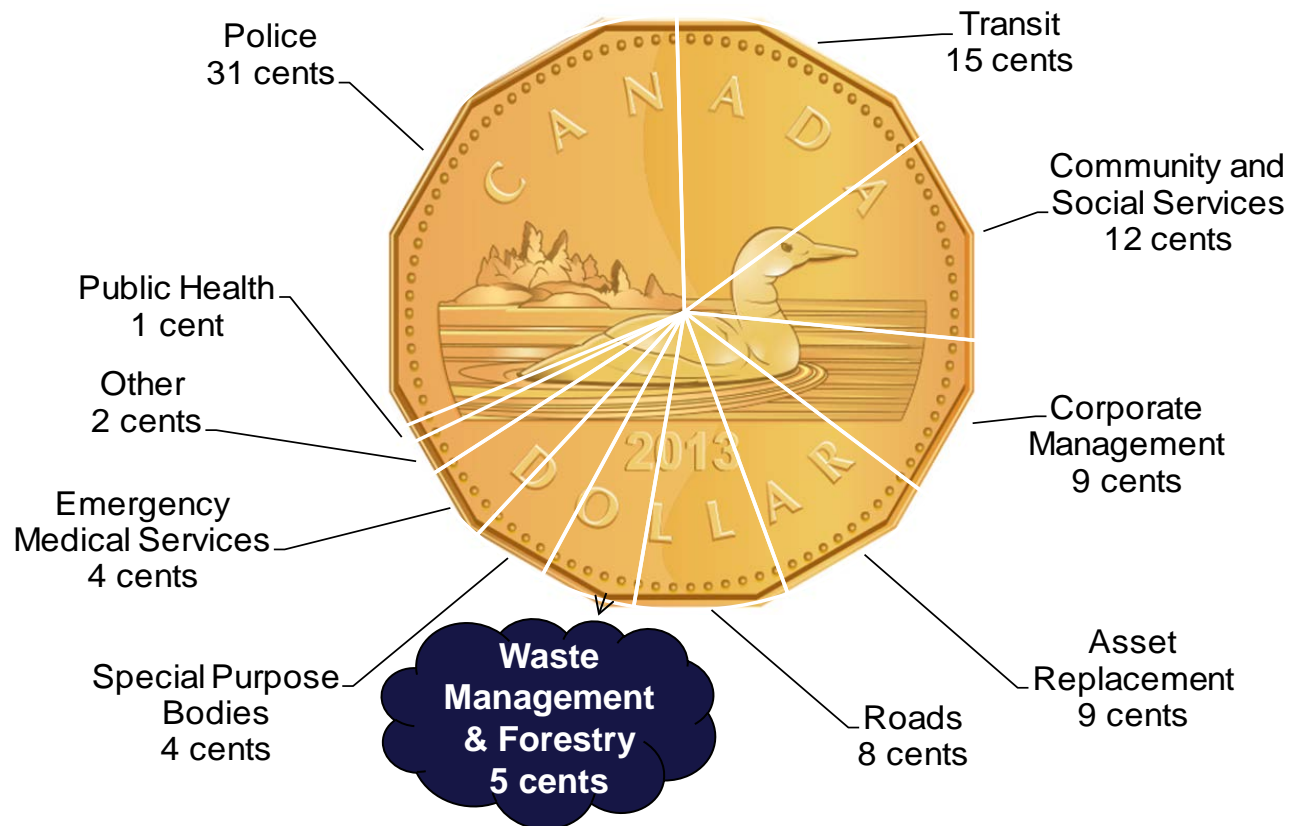
2014 proposed operating budget consistent with approved 2014 outlook

Proposed 2014 Operating Changes

Gross Operating Budget	Water and Wastewater	Waste Management	Natural Heritage and Forestry	Total
2013 Approved Budget	416.3	61.9	6.7	484.9
Base	(2.7)	(0.8)	(0.6)	(4.1)
Mandatory	0.0	0.0	0.0	0.0
Annualization	23.8	0.0	0.5	24.3
Growth	(0.1)	0.7	0.4	1.0
Enhancement	0.0	0.2	0.0	0.2
Total Budget Change	21.0	0.1	0.3	21.4
2014 Proposed Gross Operating Budget	437.3	62.0	7.0	506.3

Overall increases are a result of annualized capital financing costs and increased funding of non-growth capital

Share of Net Regional Tax Dollar



5 cents of every tax dollar is allocated to Waste Management and Natural Heritage and Forestry

Proposed 2014 Tax Levy Waste Management & Forestry

	\$M	%
Enhancements	0.00	0.00
Growth	1.08	2.24
Annualization	0.50	1.03
Mandatory/Legislative	0.00	0.00
Base (incl. Reductions/Efficiencies/Cost Savings)	(1.63)	(3.36)
Increase/(Decrease) Excluding Contribution to Capital	(0.05)	(0.09)
Contribution to Capital	(0.00)	(0.00)
2014 Net Tax Levy Increase/(Decrease)	(0.05)	(0.09)
2013 Budget Net Tax Levy	48.58	
2014 Budget Net Tax Levy	48.53	

2014 Staffing Request

Approved 2014 Outlook		Changes	2014 Budget
Service Area	# FTE	Change	# FTE
Water and Wastewater	12	0	12
Waste Management	2	0	2
Natural Heritage and Forestry	2	0	2
Total	16	0	16

Staff request meets Approved 2014 Outlook and focuses on critical Council priorities

4 BUDGET HIGHLIGHTS

Budget Recap

(\$ in Millions)	2014 Outlook	2014 Proposed	Change to Outlook
Operating Budget:			
Net Expenditures	50.2	48.5	(1.7)
% Change in Net Expenditures	3.3%	-0.0%	-3.3%
FTEs Requested	16.0	16.0	-
Capital Budget:			
2014 Capital Spending Authority	1,195	1,331	136
Total 10-Year Capital Plan	3,970	3,165	(805)

Mitigating Budget Impacts - Infrastretching, Innovation and Investment

- Smoothing capital spending
- Implementing Operations Business Improvement Plan
- Proactively planning infrastructure maintenance at the facility level
- Leveraging revenue contribution to Waste Management reserves
- Unlocking value of water conservation through innovation in fiscal management and commitment to asset management
- Continued focus on waste reduction

Delivering leading edge results through evidence-based decision-making

Key Changes from 2014 Outlook

- Smoothing of capital program has resulted in reduced debenture financing charges
- Increased asset management to preserve asset life
- Dongara closure results in tonnage re-distribution to lower cost waste facilities and re-establishes reserve contributions
- Change in funding for Energy-From-Waste Centre reduced principal and interest payments
- Accelerated Emerald Ash Borer response in accordance with Council approved management plan

Budget focused on ensuring our residents are better off

5 NEXT STEPS

Next Steps

- Recommend the 2014 Draft Business Plan and Budget presentation be received
- Forward recommendations pertaining to Capital and Operating Budgets to Council on December 19, 2013