

2016 Business Plans and Budgets



Presentation to
Finance & Administration Committee

February 9, 2016



Overview



- Economic Overview
- Risks to be Considered
- Long-term Financial Planning
- 2016 Business Plans & Budgets



Economic Overview

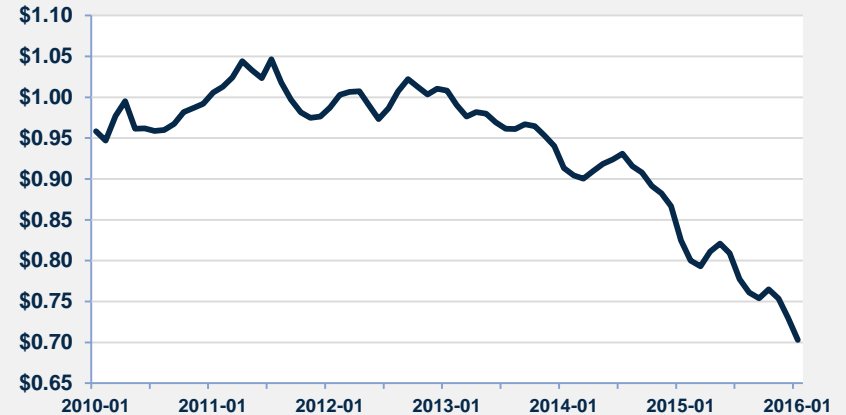


Economic Downturn

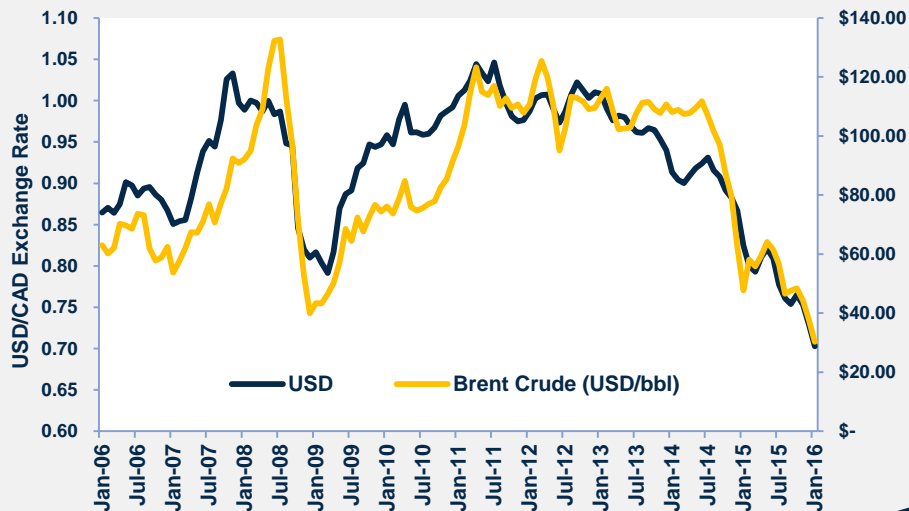
S&P/TSX Composite Index
September 3, 2014 to January 29, 2016 (-18.11%)



U.S./Canadian Exchange Rate
January 2010 to January 2016



Canadian Dollar Exchange Rate Linked to Price of Oil

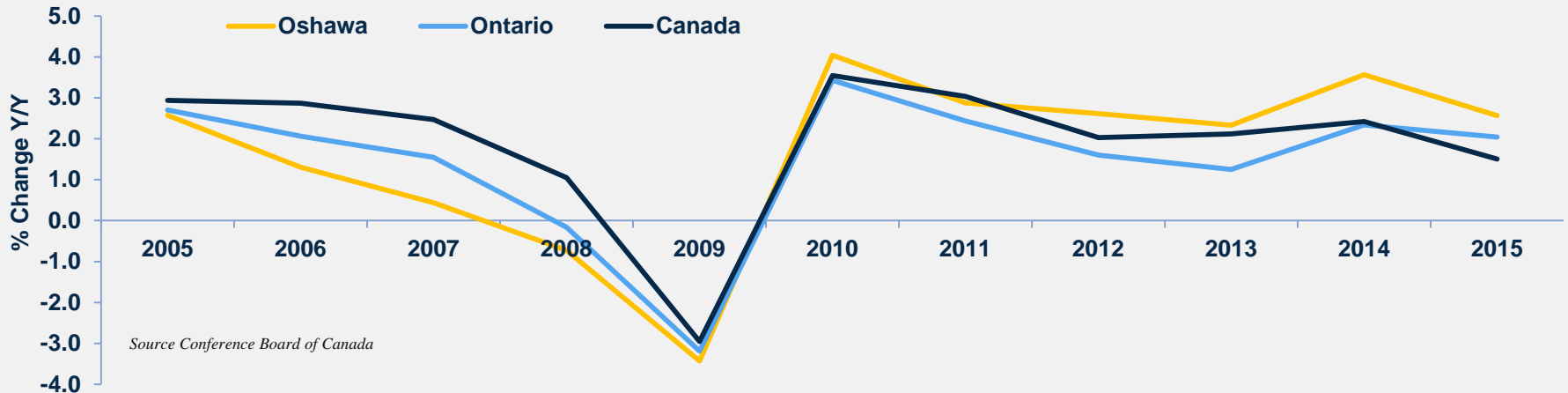


Source: Bank of Canada

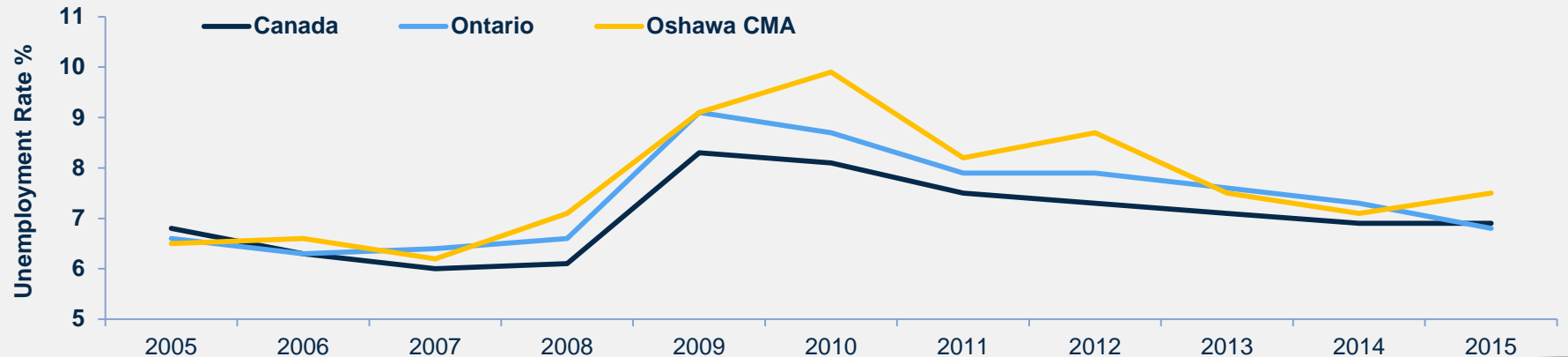
- Bank of Canada Overnight Rate: 0.5% held steady at last rate review on January 20, 2016
- Consensus forecasts are lowering national economic growth estimates for 2016

Local Economic Snapshot

Growth Rate



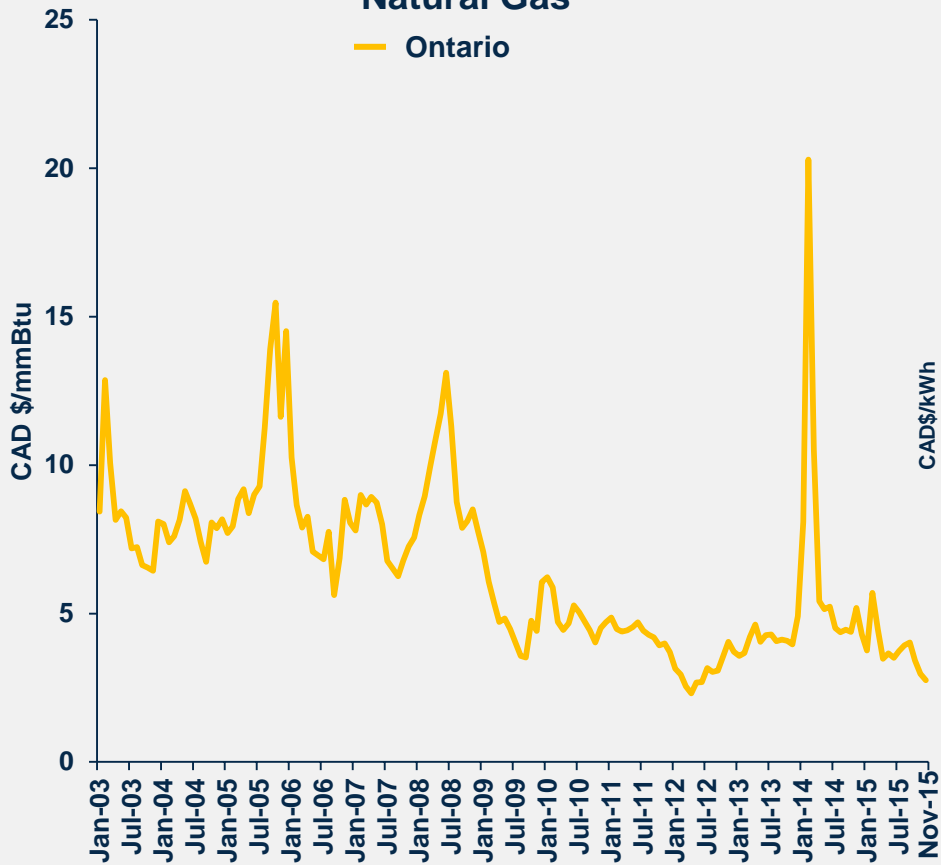
Unemployment Rate



Energy Prices

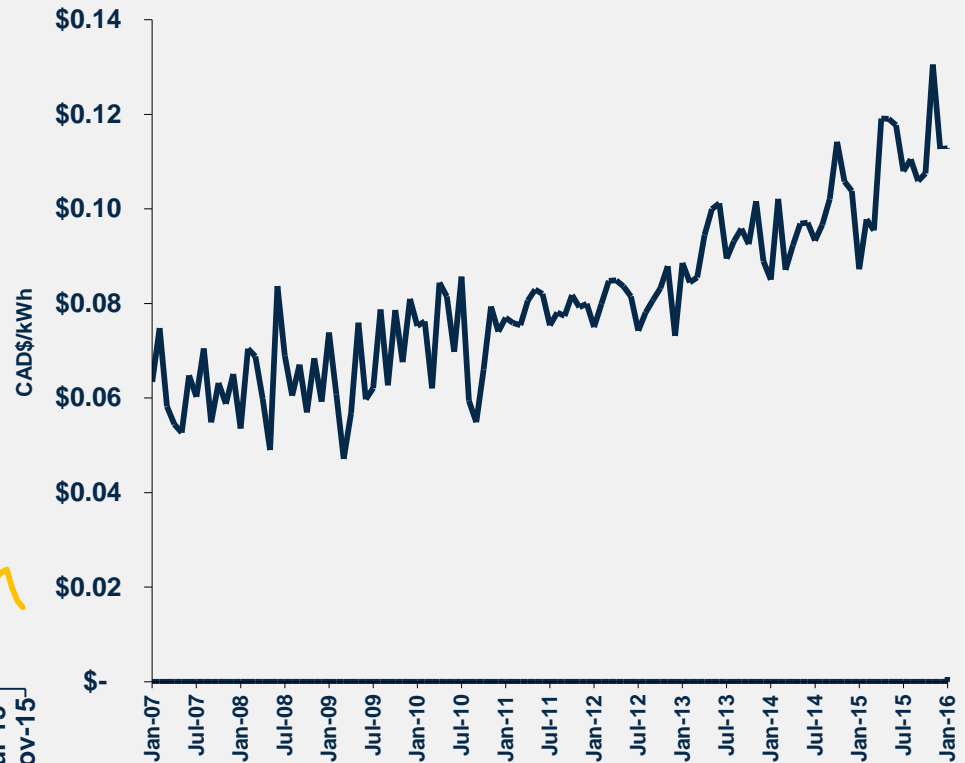
Natural Gas

— Ontario



Electricity Cost Wholesale

— Ontario

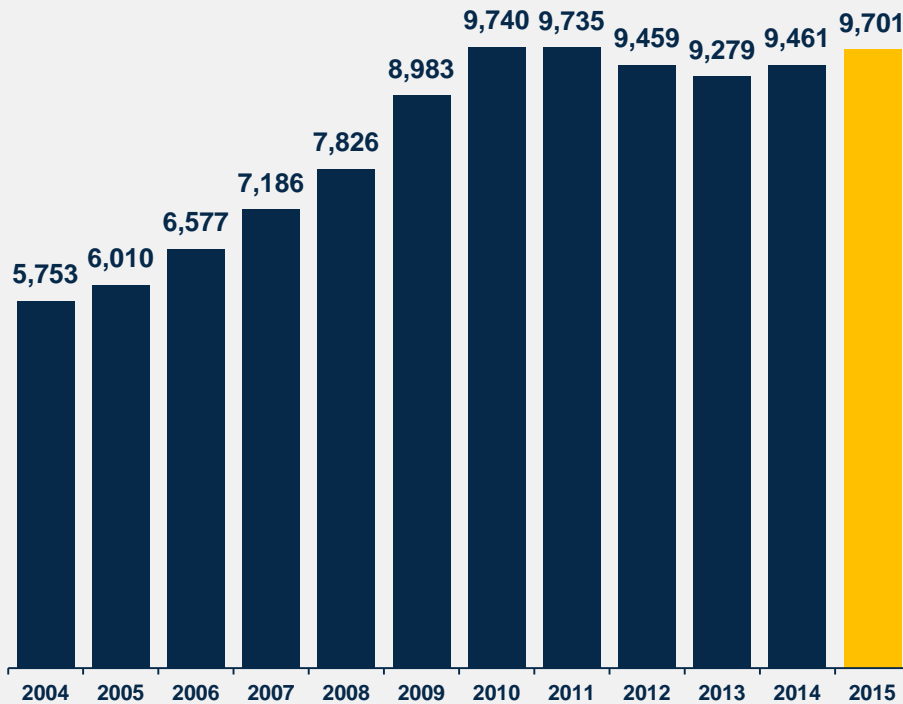


Risks To Be Considered



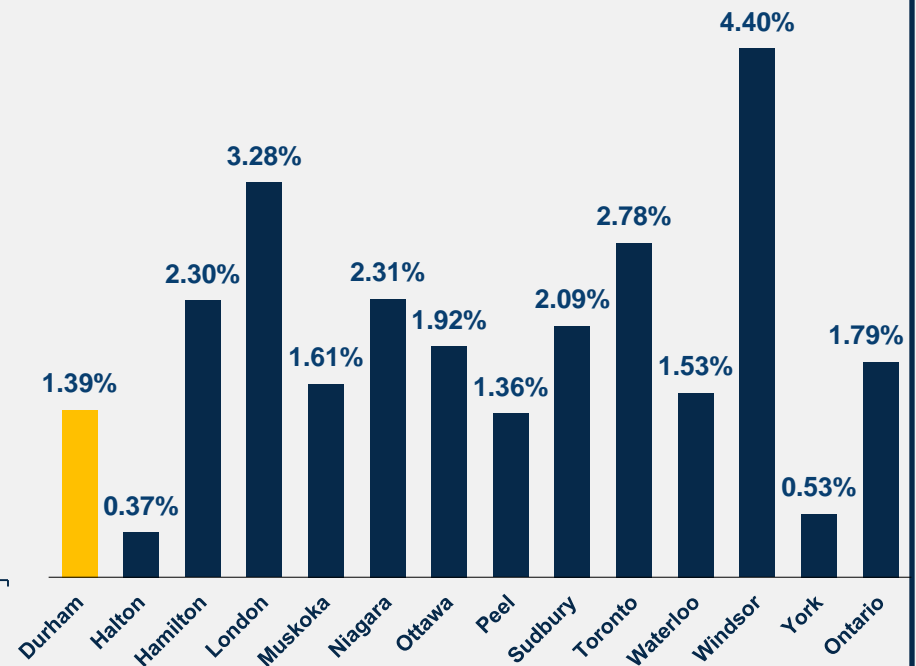
OW Caseload Update

Annual Average Monthly Caseload (Durham Region)



Ontario Works Cases as a % of Population

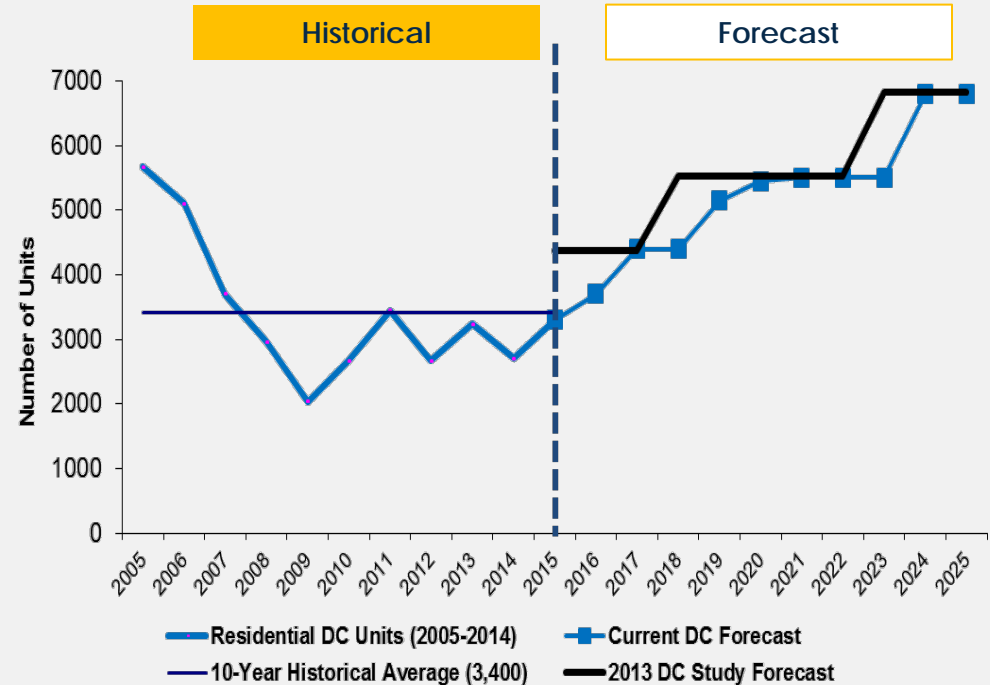
2015 Average



Development Charge Financing

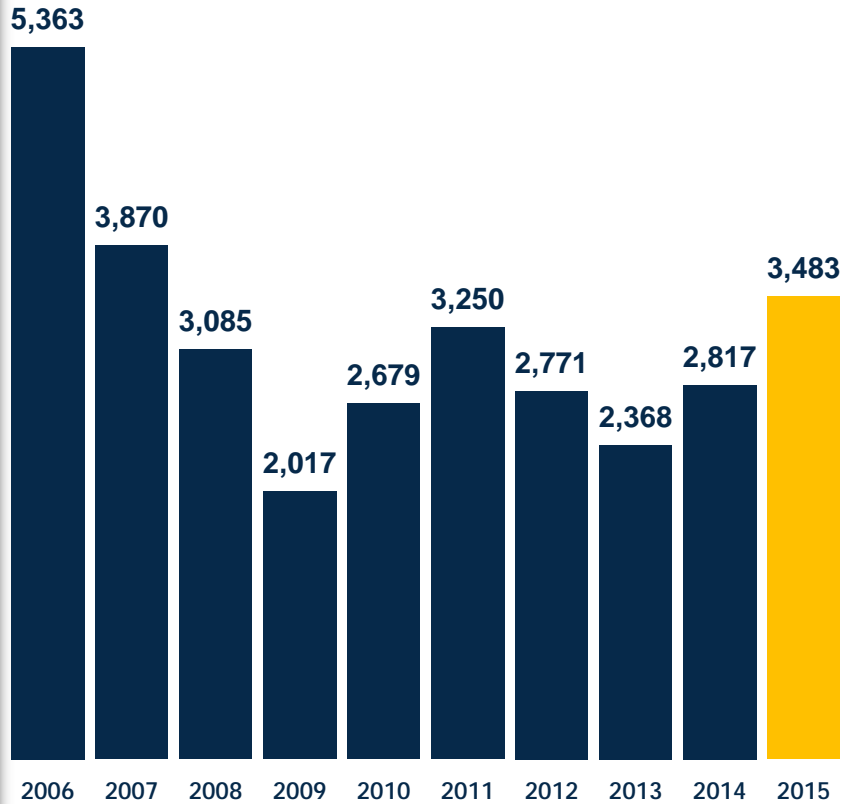
**2015 projected
Total DC receipts
– 3,300 units**

**Forecast for 2016
– 3,700 units**

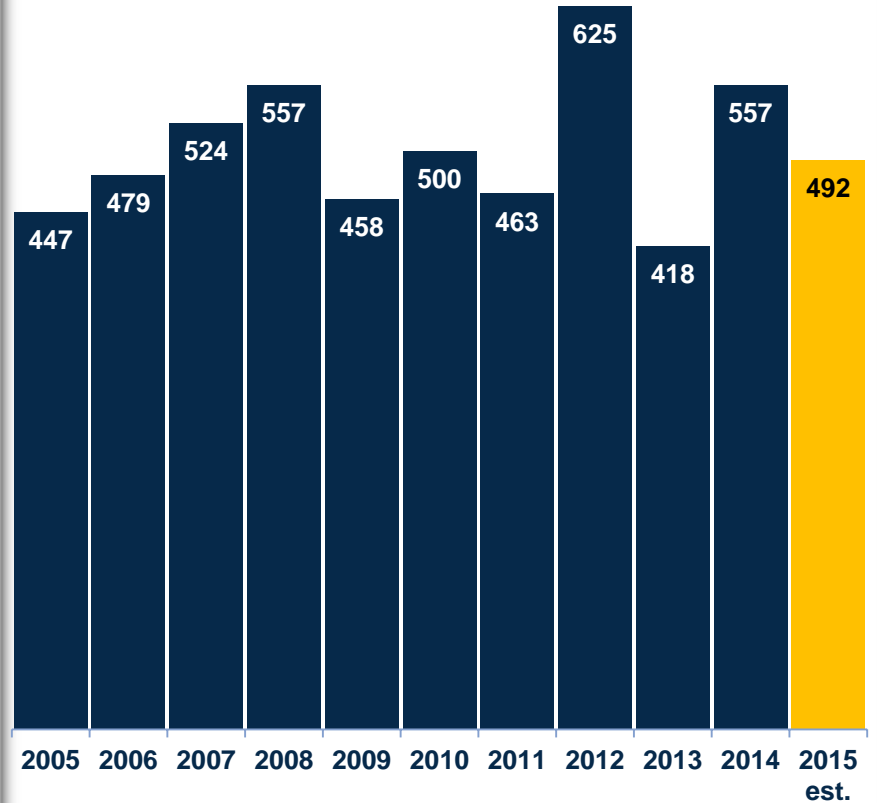


Development

Durham Region Housing Starts

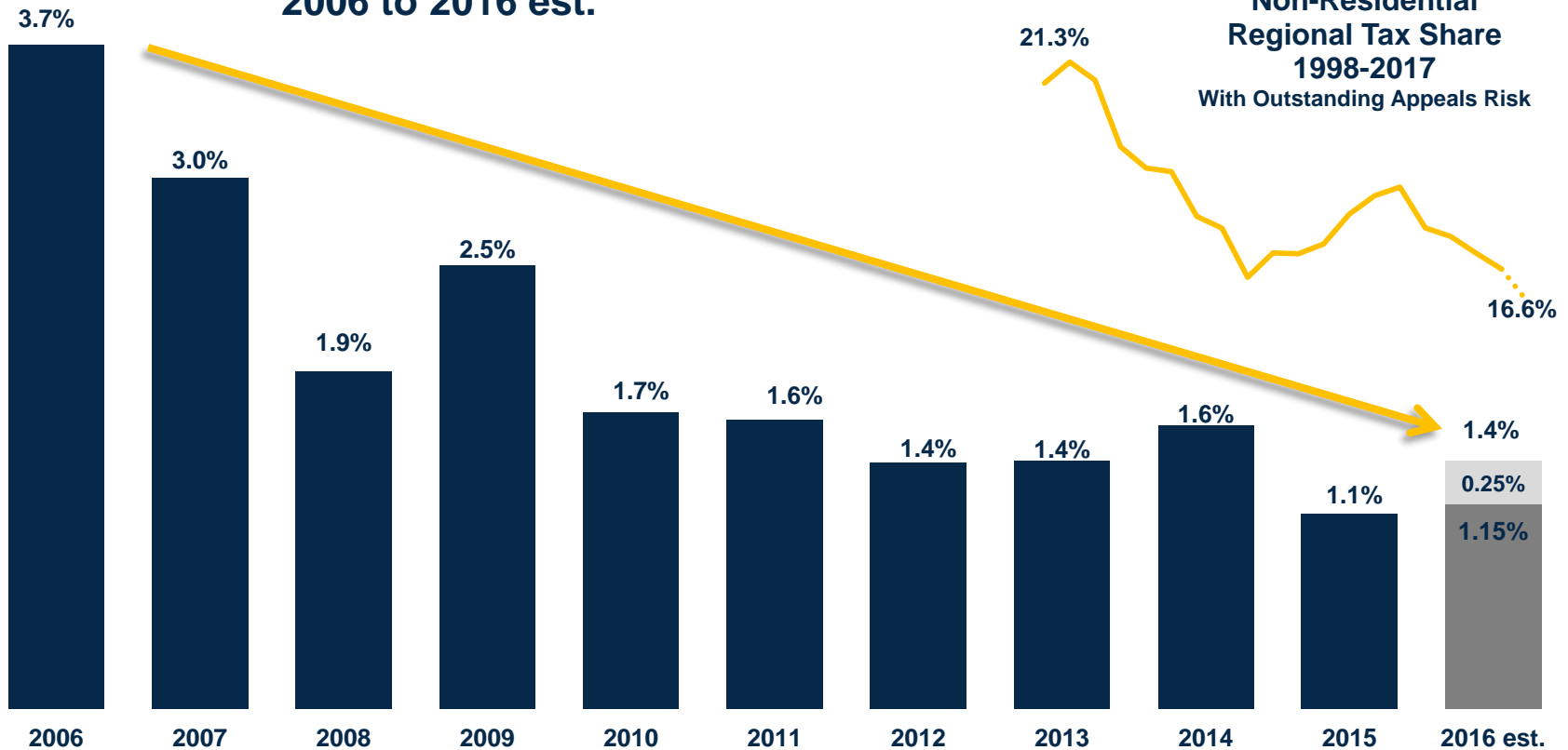


Annual Non-Residential Building Permit Value Durham Region (\$m)



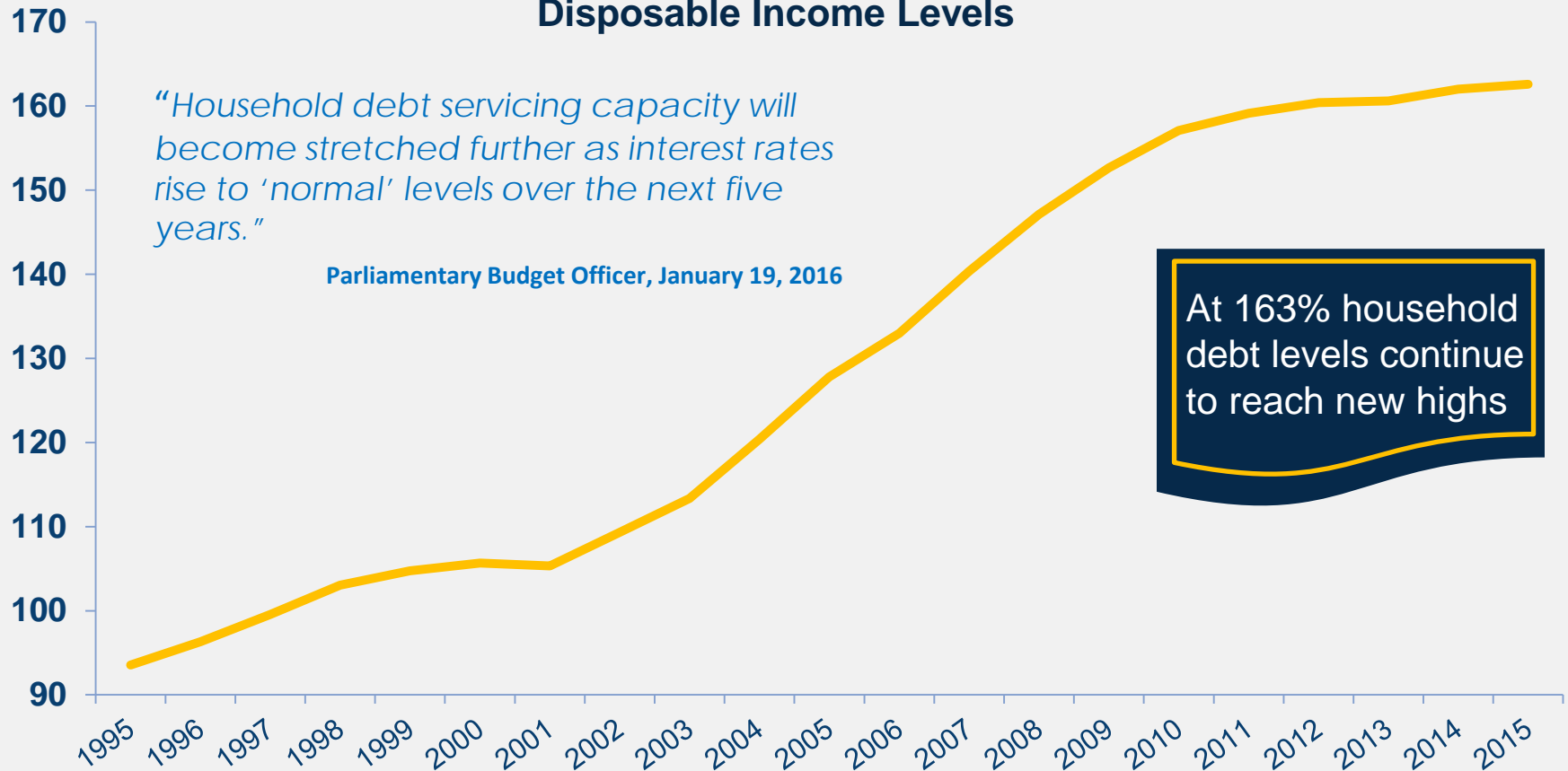
Assessment

Durham Region Taxable Weighted Assessment Growth 2006 to 2016 est.



Taxpayer Affordability

Average Annual Consumer Debt to Disposable Income Levels



Climate Change & Energy Initiatives

Conservation Demand Management Plan

Corporate Climate Change Annual Report

Annual Servicing and Financing Studies

- Water Conservation –Poly Program
- Energy Conservation—Lighting retrofits
- Basement Flooding
- Etc.



Source: CPA Canada

Other External Risks

Staff will continue to monitor:

- **\$616 Million in unspent infrastructure money could help speed up project approvals**
CBC News, February 1, 2016
- **Canadian/U.S. Exchange Rate**
- **Senior Government Infrastructure Programs** will need to be ready to apply as they are announced
Working Group
Ontario Newsroom, September 2, 2015

- **Carbon Trading Program** at significant risk, 'budget watchdog warns'
The Globe and Mail, November 4, 2015
- **Social Housing Building Condition Assessment Requirements**
2015-2016 Sr. Government Debt Forecast
Federal: \$616.5B Provincial: \$298.3B
2015-2016 Forecasted Deficit:
Federal: \$3B Provincial: \$7.5B

The Region will continue to participate in

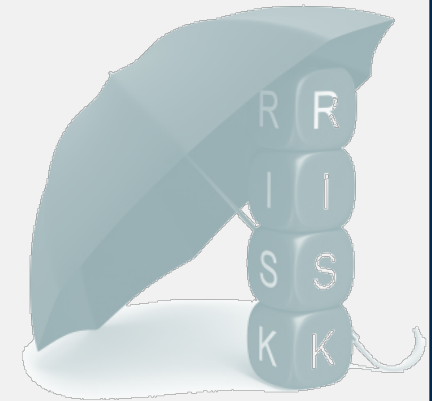
- **Climate Change Initiatives**
Ontario prepared to implement cap-and-trade system to decrease carbon emissions
The Globe and Mail
- **Energy CDM**

Ontario Introduces New Waste Free Ontario Act,
Government of Ontario, November 26, 2015

"that undercurrent [related to a lower dollar, higher priced imports and uneven low growth] will last for several years"
Bank of Canada Governor, November 3, 2015

Risk Mitigation Strategies

Long-Term Financial Planning
Risk Assessment
Business Case Approach
Budget Management Policy
Rate Stabilization Reserve Fund



“In addition to multi-year operating and capital planning, management adheres to conservative investment and debt policies, limiting the regional municipality’s exposure to market-related risks and ensuring relatively smooth and predictable debt service costs.”

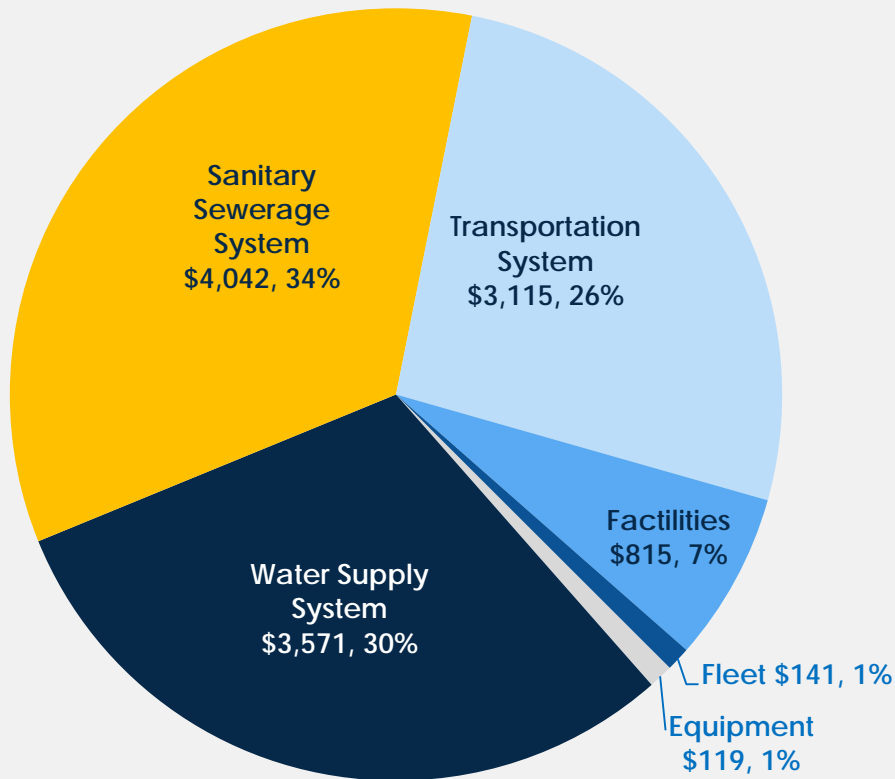
Moody’s Investors Service, January 17, 2016

Long-Term Financial Planning

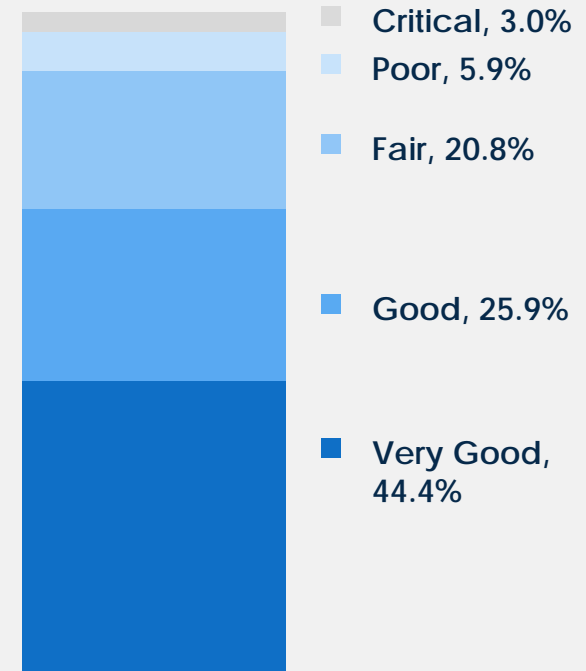


Regional Assets

2014 Replacement Value by Asset Class (\$ Million)



2014 Replacement Value by Condition Rating



Note: Totals may not add due to rounding.

**Total Replacement Value
2014=\$11.8 billion**

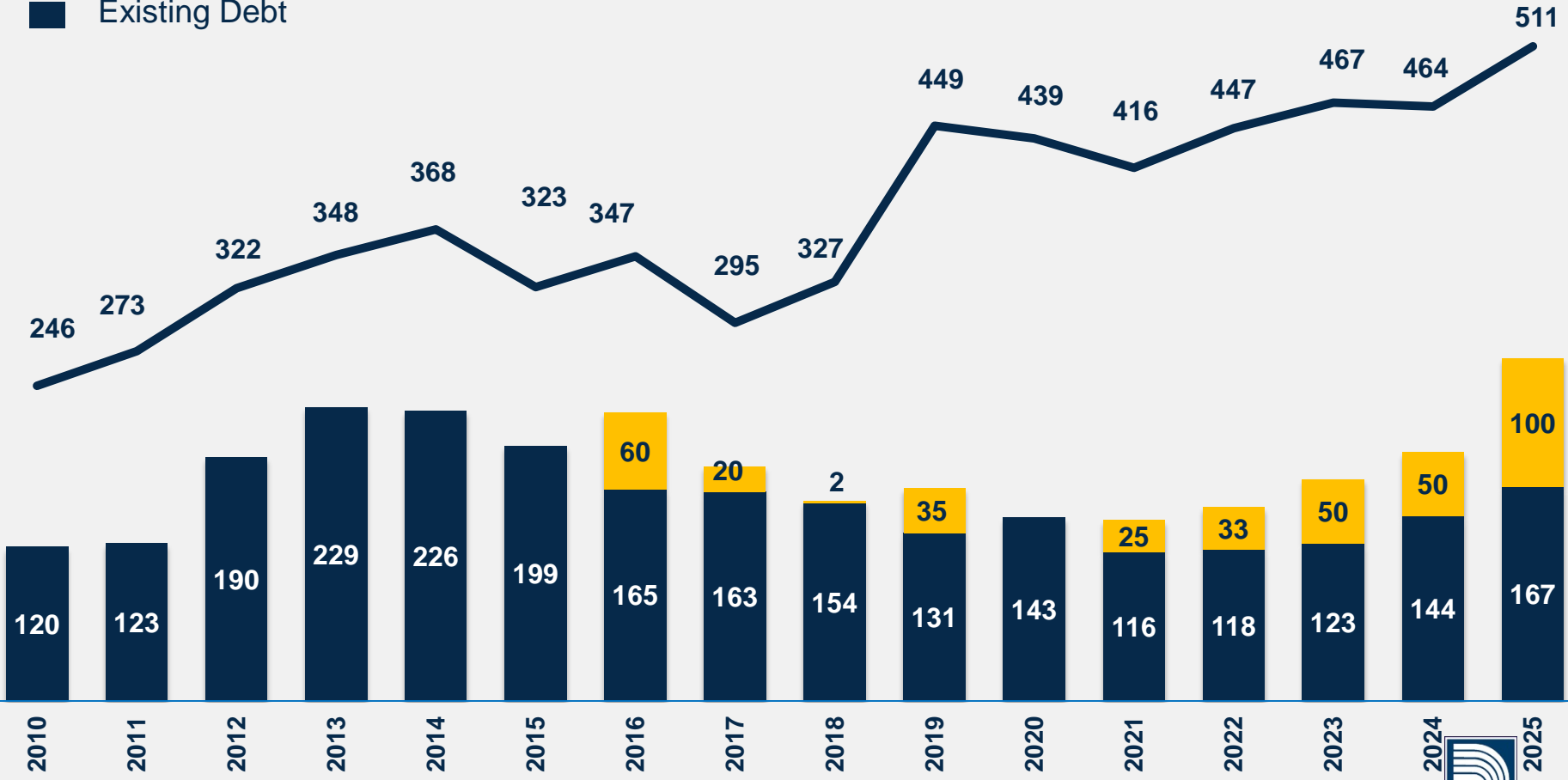
Property Tax Capital (2016-2025)

(\$millions)	2016	2017	2018	2019	2020	2021-2025	Total 2016-2025
Capital Costs							
Police Services	55.8	1.0	2.6	24.0	1.0	86.9	171.3
Paramedic Services	1.5	3.3	3.8	6.1	2.0	18.7	35.4
Headquarters	-	-	-	-	-	100.0	100.0
Health and Social Services	-	21.2	-	8.0	-	-	29.2
Solid Waste Management	1.4	37.5	7.5	1.7	12.0	6.5	66.6
Transit	7.9	29.9	23.0	8.8	8.1	130.0	207.8
Regional Roads Program	77.3	92.2	98.0	92.8	101.5	537.0	998.8
TOTAL	143.9	185.1	134.9	141.4	124.6	879.1	1,609.0
Financing							
Property Taxes	10.6	36.1	34.9	24.2	28.5	147.3	281.7
Road Reserves	39.3	36.1	38.9	38.9	38.9	194.4	386.3
Development Charges	31.8	48.6	43.2	36.7	41.4	243.2	444.9
Ontario Gas Tax Revenue	6.7	6.7	6.7	6.7	6.7	33.5	67.1
Other Revenue / Recoveries	1.1	37.6	9.6	0.1	9.1	2.0	59.5
Debentures	54.5	20.0	1.6	34.8	-	258.7	369.6
TOTAL	143.9	185.1	134.9	141.4	124.6	879.1	1,609.0

Regional Debt (\$m)

- Total Debt Including Water & Sewer
- New Debt
- Existing Debt

Forecast

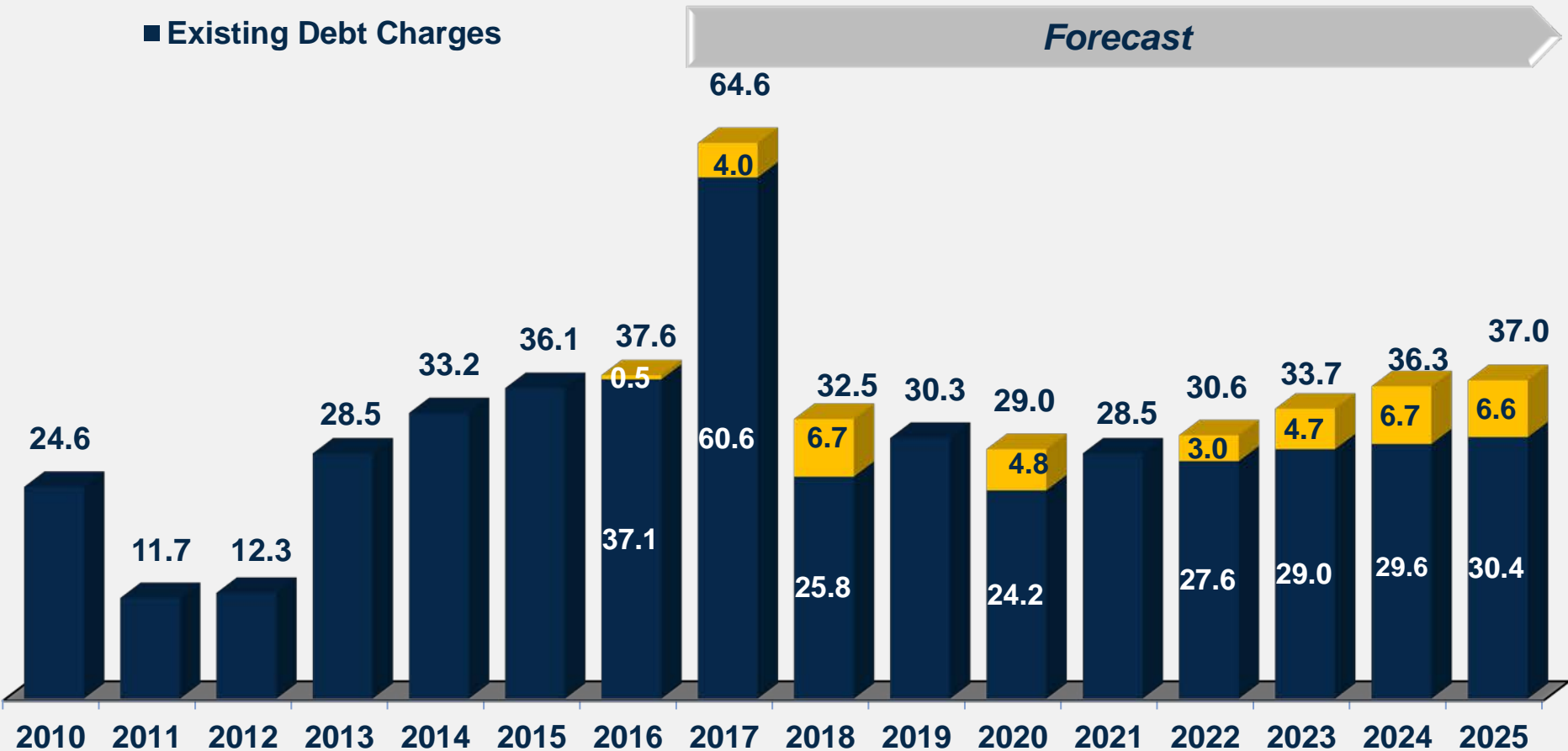


Regional Debt Charges (\$m)

■ New Debt Charges

■ Existing Debt Charges

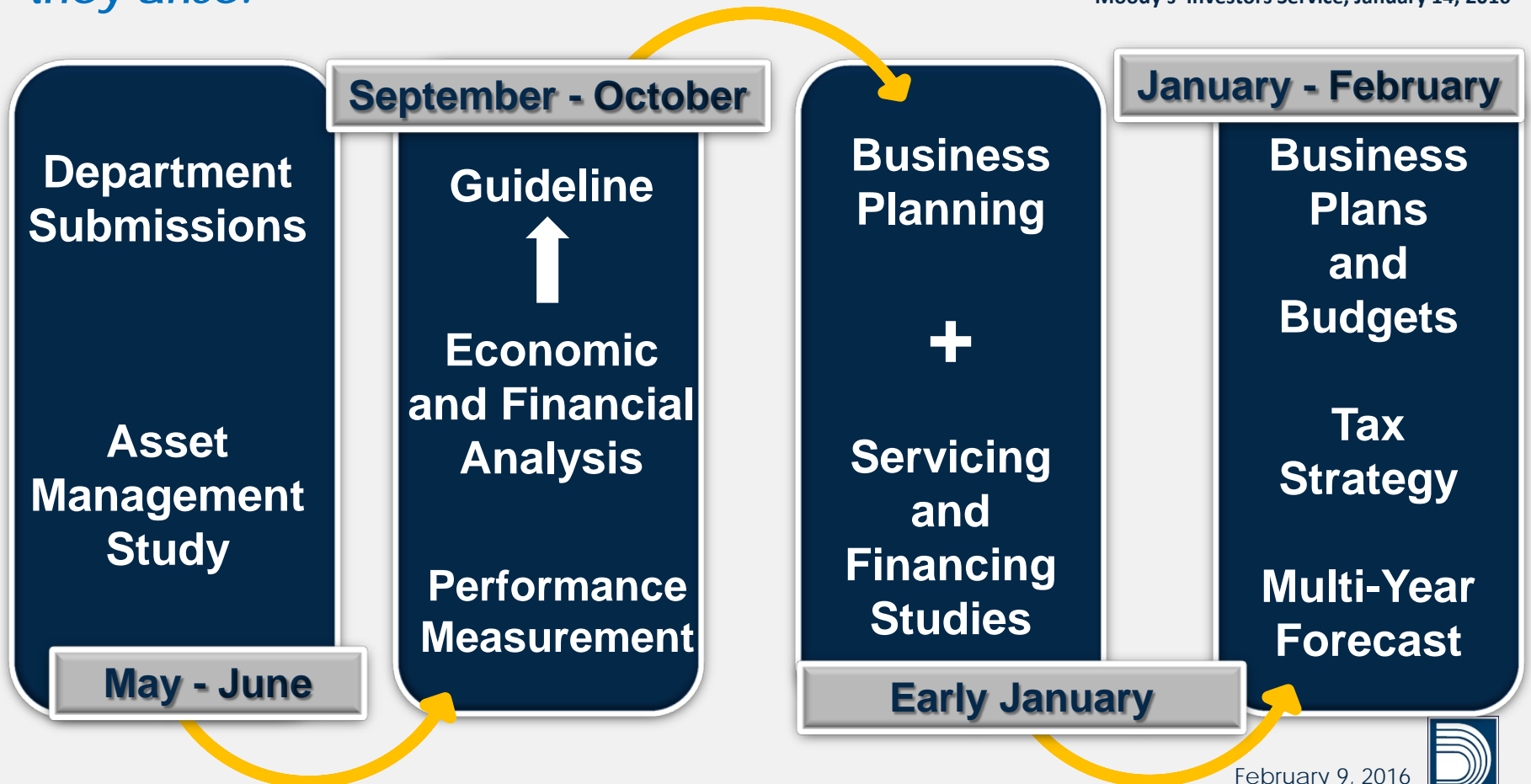
Forecast



Business Planning Process

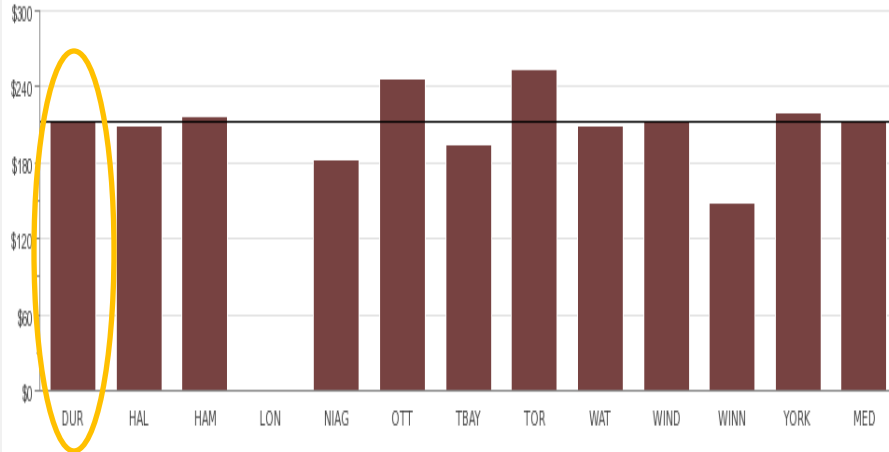
"The consistent practice of long-term financial planning helps the regional municipality to identify and address fiscal challenges before they arise."

Moody's Investors Service, January 14, 2016

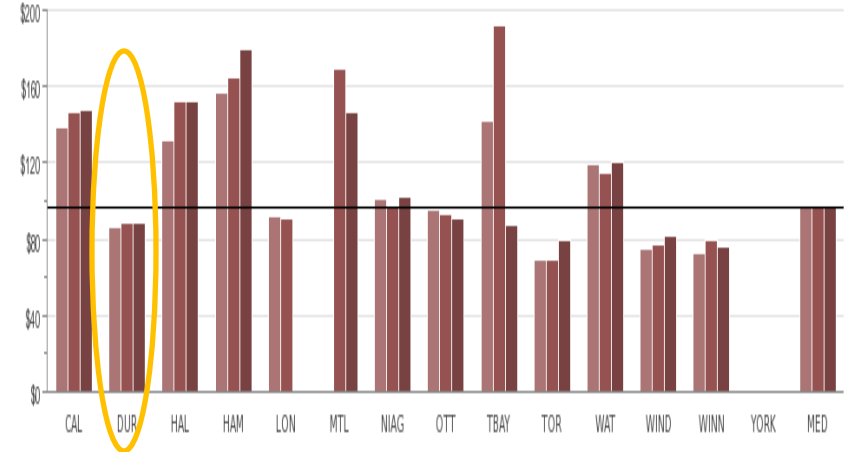


OMBI Performance Measures

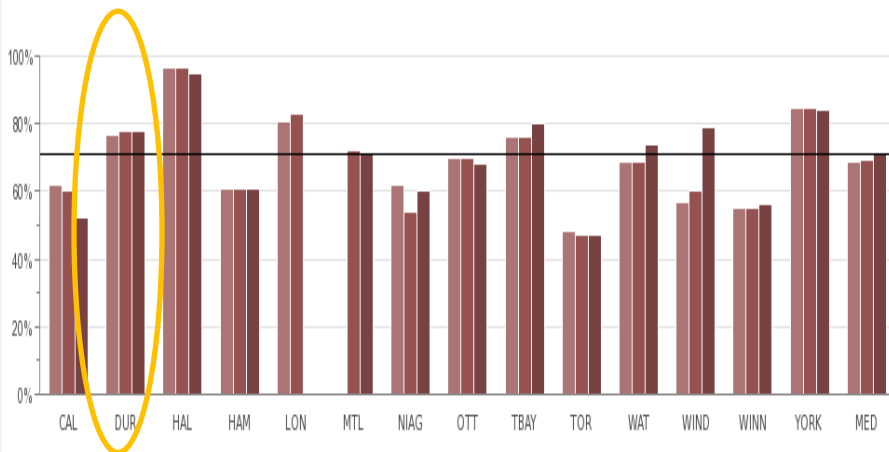
Total Cost per Hour of Ambulance Service



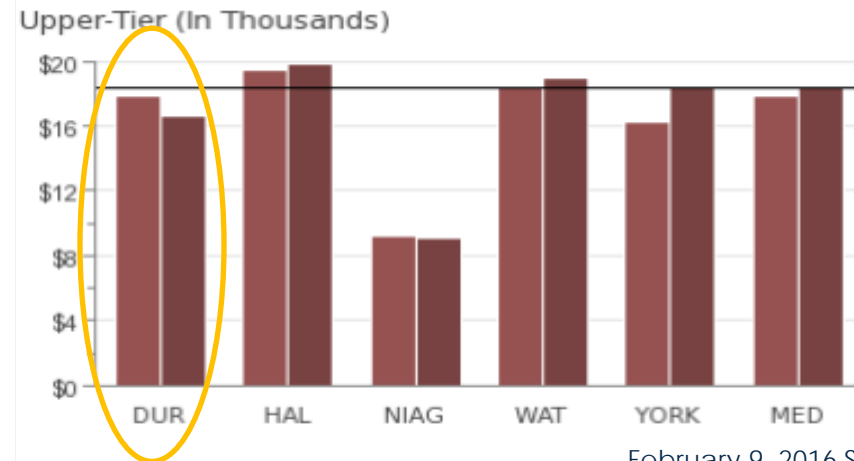
Total Cost to Collect One Tonne of Waste



% Bridges, Culverts & Viaducts Rated Good to Very Good



Total Cost to Maintain on Km of paved road



2016 Budget Guideline

Continued Service Level

- All Program Areas
- On-going Capital
- Capital Maintenance

Annualization of 2015 Items

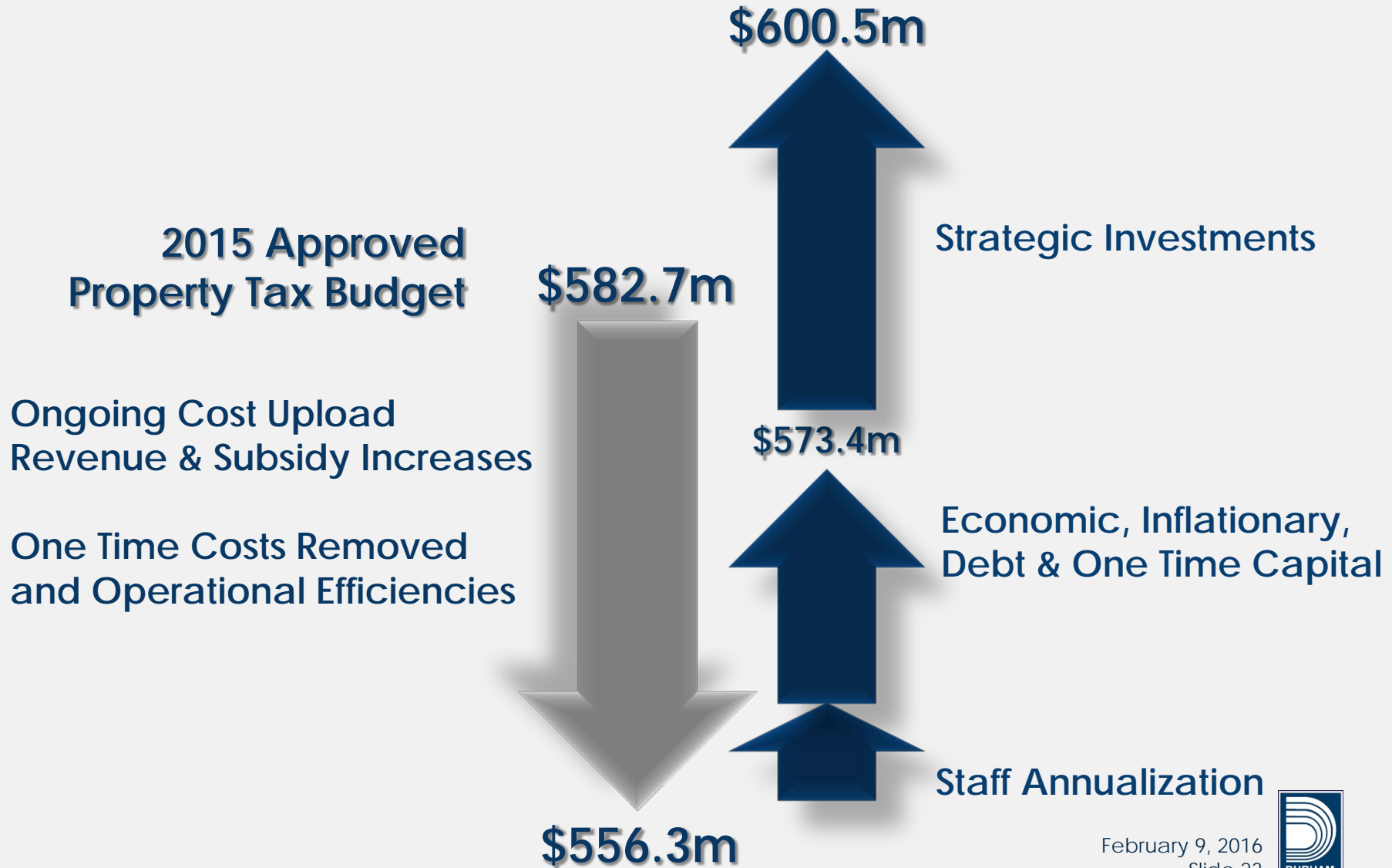
- DYEC Operations
- Fairview Lodge
- Clarington Police Facility Phase 1

Property Tax Competitiveness

- Attract New Business
- Retain Existing Business
- Remain affordable for residential and non-residential taxpayers

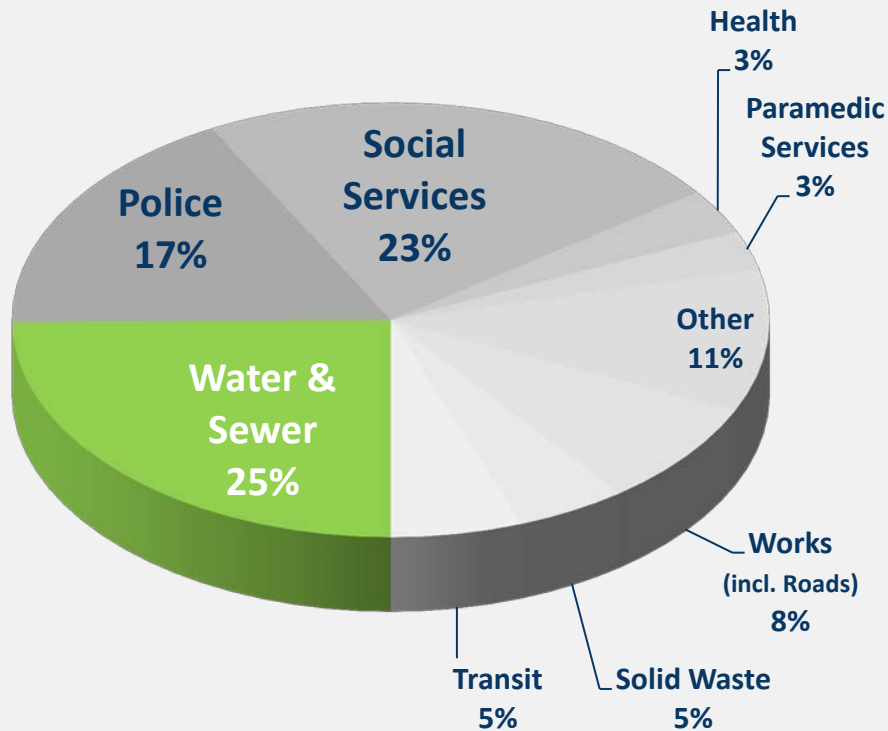
PRIORITIZED AFFORDABLE BUDGET

Budget Starting Point

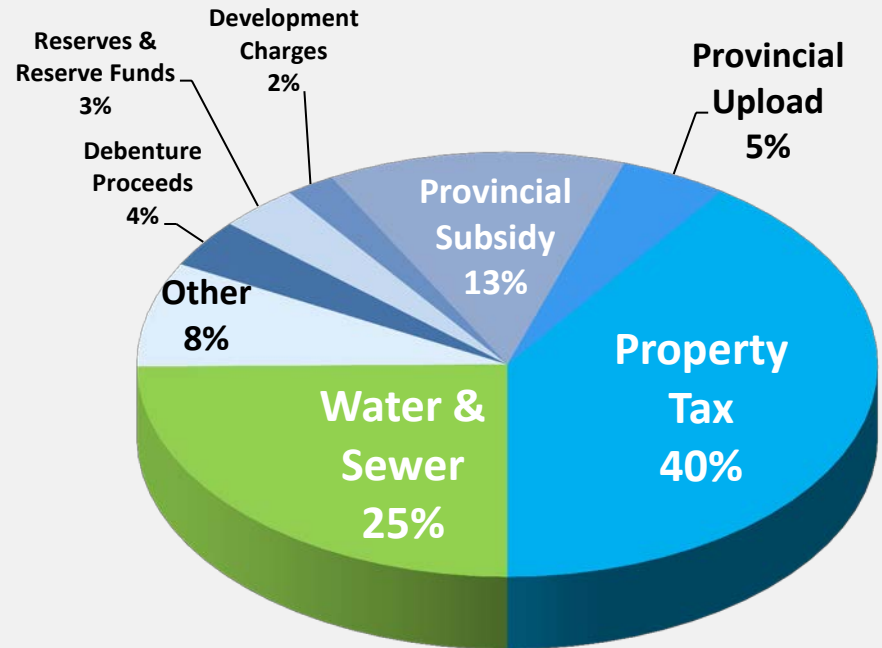


2016 Recommended All Regional Gross Budgets

All Expenditures Gross \$1.49b

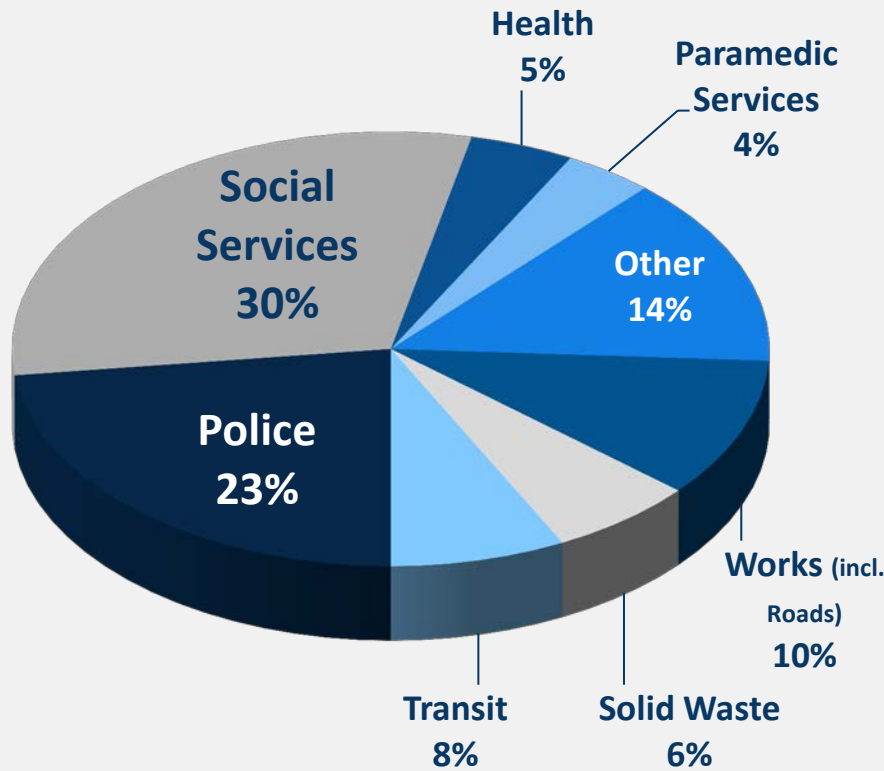


All Revenues Gross \$1.49b

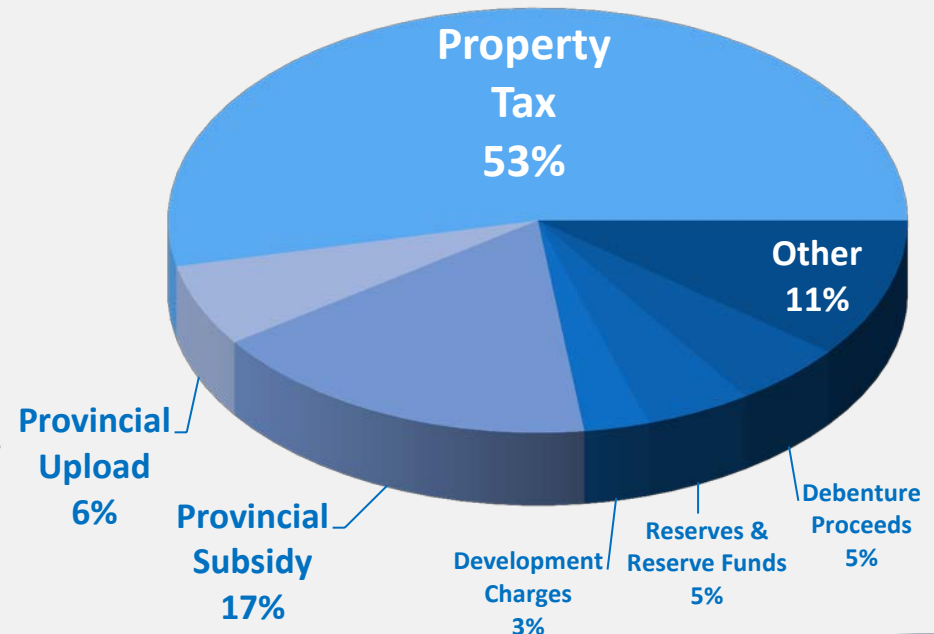


2016 Recommended Property Tax Regional Gross Budgets

All Expenditures Gross \$1.12b



All Revenues Gross \$1.12b



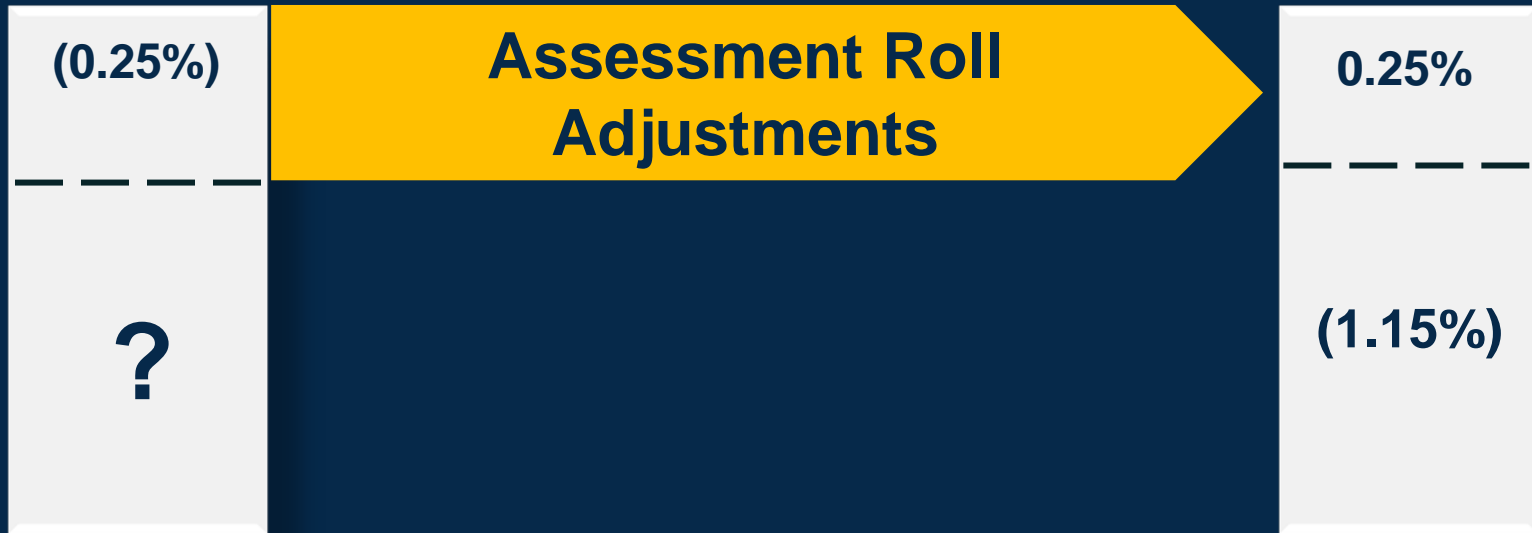
2016 Guideline Achieved

	<u>Tax Impact</u>	
		<u>%</u>
Police Services		1.20
Durham Region Transit		0.17
Regional Operations, Other & Outside Agencies		<u>1.43</u>
Guideline Expenditure Increase		2.80
Assessment Growth	(1.40)	
Adjustment to 2016 Assessment Base	<u>0.25</u>	<u>(1.15)</u>
Budgetary Impact		<u>1.65</u>

Average Residential Home Impact \$40

2016 CVA - \$362,000

2016 Assessment Base Adjust



Tax Impact

Budget Highlights: Police

Annual
Budgetary
Change
(\$000's)

2016

\$187,499

3.9%

2015

\$180,505



Regional Total 2016
Average Home
Property Tax
Bill: \$2,504

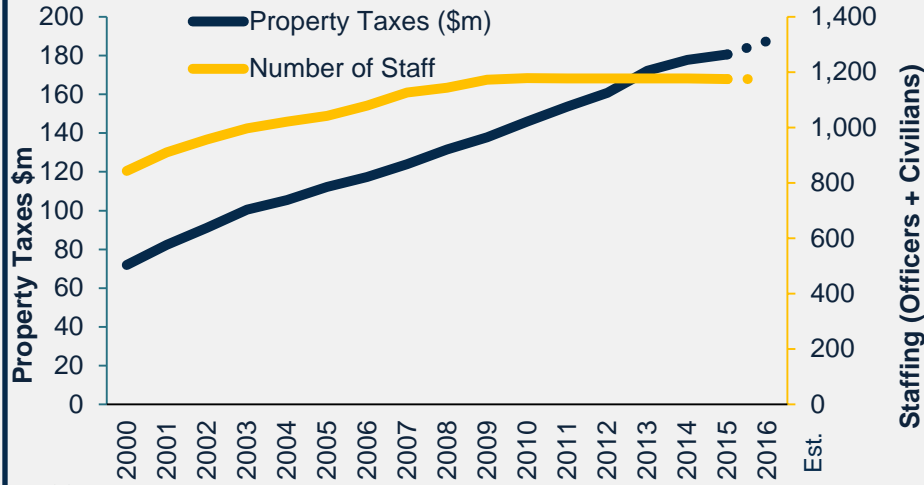
Police
\$783



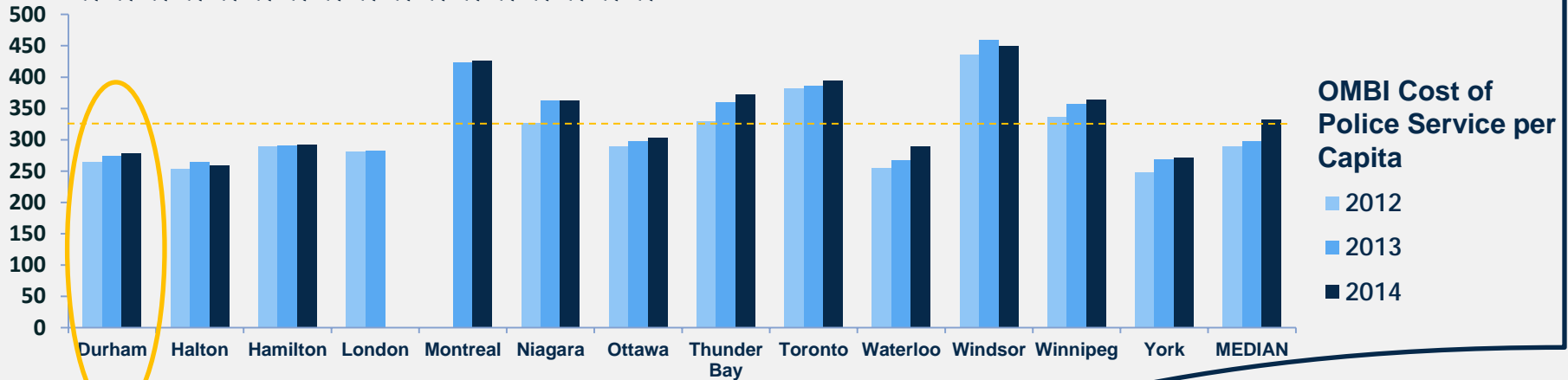
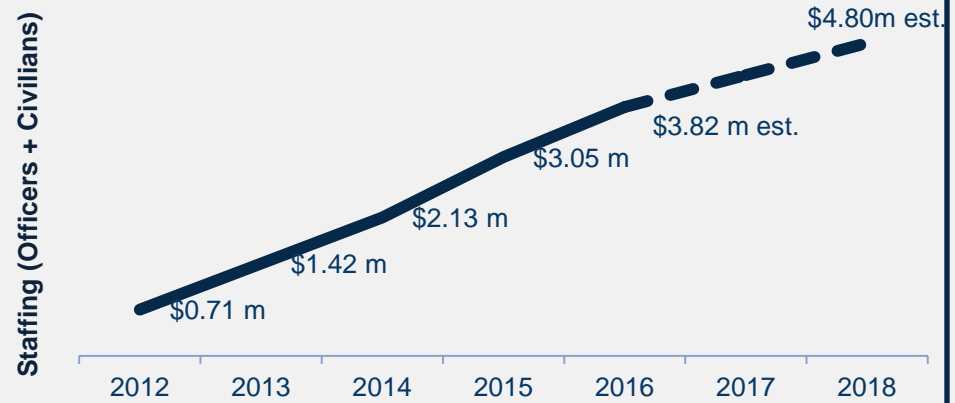
- No new officers or civilian staff
- Court Security upload (\$0.8m)
- Clarington Police Complex—Phase 1 (\$1.5m) – including annualized operating costs and debenture payments
- Capital
 - Regional Support Centre and Centre for Investigative Excellence (\$54.5m)
 - Vehicle, equipment purchases and facility maintenance and renewal (\$4.3m)

Budget Highlights: Police

Police: 2000-2016 Staffing & Taxation



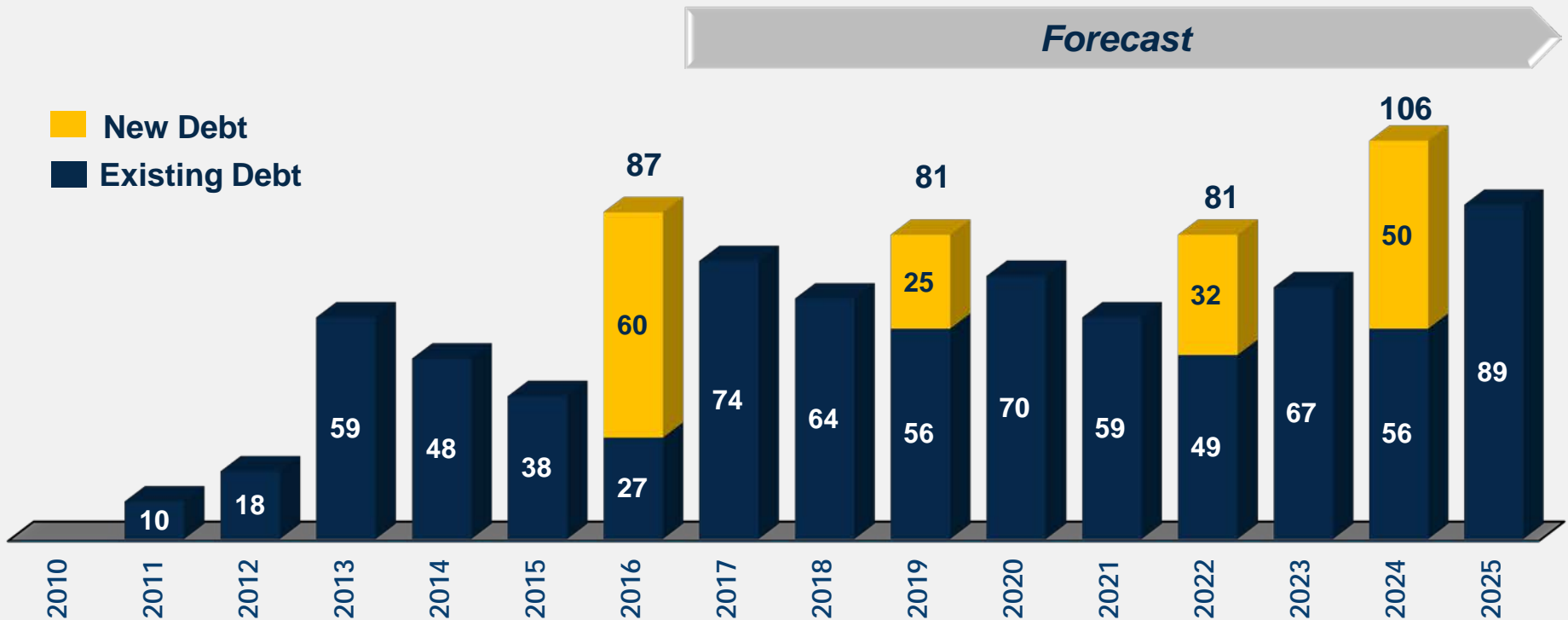
Court Security Upload



Police Capital Program (\$m)

Capital Expenditures	Budget	Forecast					
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021-2025</u>	<u>2016-2025</u>
Operations Training Centre - Phase 2	\$ -	\$ -	\$ 1.6	\$ 23.0	\$ -	\$ -	\$ 24.6
Facility Repairs & Renovations	1.3	1.0	1.0	1.0	1.0	5.0	10.3
Clarington Complex Phase 2	54.5	-	-	-	-	-	54.5
Durham Northwest Seaton	-	-	-	-	-	28.8	28.8
North Division Expansion	-	-	-	-	-	3.2	3.2
Central East Facility	-	-	-	-	-	50.0	50.0
	\$ 55.8	\$ 1.0	\$ 2.6	\$ 24.0	\$ 1.0	\$ 86.9	\$ 171.3
Financing							
Property Taxes	0.4	1.0	1.0	1.0	1.0	5.0	9.4
Debentures	54.5	-	1.6	23.0	-	81.9	161.0
Other	0.9	-	-	-	-	-	0.9
	\$ 55.8	\$ 1.0	\$ 2.6	\$ 24.0	\$ 1.0	\$ 86.9	\$ 171.3

Police Debt Forecast (\$m)



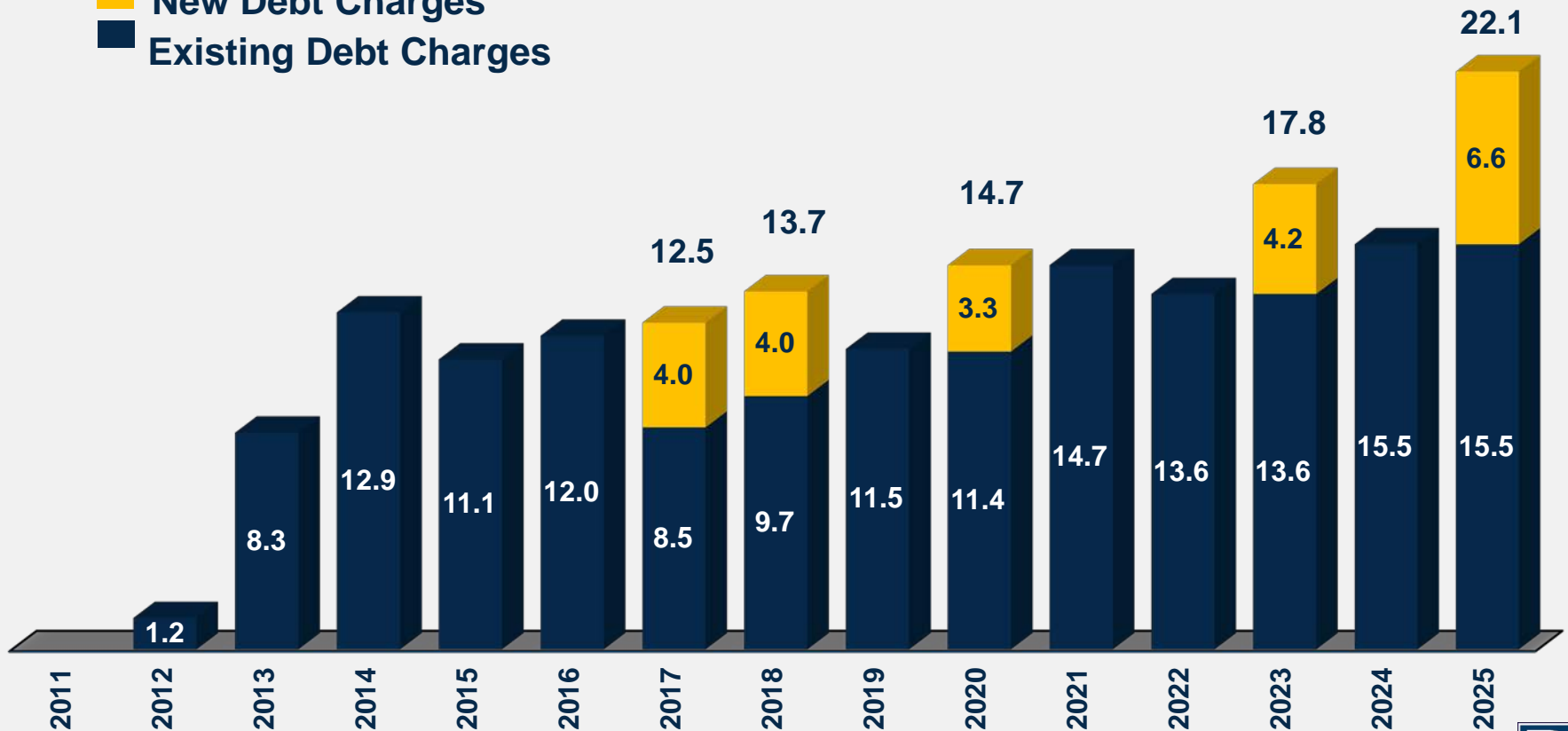
New Debt

	<u>Year</u>	<u>\$ M</u>
Clarington Complex Phase 2	2016	\$60
Operations Training Centre - Phase 2	2019	25
Durham Northwest Seaton	2022	29
North Division Expansion	2022	3
Central East Facility	2024	50
		\$167

Police Debt Charges Forecast (\$m)

■ New Debt Charges
■ Existing Debt Charges

Forecast



Budget Highlights: Transit

Annual
Budgetary
Change
(\$000's)

2016 \$48,500

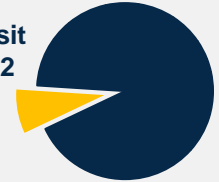
2.1%



2015 \$47,500

Regional Total 2016
Average Home
Property Tax
Bill: \$2,504

Transit
\$202



- 4% increase in capital from \$7.6m to \$7.9m
- 4,082 new service hours (\$0.4m)
- 19% of route network adjusted
- 2,080 additional specialized service hours (\$0.1m)
- Fare and U Pass revenues (\$1.2m)

Budget Highlights: Works

Annual
Budgetary
Change
(\$000's)

2016

\$78,008

2015

\$76,836

1.5%



Regional Total 2016
Average Home Property
Tax
Bill: \$2,504

Works
\$325

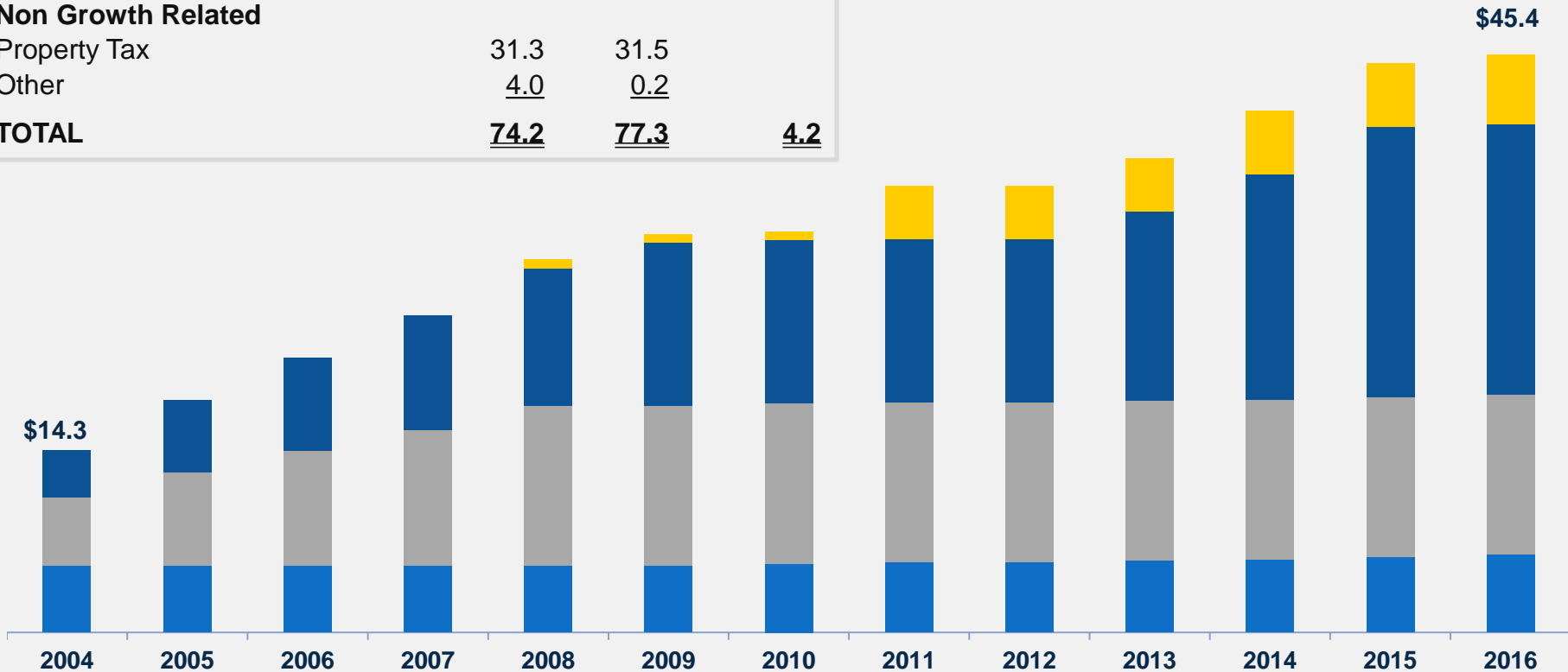


- 11 new staff within Engineering and Staff Support, Facilities Management, Depot Operations, and Traffic divisions
- Winter Control (\$261k)
- Capital Program:
 - Capital Municipal Services (\$77.3m)
 - Replacement of fleet & equipment (\$3.2m)

Property Tax Supported Roads Funding (\$m)

	2015 (\$m)	2016 (\$m)	Increase (%)
Growth Related			
Property Tax	13.6	13.9	
Development Charges	<u>25.3</u>	<u>31.7</u>	
Sub total	<u>38.9</u>	<u>45.6</u>	
Non Growth Related			
Property Tax	31.3	31.5	
Other	<u>4.0</u>	<u>0.2</u>	
TOTAL	<u>74.2</u>	<u>77.3</u>	<u>4.2</u>

- Bridge Rehabilitation Levy
- Road Rehabilitation Levy
- Special Roads Reserve
- General Property Tax Levy



Budget Highlights: Solid Waste

Annual
Budgetary
Change
(\$000's)

2016

\$44,375

2015

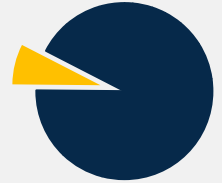
\$43,964

0.9%



Regional Total 2016
Average Home
Property Tax
Bill: \$2,504

Solid
Waste
\$185



- Capital
 - New Municipal Hazardous and Special Waste facility in Clarington (\$1.0m)
 - Investigation of organics plan/anaerobic digestion (\$400k)
- Implementation of construction and demolition and wood materials pilot project (\$201k)
- Annualization of Durham York Energy Centre (\$54k)

Solid Waste Capital Program

Capital Expenditures	Budget	Forecast					
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021-25</u>	<u>2016-25</u>
Landfill Remediation / Reclamation	\$ -	\$ 0.5	\$ 1.5	\$ 1.1	\$ 0.3	\$ 1.3	\$ 4.7
New Waste Transfer and Processing Facility	-	7.0	6.0	-	-	-	13.0
Organics Plan / Anaerobics Digestion	0.4	30.0	-	-	-	-	30.4
Clarrington MHSW	1	-	-	-	-	-	1.0
Modifications Waste Facilities / Eco Stations	-	-	-	0.6	3.2	5.3	9.0
Seaton Waste Management Facility	-	-	-	-	8.5	-	8.5
	\$ 1.4	\$ 37.5	\$7.5	\$1.7	\$12.0	\$ 6.5	\$ 66.6
Financing							
Property Taxes	1.4	0.5	1.5	1.7	3.5	6.5	15.1
Other Recoveries	-	37.0	6.0	-	8.5	-	51.5
	\$ 1.4	\$37.5	\$7.5	\$1.7	\$12.0	\$ 6.5	\$ 66.6

Social Services-Overview

Program	2015 Approved Budget (\$000's)	2016 Proposed Budget (\$000's)	Increase (Decrease)	
			\$ (\$000's)	%
EPSS	753	789	36	4.8
Social Assistance	22,470	21,750	(720)	(3.2)
Children's Services	8,635	8,803	168	2.0
Family Services	5,182	5,263	81	1.6
Housing Services	1,698	2,044	346	20.4
Long Term Care	40,383	40,552	169	0.4
Total	\$79,121	\$79,201	\$80	0.1%

Budget Highlights: Social Assistance & Social Housing

Social Assistance Annual Budgetary Change (\$000's)	2016	\$21,750	-3.2% ↓
	2015	\$22,470	

Social Housing Annual Budgetary Change	2016	\$36,533	2.3% ↑
	2015	\$35,720	

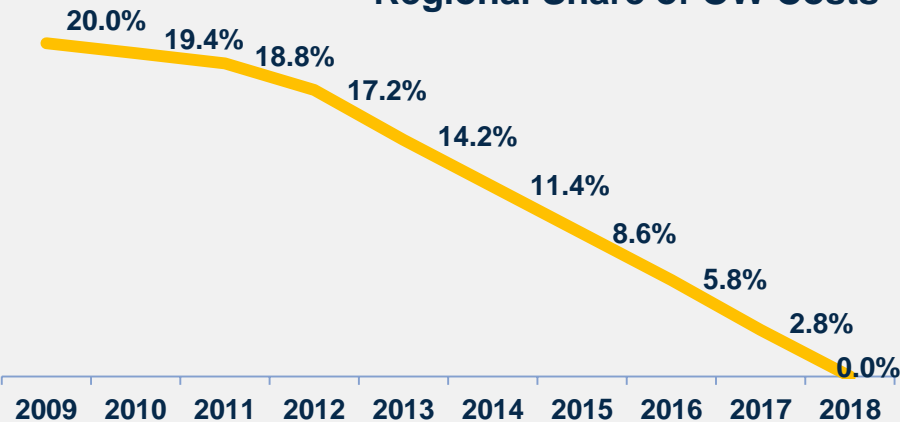
Social Assistance

- 2% increase in OW caseload
- Additional caseworker resources (\$141k)
- Continued provincial upload

Social Housing

- Discretionary funding related to homelessness programming (\$373k)
- Increased funding for DRLHC (\$271k)
- Increased Regional funding of provider payments and housing supplementary rent program (\$296k)

Regional Share of OW Costs



Budget Highlights: Children's Services

Annual
Budgetary
Change
(\$000's)

2016

\$8,803

2015

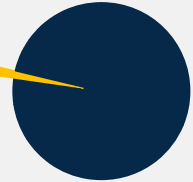
\$8,635

1.9%



Regional Total 2016
Average Home
Property Tax
Bill: \$2,504

Children's
Services
\$37



- Provincial Funding has increased \$5.3m (13.0%) from 2015 budget
- Items fully or partially funded through subsidy:
 - Provincial wage enhancement (\$4.1m)
 - 96 Subsidy spaces (\$1m)
 - Increased funding for Special Needs Resourcing (\$324k)
 - Start-up support for child care providers (\$252k)
- Relocation of Edna Thomson childcare center (\$25k)

Budget Highlights: Long-Term Care

Annual
Budgetary
Change
(\$000's)

2016

\$40,552

0.4%



2015

\$40,383

Regional Total 2016
Average Home
Property Tax
Bill: \$2,504

\$169
Long-Term
Care



- Provincial Funding has increased \$1.4m (3.5%) from 2015 budget
- 5 new nursing and personal care personnel (\$495k)
- Scheduling software (\$220k)
- Expanded recreation programming at Hillsdale Estates and Lakeview Manor (\$88k)

Budget Highlights: Paramedic Services

Annual
Budgetary
Change
(\$000's)

2016

\$21,639

2.0%

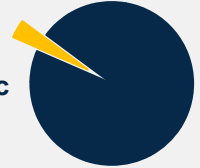


2015

\$21,214

Regional Total 2016
Average Home
Property Tax
Bill: \$2,504

Paramedic
Services
\$91



- 1 new Shift Superintendent and 4 new Paramedics
- 8 replacement ambulances and 2 replacement emergency response vehicles
- Continuance of the new Sunderland paramedic response station project

Budget Highlights: Public Health

Annual
Budgetary
Change
(\$000's)

2016

\$14,911

6.1%

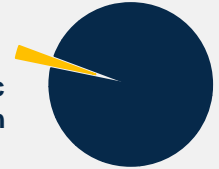
2015

\$14,053



Regional Total 2016
Average Home
Property Tax
Bill: \$2,504

Public
Health
\$62



- Maintain compliance with *Ontario Public Health Standards*, other applicable provincial legislation, standards and protocols.
- New staffing resources and reallocation of existing resources to respond to Regional priorities and provincial legislation and program changes.
- Implementation of disclosure program for Personal Services

Other Budget Highlights

- 41 new positions \$2.2m (annual impact \$4.3m)
- E-Agenda initiative (\$0.2m)
- Increase in Regional Headquarters Reserve Fund contribution from \$748k to \$1,250k.
- NEWCO membership (formerly GTMA) increased from \$100k to \$206k
- Development Tracking System Review (\$100k)
- Growth Management Update in accordance with Amendment #2 to Provincial Growth Plan (\$150k)
- Increase in Regional Revitalization Reserve Fund contribution from \$1,360k to \$1,860k
- \$385k increase in contribution to Property Tax Appeals reserve – increase from \$810k to \$1,195k
- Lakeshore East GO Train Extension Study (\$50k)

Conservation Authorities (\$'000's)

	2015 Budget	CVA	2016 Budget
Central Lake Ontario	3,599		3,688
Kawartha	680	(1)	694
Ganaraska	634		648
Toronto & Region	1,319		1,345
Lake Simcoe Region	700	(2)	710
Direct Funding	<u>6,932</u>	<u>(3)</u>	<u>7,085</u>

Special Requests for Consideration:

Ganaraska Region: Forest Management Plan \$25k

Lake Simcoe Region:

- Beaver River Wetland Trail Upgrades \$50k
- Scanlon Creek Operations Centre Infrastructure Maintenance \$24k

Special Contributions (\$'000's)

Special Contributions	2015	2016
Regional Land Acquisition Reserve Fund	899	959
Durham College	800	0
Hospital Funding	<u>3,610</u>	<u>4,410</u>
Total Funding	<u>\$5,309</u>	<u>\$5,369</u>

Staff to undertake a review and report back to Regional Council on the Region's Conservation Authorities' land holdings and land management funding model at a cost not to exceed \$50,000 with funding to be provided from the Regional Land Acquisition Reserve Fund

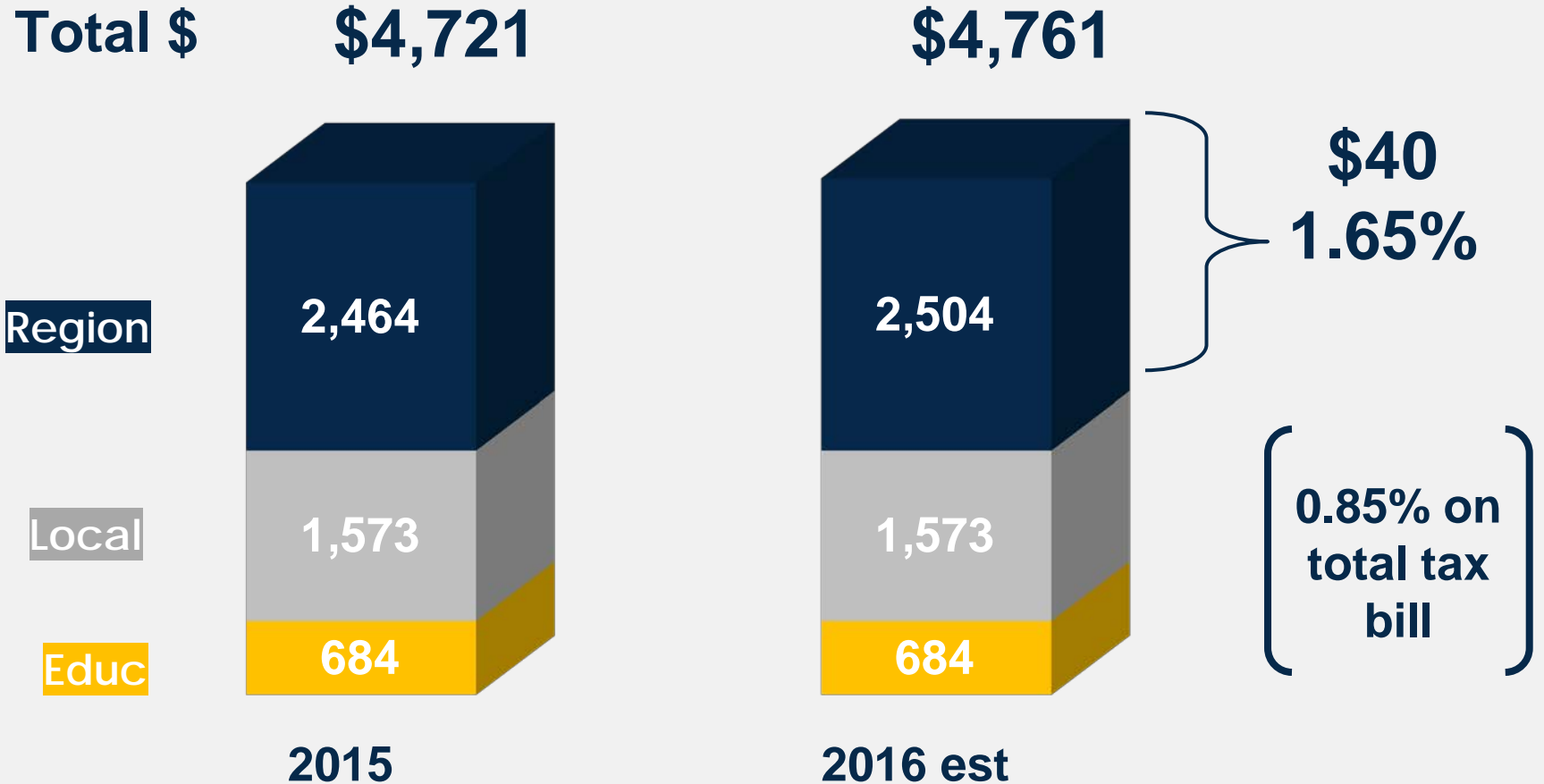
Risk Sensitivities

Subsidy	↓	\$
Public Health	1%	341,000
Paramedic Services	1%	211,000
Social Assistance Delivery	1%	222,000
Long-Term Care	1%	420,000
Child Care	1%	461,000

Revenue	↓	\$
Property Taxes	0.1% weighted assessment growth	600,000
Assessment Review Board Decisions	1% weighted assessment: <i>Commercial</i> 777,000 <i>Industrial</i> 218,000	
Development Charges	100 single detached residential units	1.0 million
Waste Diversion	1% recyclable revenue	50,000
DRT Fare	1% DRT fare revenue	208,000

Expenditure	↑	\$
Electricity	5% annual price	255,000
Natural Gas	5% annual price	76,500
Gasoline	1 cent per litre	31,000
Diesel	1 cent per litre	83,000
Debt Charges	1% interest rate	2.5 million
Winter Maintenance	1%	96,000

Estimated 2016 Total Taxes

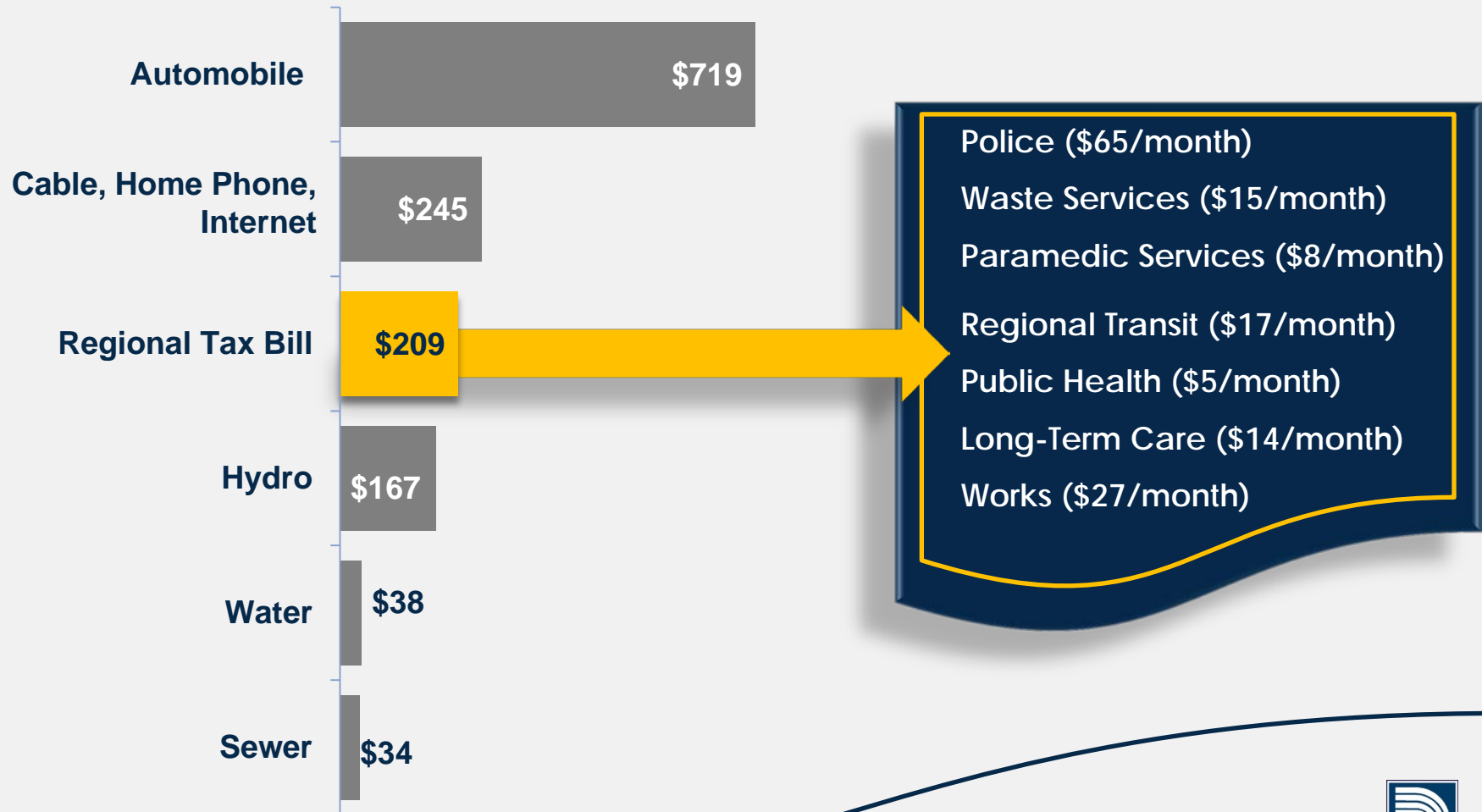


CVA = \$351,000

CVA = \$362,000

Regional-Wide Average Residential Home

Average Monthly Household Regional Tax Impact



Wrap Up



2016 Decision Impacts on 2017

Staffing Annualization:

- 41 new staff positions adds \$2.1 million in 2017

Sunderland Paramedic Services Station

Police Debt

Annualization of Transit service plan

Reassessment Impact Unknown

Conclusion

2016 Budget Permits

- *Taxpayer affordability and property tax competitiveness*
- *Increased staffing levels in key program areas*
- *Conventional and specialized transit service enhancements*
- *Strategic investments in social assistance and social housing*
- *Increased investment in roads and bridges*
- *Continued investment in police facilities*
- *Strategic investment in revitalization and capital replacement*
- *Continued investment in Conservation Authorities*

Staff will Continue to:

Monitor economic conditions

Look for efficiencies and cost savings

Business Case Approach for major projects

Phased implementation where appropriate