



2017 Business Plans and Budgets



**Presentation to
Committee of the Whole
February 1, 2017**

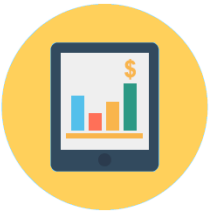
Overview



Economic Overview



Risk Analysis



Long-Term Financial Planning



2017 Business Plans & Budgets



Economic Overview



Broader Economic Conditions



Inflation within Target

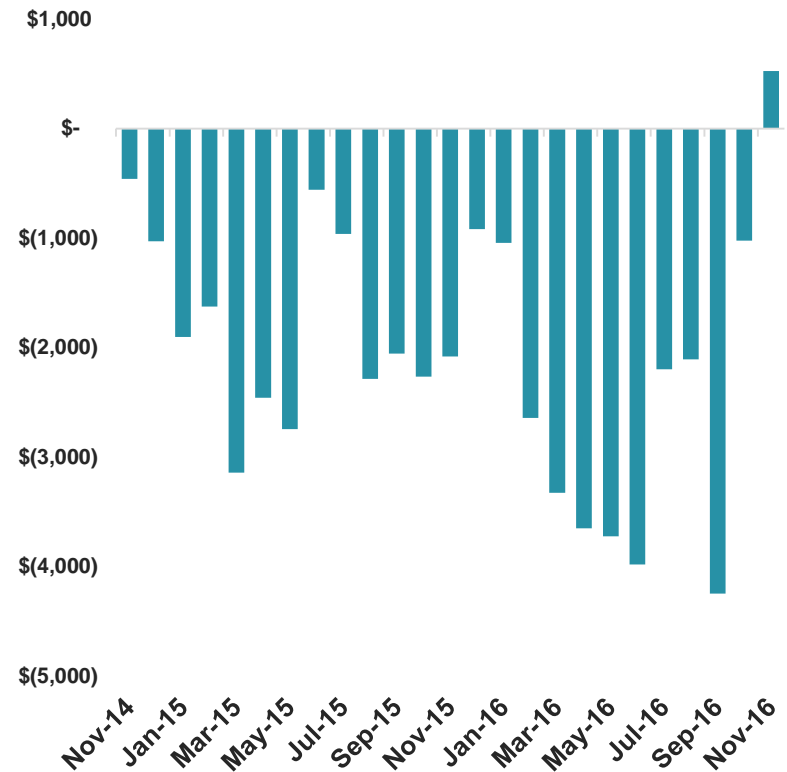


Exchange Rate Low



Interest Rates Remain Low

**Canada's Trade Deficit
Total of all Merchandise (\$m)**



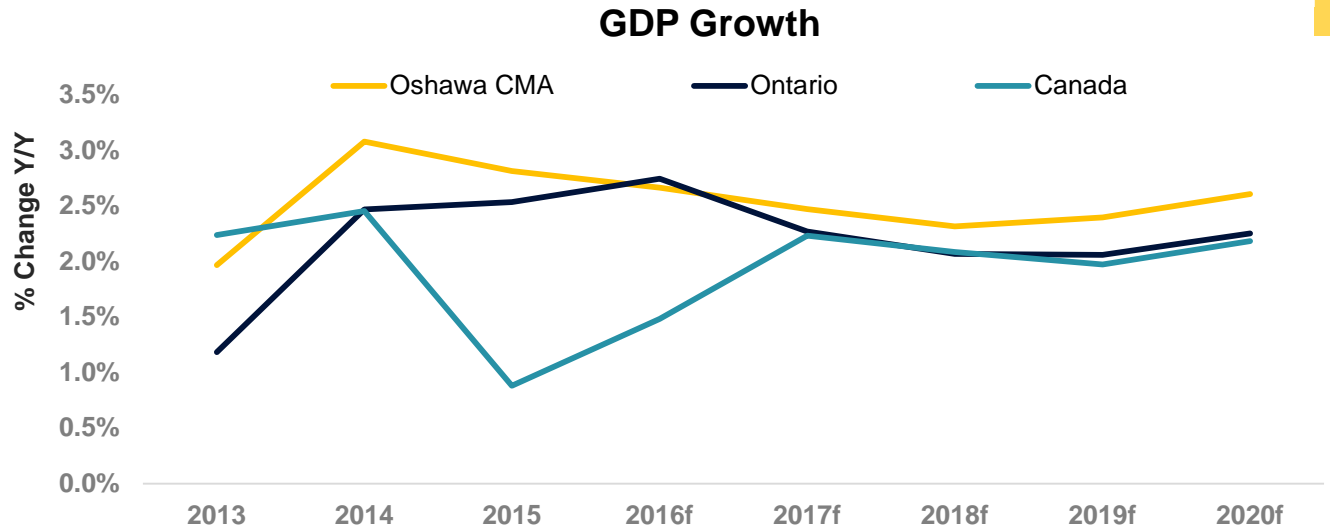
Local Economic Snapshot



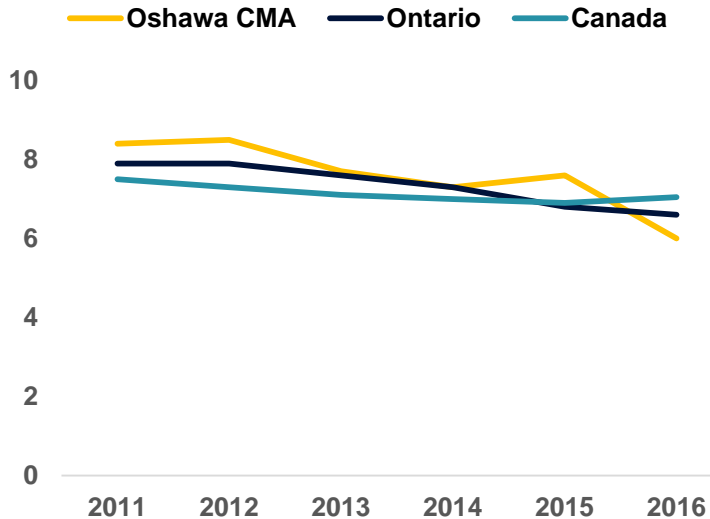
Economic Growth



Source Conference Board of Canada



Unemployment Rate



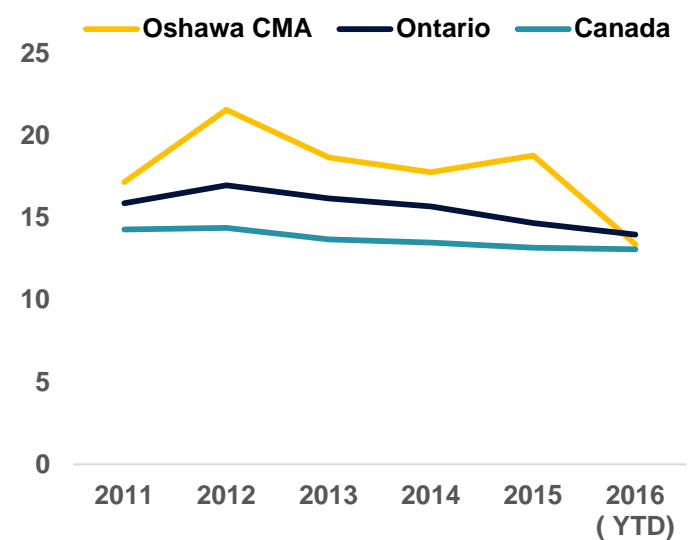
February 1, 2017

Unemployment Rates



Source Statistics Canada

Youth Unemployment Rate



Committee of the Whole

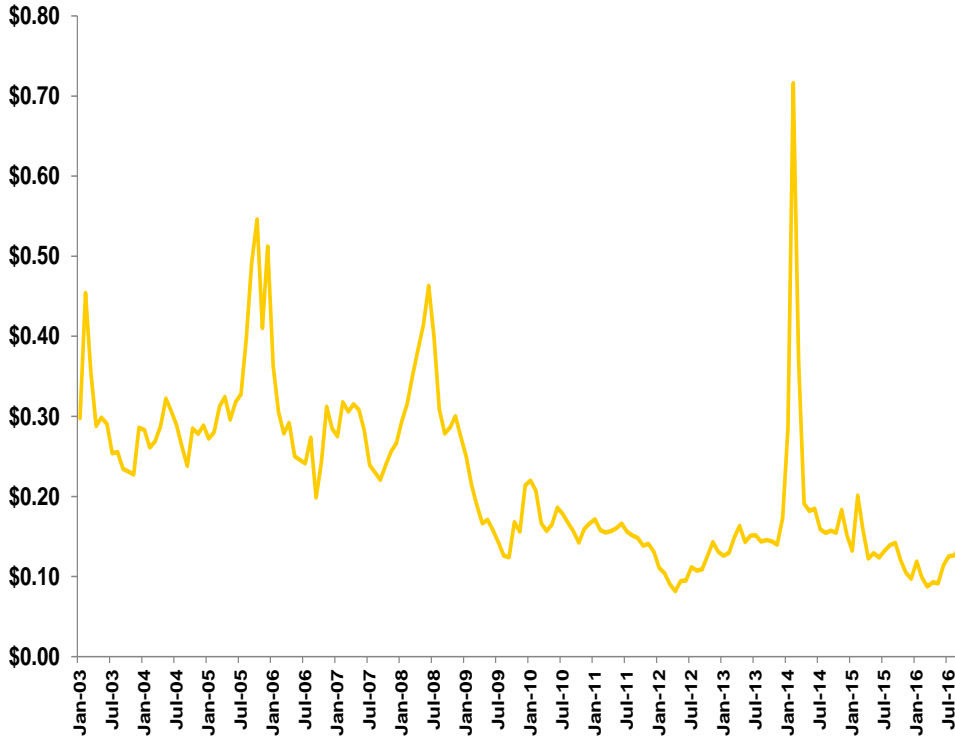
Volatile Energy Prices



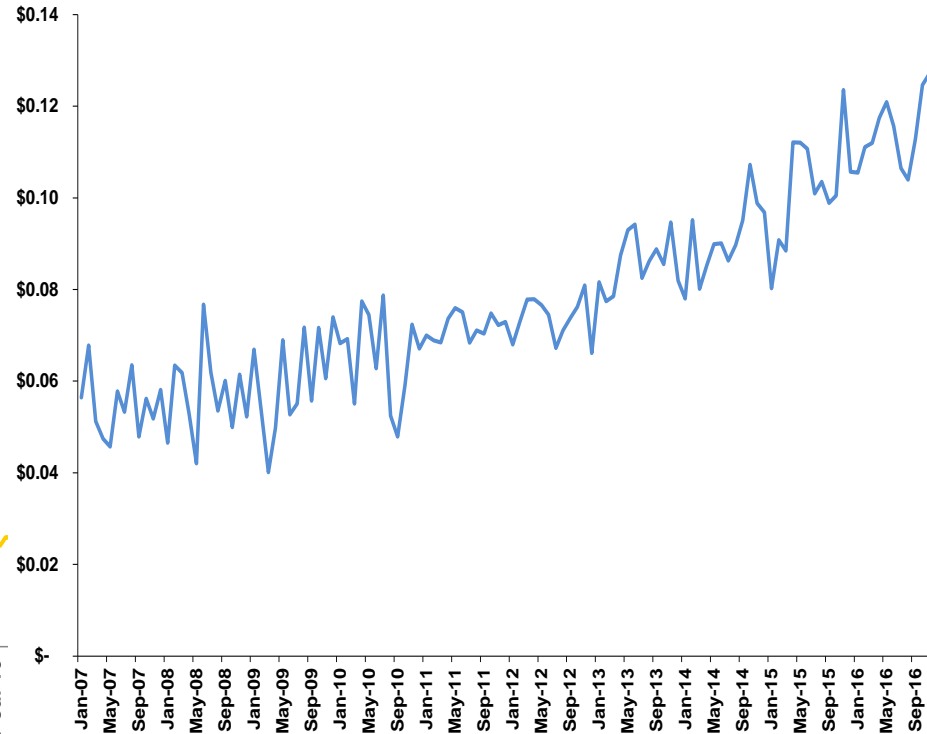
Ontario Natural Gas Commodity Price (CAD/mmBtu)



Ontario Wholesale Electricity Cost (\$/kWh)



Source: Sproule Associates Ltd.



Source: IESO

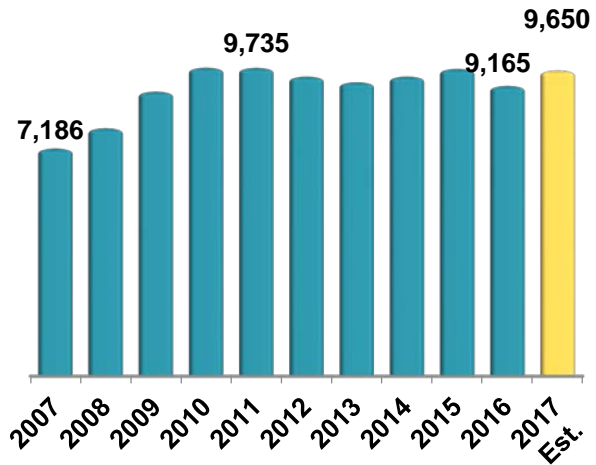


Risk Analysis

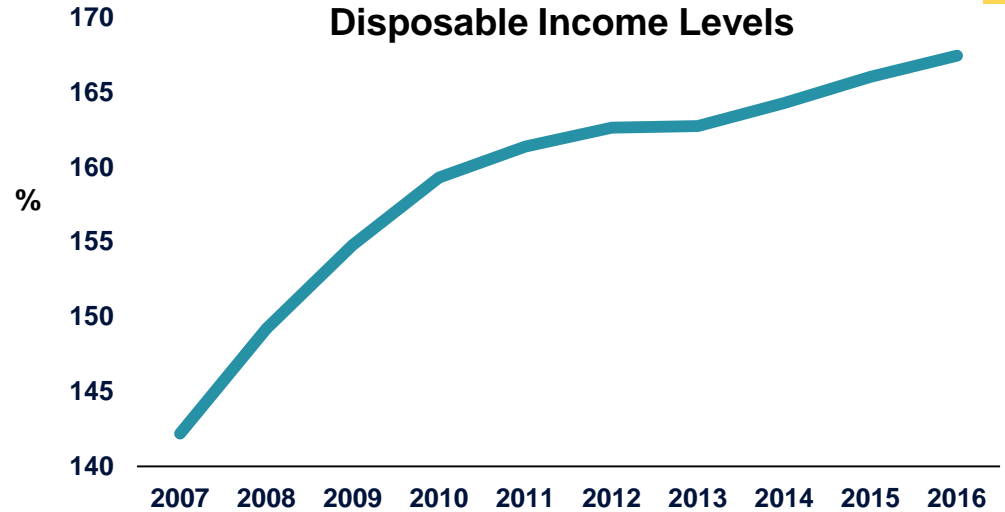


Risks

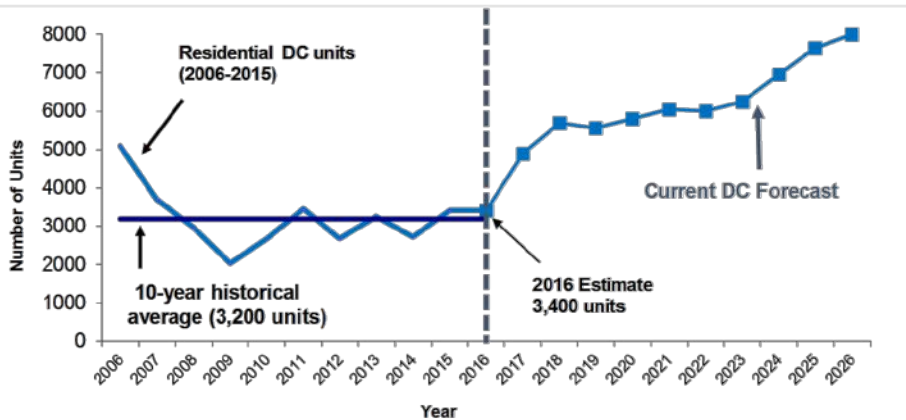
Annual Average Monthly Caseload (Durham Region)



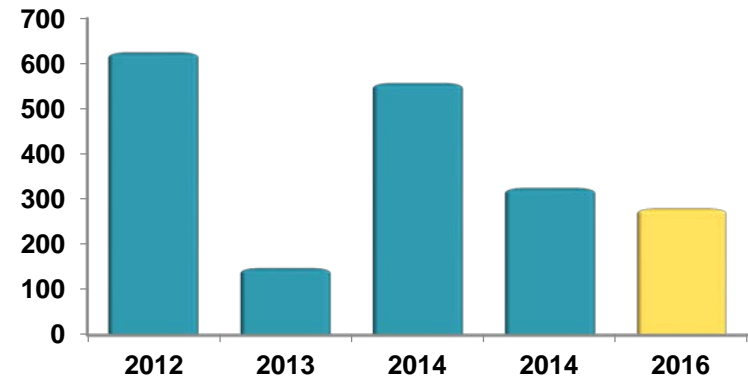
Average Annual Consumer Debt to Disposable Income Levels



Development Charge Receipts



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



Other External Risks



Donald J. Trump @realDonaldTrump · 6h

Will be meeting at 9:00 with top automobile executives concerning jobs in America. I want new plants to be built here for cars sold here!



Financial Post @financialpost · 31m

Donald Trump's policies could cost Canada 1.5% drop in GDP growth, National Bank warns ow.ly/V81o308vj1u #business



Paul Wells @InklessPW

Follow

There's a federal budget soon but budget decisions are occupying almost none of the agenda at this cabinet retreat. It's all Canada-US



Report on Business @globebusiness · 1h

At midday: Energy stocks lead broad TSX decline trib.al/UUTxgBw

@GlobeInvestor



Financial Post @financialpost · 12m

Donald Trump just signed order to exit Trans-Pacific Partnership, promises to renegotiate Nafta business.financialpost.com/news/economy/d... #business



Canadian Business @cnbiz · 27m

"One is left with the impression that Trump is dictating Canada's trade policy at the moment."



Bank of Canada @bankofcanada · Jan 19

ICYMI: We held our policy rate unchanged yesterday. Gov. Poloz said uncertainty remains undiminished #cdnecon



Conference Board Cda @ConfBoardofCda · Jan 20

Trump's election has greatly increased the risks to forecast. @CraigA_Eco explains: ow.ly/csw2308bQGg



The Globe and Mail @globeandmail · 6h

Oil falls as signs of U.S. output rise overshadows OPEC-led cuts trib.al/nbgsYMx from @GlobeBusiness



The Economist @TheEconomist · 3h

Trump has called NAFTA "the worst trade deal maybe ever signed anywhere, but certainly ever signed in this country"

Risk Mitigation Strategies

“The region utilizes multi-year operating and capital planning, including 10-year capital plans which are updated annually. 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 10, 2017

- **Long-Term Financial Planning**
- **Risk and Asset Management**
- **Financial Flexibility**
- **Business Case Approach**



Long-Term Financial Planning



Regional Assets

2015 Replacement Value by Asset Class (\$ Billion)

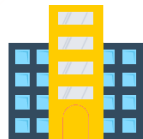
\$12.5



Sanitary Sewerage
\$4.3



Water Supply
\$3.8



Facilities
\$0.9

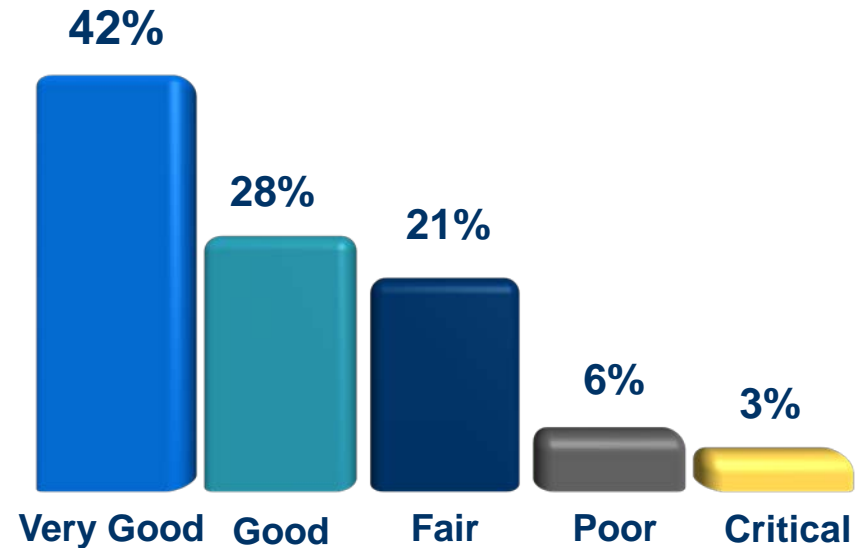


Fleet & Equipment
\$0.3



Transportation
\$3.3

Regional Asset Condition Rating



- 91% of Regional assets are rated Fair to Very Good
- Poor/Critical addressed in Business Plans as needed

Property Tax Supported Capital (2017-2026)

\$ millions

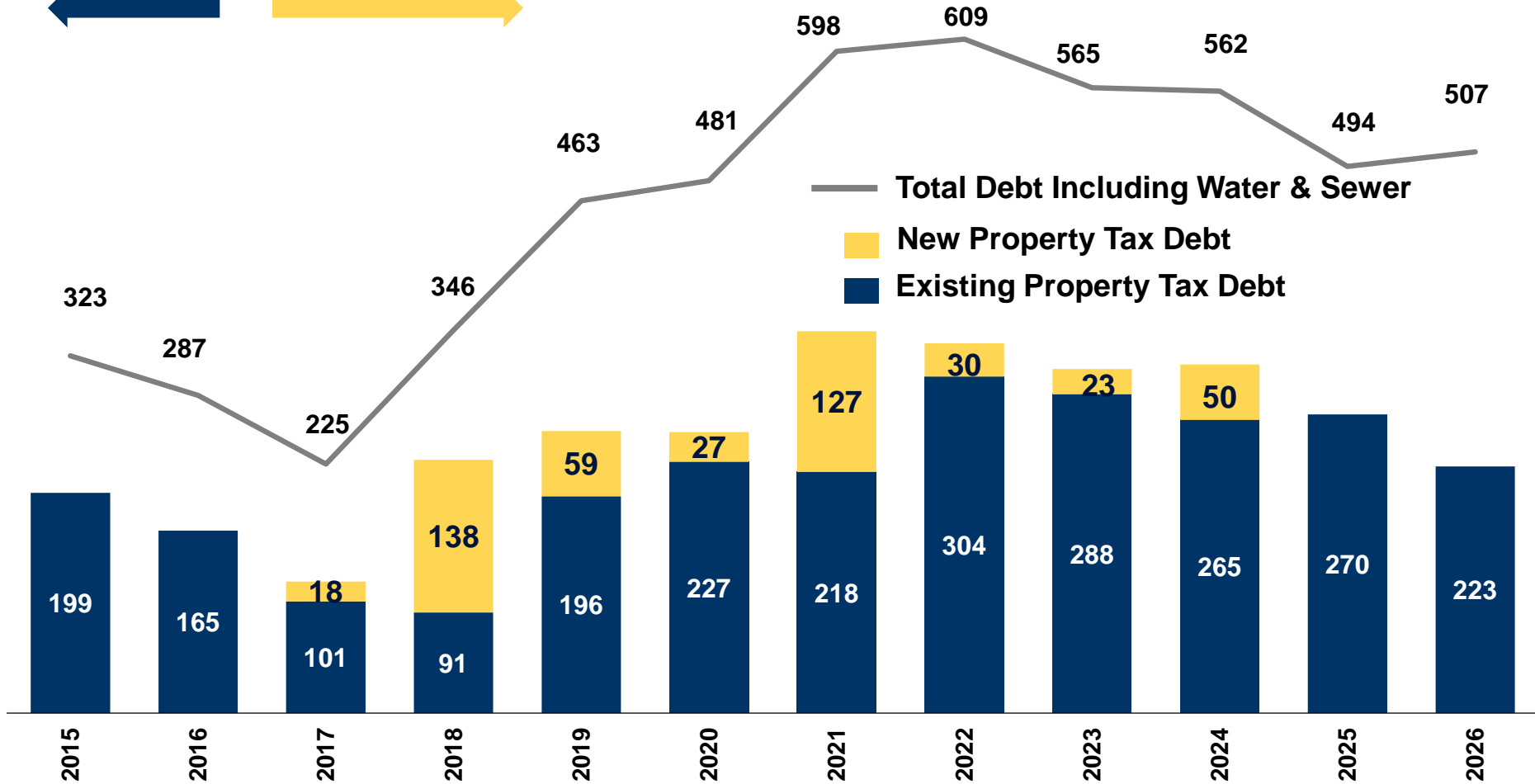


<u>Expenditure Requirements</u>	Budget	Forecast						
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2017-2021</u>	<u>2022-2026</u>	<u>Total</u>
Police Services	0.4	55.5	2.6	24.0	3.2	85.7	84.7	170.4
Paramedic Services	2.2	5.2	6.5	6.1	7.3	27.3	15.9	43.3
Solid Waste	2.8	82.3	-	9.3	0.8	95.1	2.1	97.1
Transit	29.9	19.9	61.8	11.8	15.8	139.2	85.7	224.9
Social Services	-	1.2	8.3	-	-	9.5	-	9.5
Headquarters	-	-	-	-	120.0	120.0	-	120.0
Regional Roads Program	81.2	96.7	99.4	106.6	108.7	492.6	585.9	1,078.4
TOTAL	116.4	260.7	178.6	157.8	255.8	969.3	774.2	1,743.6

Regional Debt (\$m)

ACTUAL

FORECAST



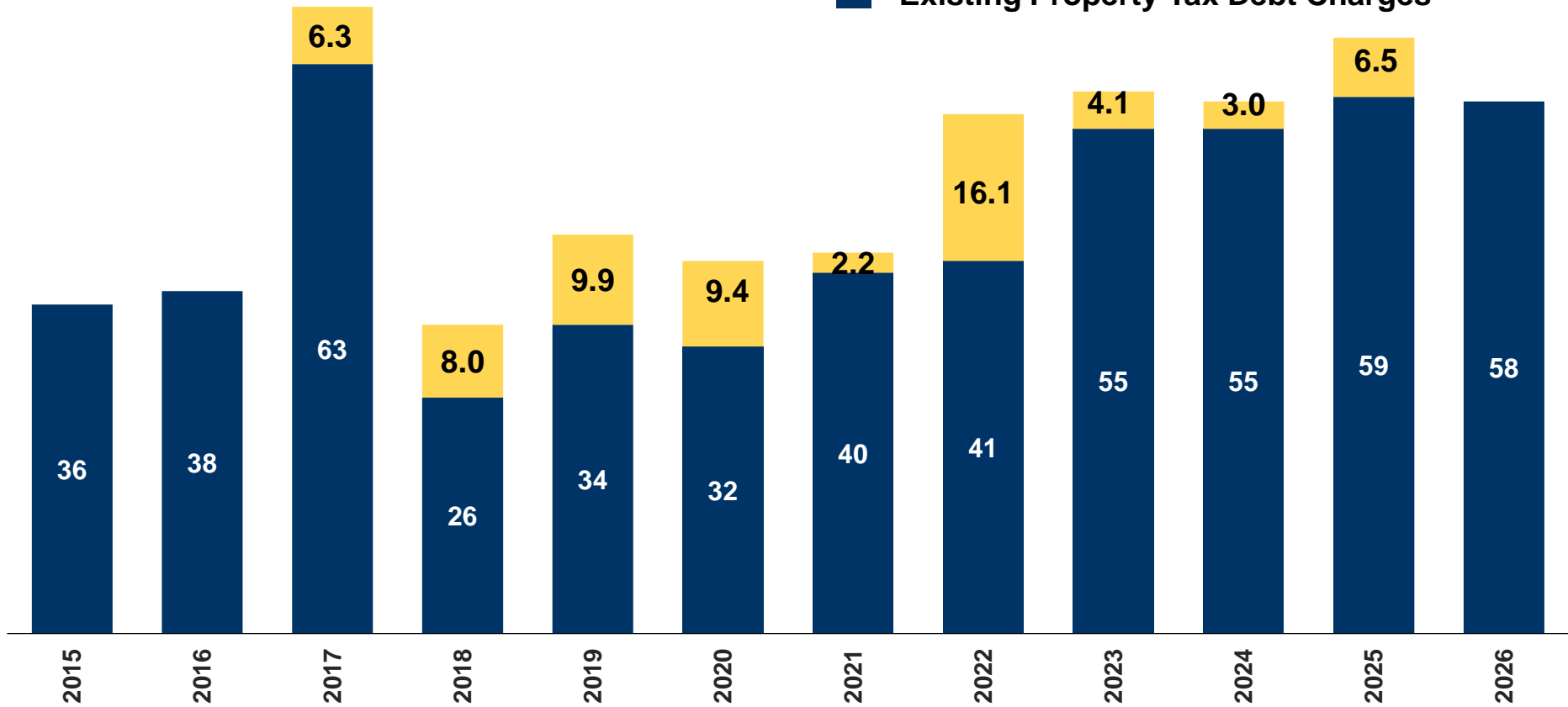
Regional Debt Charges (\$m)

ACTUAL

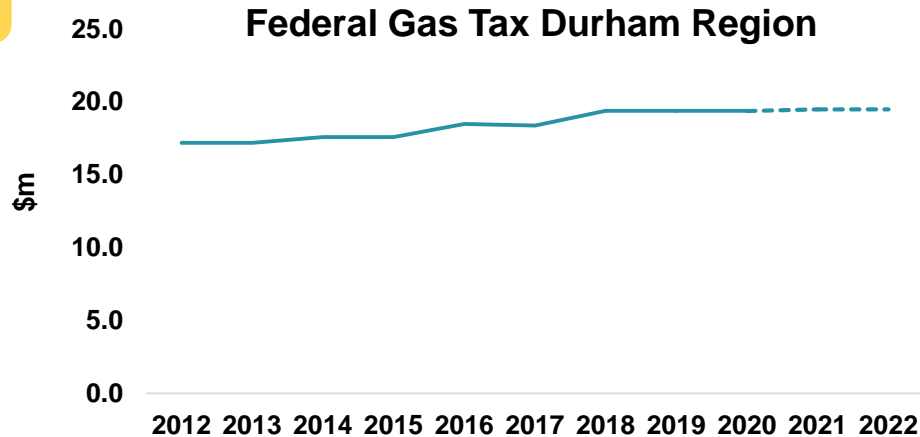
FORECAST



- New Property Tax Debt Charges
- Existing Property Tax Debt Charges



Federal Gas Tax



\$209 million Federal Gas Tax used for DYEC

- Interest savings \$132m
- Final year applied to DYEC 2019

Options for Use of Future Gas Tax:

- Recommendations for use beyond 2019 to be brought forward in 2018 Multi-Year Economic & Financial Forecast
- Options identified by staff to date (subject to business case) include:
 - Road rehabilitation (2014-2017 Transpiration S&Fs)
 - Anaerobic Digestion (2017 Waste S&F)

Business Planning Process

“...completes a number of annual studies on user rates and services, which we consider well-documented and based on realistic assumptions that feed into long-term economic and business plans and budgets.” —S&P Global Ratings, 2016

May - July

Department Forecast Submissions
Asset Management Study

September - October

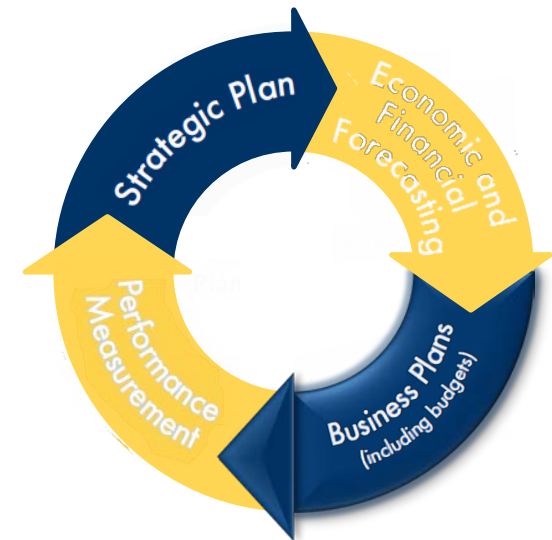
Multi Year Economic & Financial Forecast
and Guideline

November- January

Business Planning
Servicing & Financing Studies

January-February Approval

Business Plans & Budgets
Tax Strategy
Multi-Year Forecast



2017 Budget Guideline

Taxpayer Affordability & Competitiveness

- Reassessment
- Business Retention

Annualization of 2016 Items

- Staffing
- Transit Contract
- Transit Service Plan

Maintain & Increase Service Levels

- Regulatory
- Legislative
- Operating & Capital

PRIORITIZED AFFORDABLE BUDGET

2017 Budget Starting Point

Economic Increases

One-Time Items

Annualization

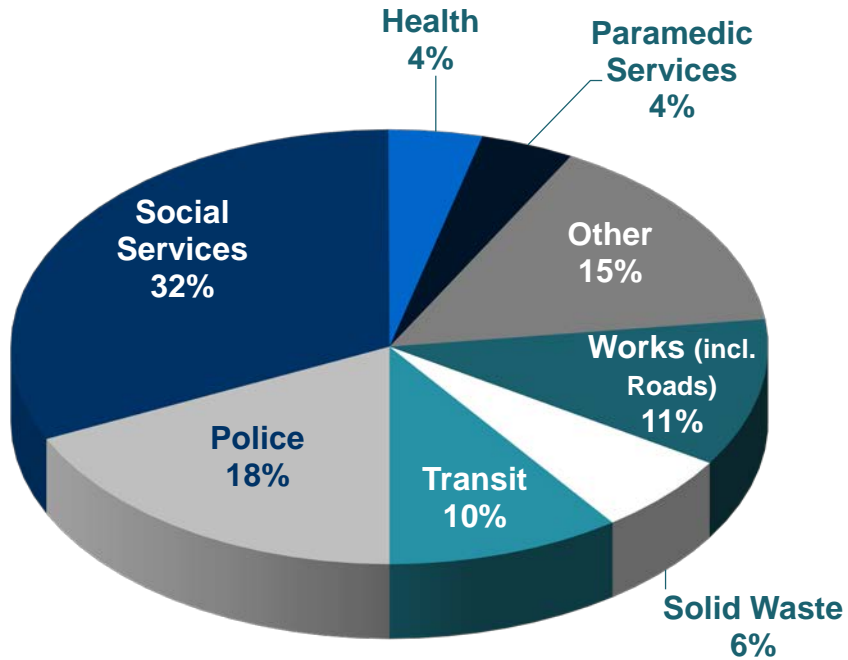
Contract Pricing

Revenues & Subsidies

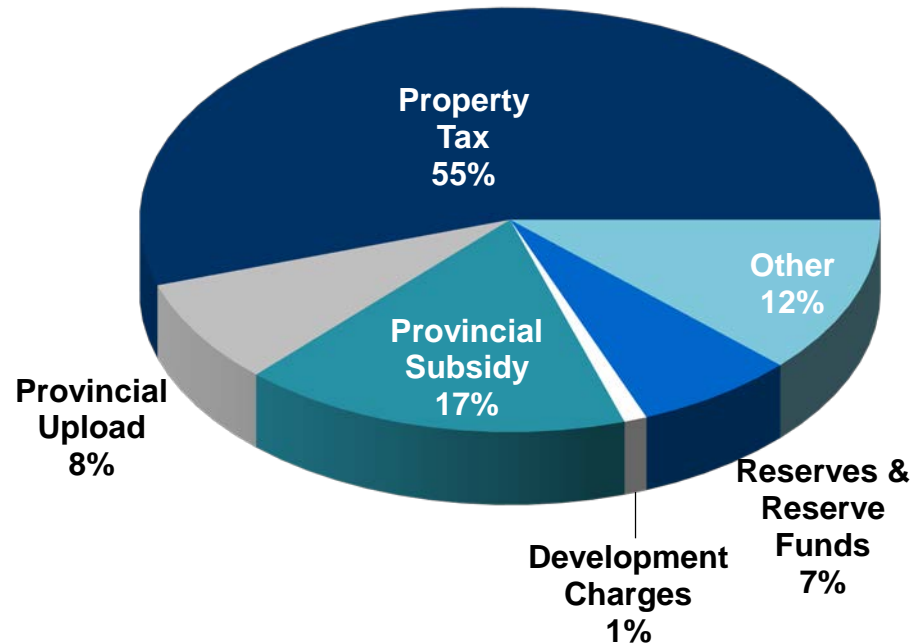


2017 Recommended Regional Gross Property Tax Supported Budgets \$1.14B

All Expenditures



All Revenues

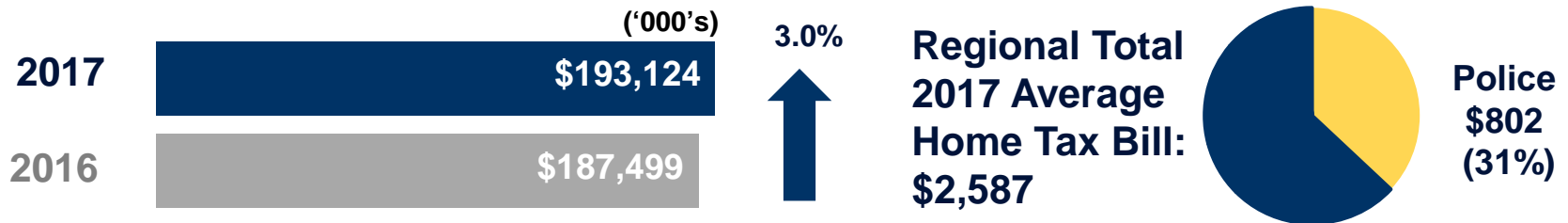


Total Regional Gross Budget Including Water & Sewer: \$1.47B

2017 Guideline Achieved

	2017 Increase (\$ millions)	Tax Impact (per cent)
Police Services	5.63	0.94
Durham Region Transit	3.40	0.57
Conservation Authorities	0.13	0.02
Solid Waste Management	(0.89)	(0.15)
Regional Operations and Other	12.65	2.11
Special Contributions	0.08	0.01
	21.00	3.50
Assessment Growth—Budgetary		(1.40)
Assessment Growth—Reassessment Mitigation		(0.30)
2017 Net Property Taxpayer Impact		1.80

Budget Highlights: Police



Staffing

- Reduced uniform vacancy rate by 7.2 FTE (\$0.6 m)
- Technical contract resource NextGen (\$36k net of recoveries)

Funding

- Court Security upload (-\$0.4m)
- Fees and Revenues (\$0.3m)

Risk

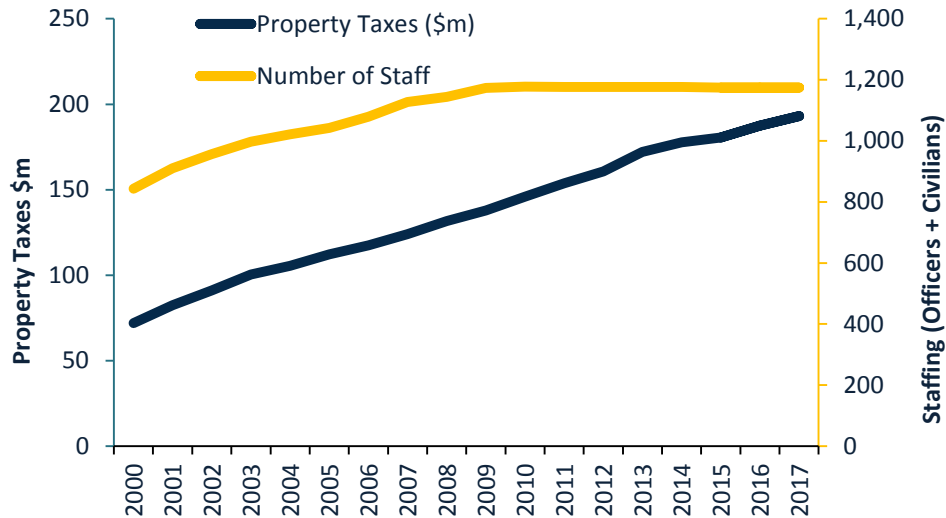
- PAVIS, Community Policing Partnership (CPP), Safe Communities—1,000 Officers Partnership (\$3.04m)

Capital

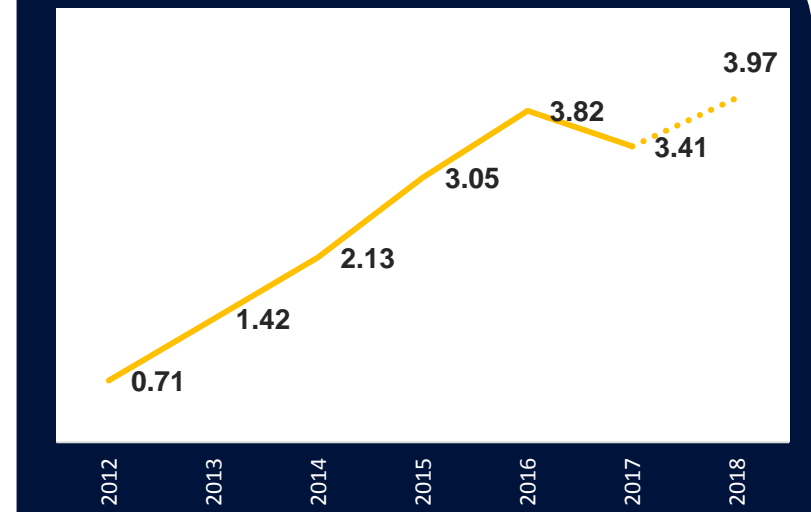
- Vehicle, equipment purchases and facility maintenance and renewal (\$3.2m)

Budget Highlights: Police

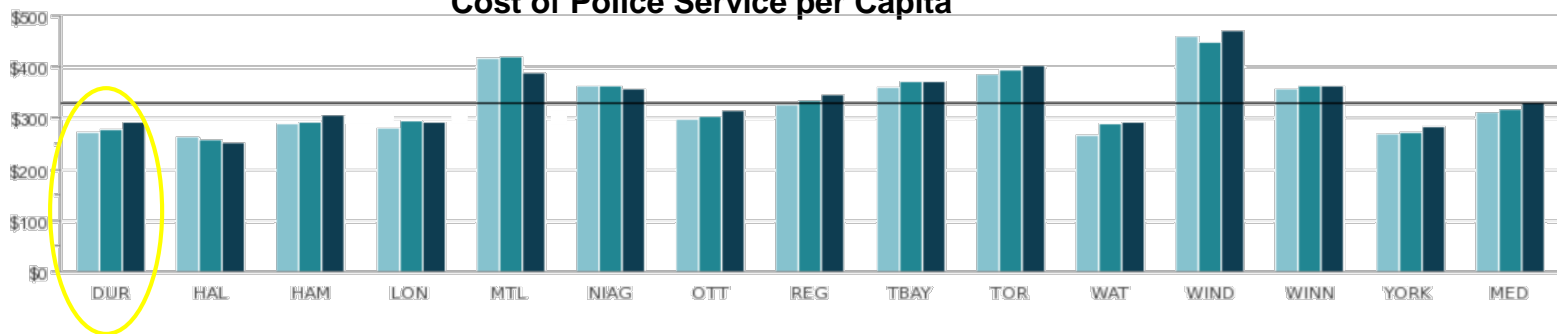
Police: 2000-2017 Staffing & Taxation



Court Security Upload (\$m)



Cost of Police Service per Capita



2013	\$273.85	\$263.82	\$290.89	\$282.43	\$418.76	\$362.64	\$298.26	\$326.32	\$360.20	\$386.86	\$266.64	\$459.54	\$357.12	\$268.48	\$312.29
2014	\$277.59	\$259.47	\$292.25	\$296.60	\$420.33	\$363.01	\$303.07	\$336.08	\$372.20	\$394.86	\$289.75	\$450.19	\$365.35	\$272.37	\$319.58
2015	\$292.71	\$252.94	\$306.53	\$292.05	\$388.75	\$357.03	\$314.66	\$347.42	\$371.59	\$403.72	\$291.42	\$471.33	\$365.25	\$283.05	\$331.04

Source: MBNCanada

Police Capital Program (\$m)

Capital Expenditures

	Budget	Forecast					
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022-2026</u>	<u>2017-2026</u>
Operations Training Centre - Phase 2	\$ -	\$ -	\$ 1.6	\$ 23.0	\$ -	\$ -	\$ 24.6
Facility Repairs & Renovations	0.4	1.0	1.0	1.0	1.0	5.0	9.4
Clarington Complex Phase 2	-	54.5	-	-	-	-	54.5
Durham Northwest Seaton	-	-	-	-	2.0	26.7	28.7
North Division Expansion	-	-	-	-	0.2	3.0	3.2
Central East Facility	-	-	-	-	-	50.0	50.0
	\$ 0.4	\$ 55.5	\$ 2.6	\$ 24.0	\$ 3.2	\$ 84.7	\$ 170.4

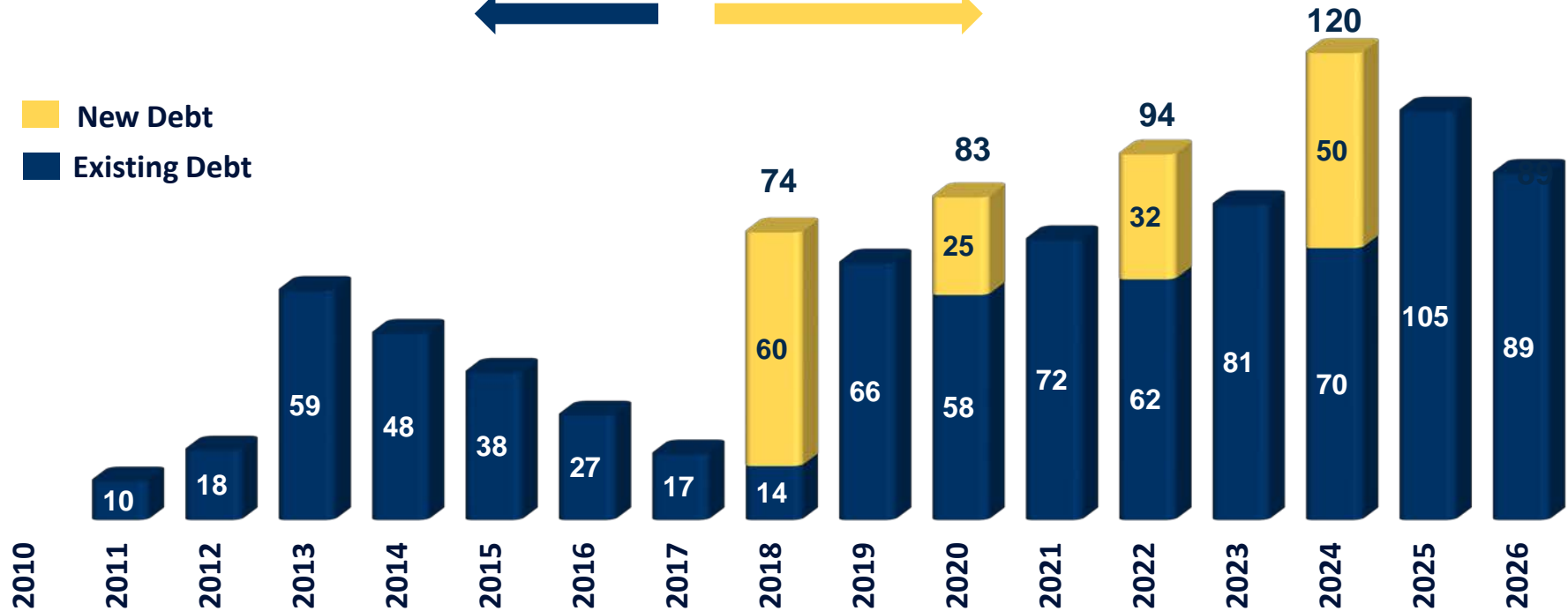
Financing

Property Taxes	0.4	1.0	1.0	1.0	1.0	5.0	9.4
Debentures	-	54.5	1.6	23.0	2.2	79.7	161.0
	\$ 0.4	\$ 55.5	\$ 2.6	\$ 24.0	\$ 3.2	\$ 84.7	\$ 170.4

Police Debt Forecast (\$m)

ACTUAL ← → **FORECAST**

■ New Debt
■ Existing Debt



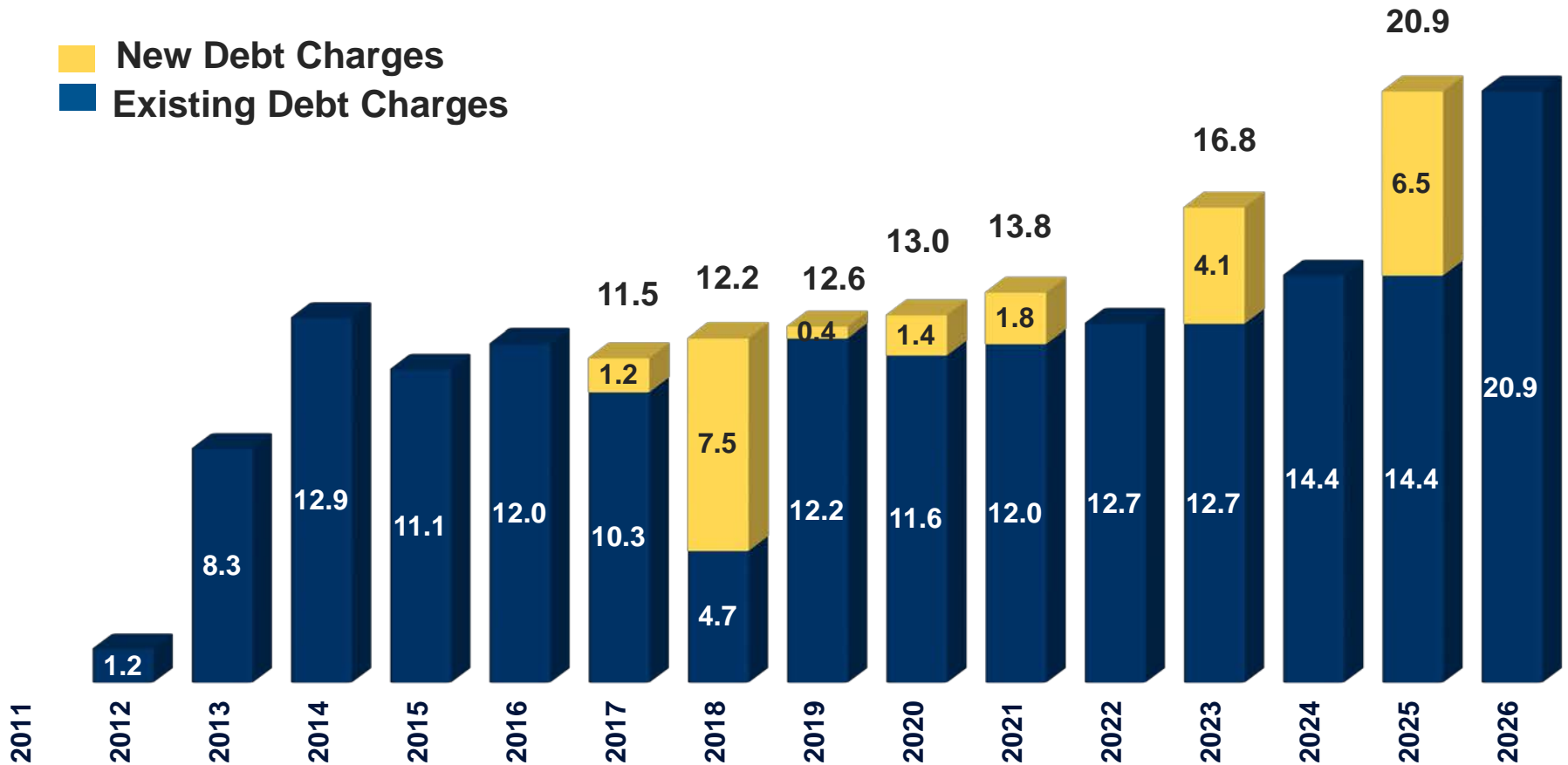
New Debt

	<u>Year</u>	<u>\$M</u>
Clarrington Complex Phase 2	2018	\$60
Operations Training Centre Phase 2	2020	25
Durham Northwest Seaton	2022	29
North Division Expansion	2022	3
Central East Facility	2024	50
		<u>\$167</u>

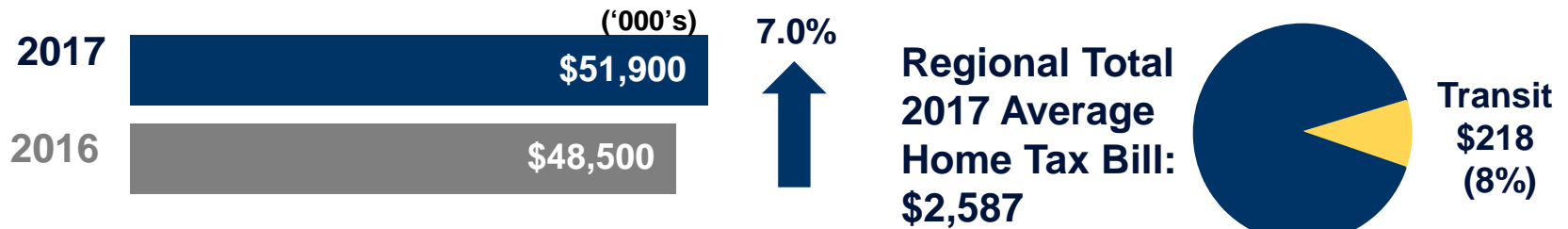
Police Debt Charges Forecast (\$m)

← ACTUAL FORECAST →

■ New Debt Charges
■ Existing Debt Charges



Budget Highlights: Transit



Staffing and Expenses

- 4 new positions
- Transit Contract (\$1.4m)
- New Raleigh Maintenance Facility (\$0.4m)

Service Plan

- 2016 – annualization (\$0.8m)
- 2017 – net cost of \$170k (\$1.36m annual) – 11,827 service hours

Revenues

- Modest Fare Increase

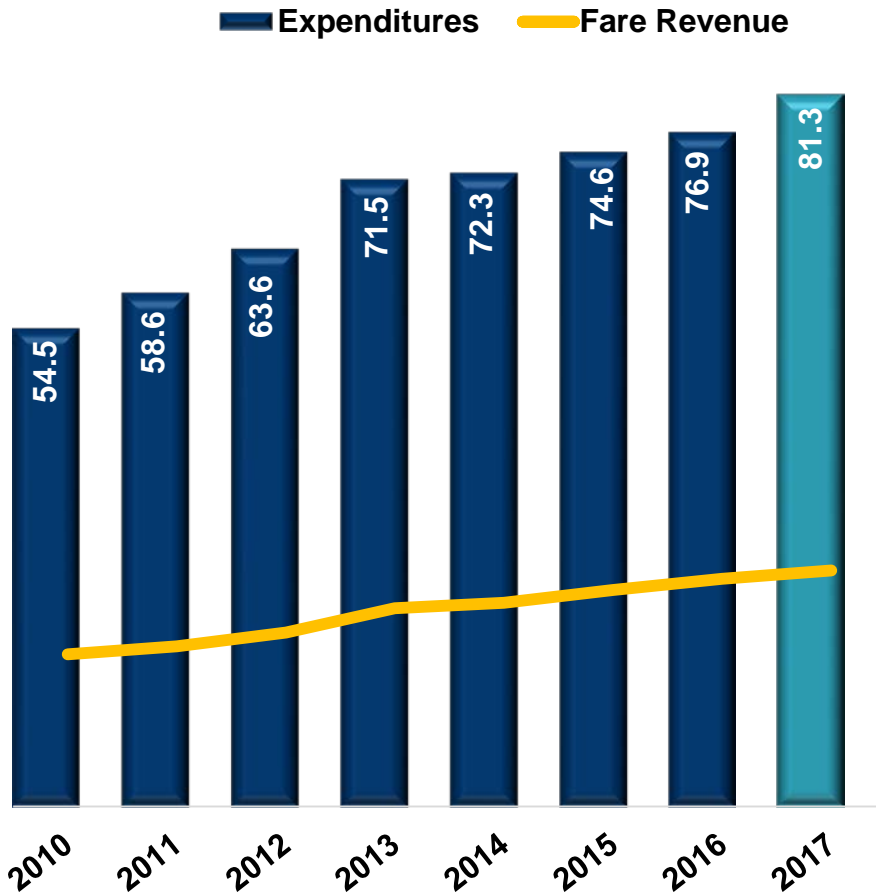
Risk

- Ridership

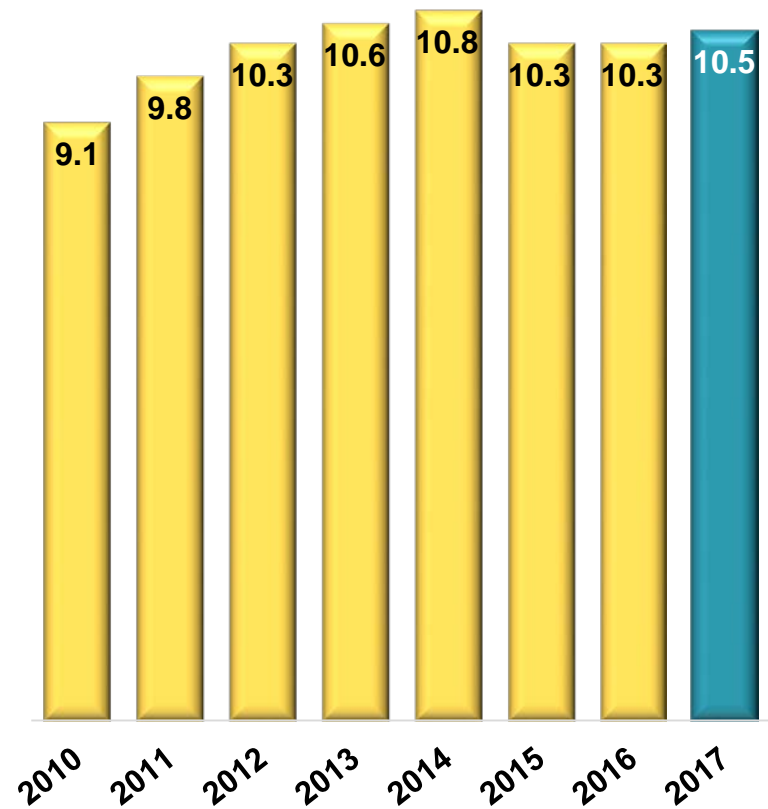
Capital \$29.9m

Transit

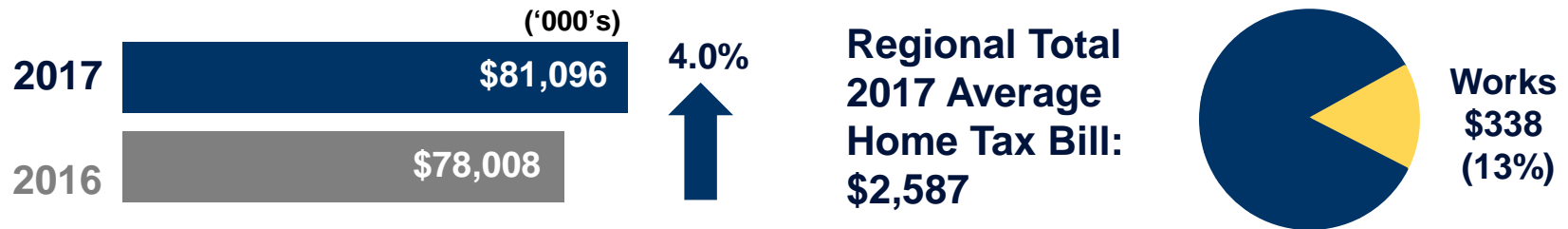
Historical Property Tax Support (\$m)



Annual Ridership (m)



Budget Highlights: Works



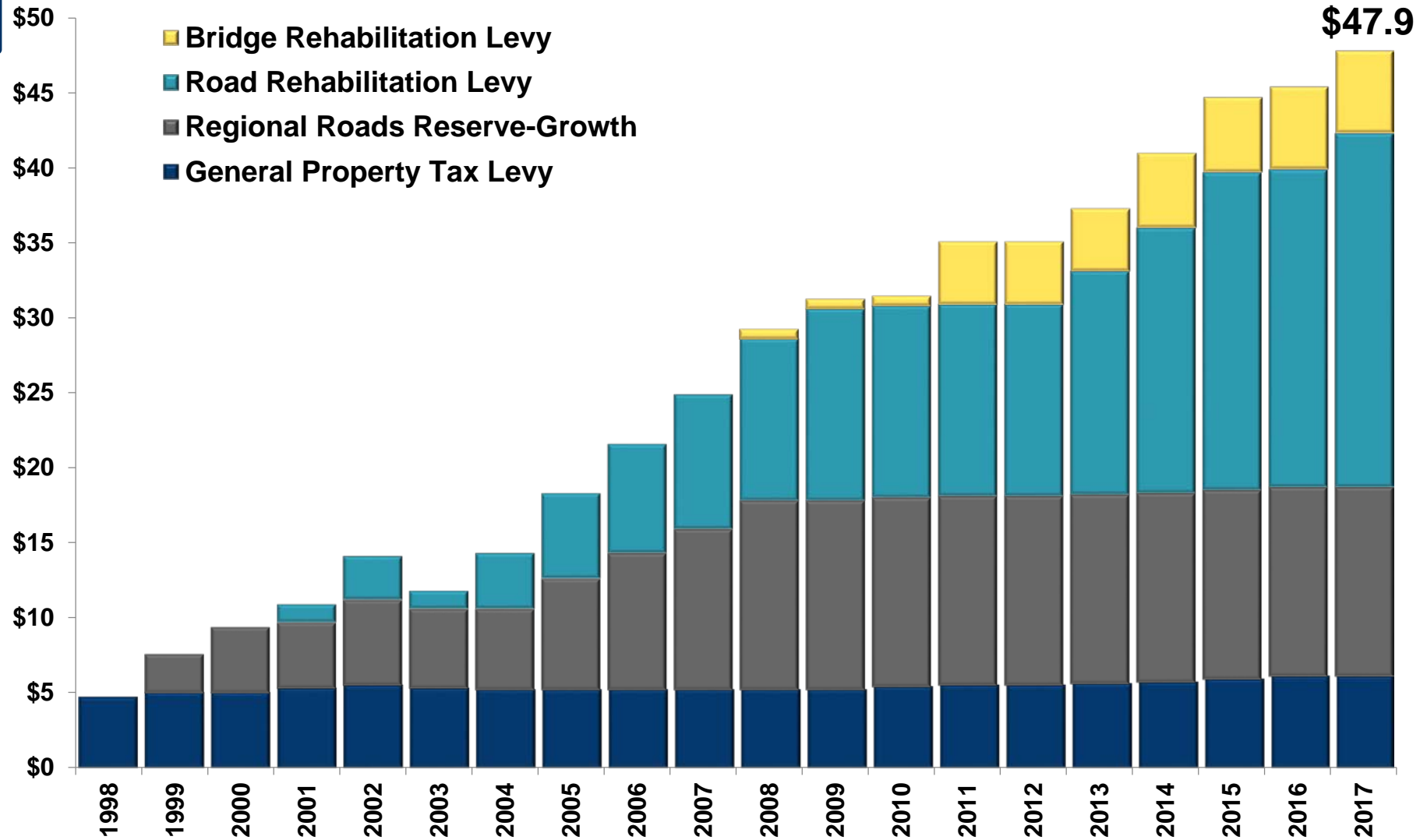
Staffing and Expenses

- 4 new FTE (\$0.4m annual)
- Increase in Maintenance Operations
 - Winter Control \$(0.2m)
 - Roadside Maintenance (\$0.1m)

Capital Program (\$81.2m)

- Three lane extension of Consumers Drive
- Widening of Brock Street between Rossland & Taunton
- Construction of eastbound turn lane at Bayly & Westney Rd & rehabilitation of John Mills bridge
- Road Rehabilitation (\$23.5m)
- Bridge & Structure Replacement (\$6.1m)
- Highway 407 extension accommodation (\$5.7m)
- Traffic control & other transportation projects (\$6.9m)
- Fleet & Equipment Replacement (\$3.9m)

Property Tax Supported Roads Funding (\$m)



Budget Highlights: Solid Waste



Staffing

- 1.1 FTE (\$0.1m annual)

Operating

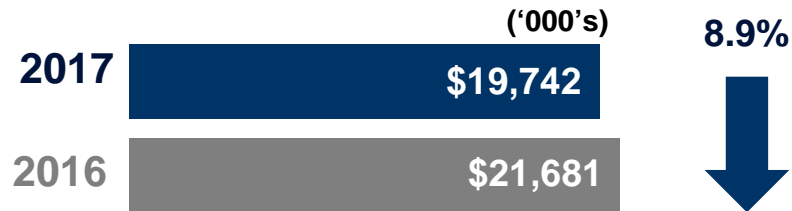
- Clarington Municipal Hazardous and Special Waste Facility partial year (expenses \$80k; subsidy \$64k; net \$16k)

Capital

- Material recovery equipment enhancements (\$2.0m less \$0.9m CIF grant)
- Stage 3 Organics Plan/Anerobic Digestion (\$0.8m) subject to Council approval of business case (Stage 1 & 2)

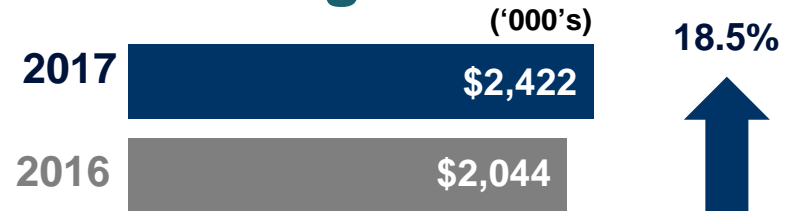
Budget Highlights: Social Assistance & Social Housing

Social Assistance



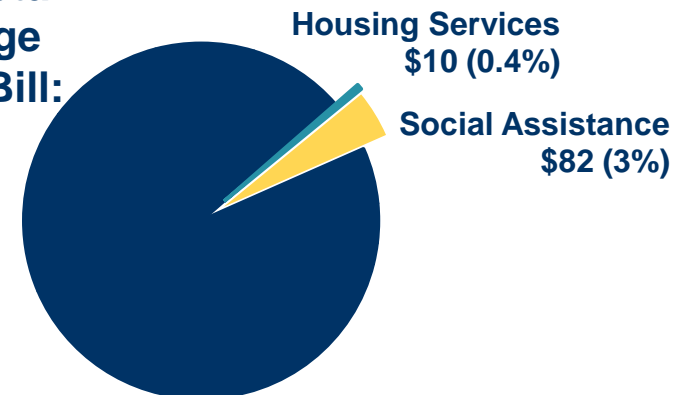
- Upload from 94.2% to 97.2% (\$2.6m)
- 1 new position (\$87k annual)
- Child support payments exempt as income (\$1.21m; subsidy \$1.18m; net \$34k)
- Increase investment in poverty reduction & hardship related costs (\$0.1m)
- Capital Program furniture, equipment & security improvements (\$431k)

Housing Services

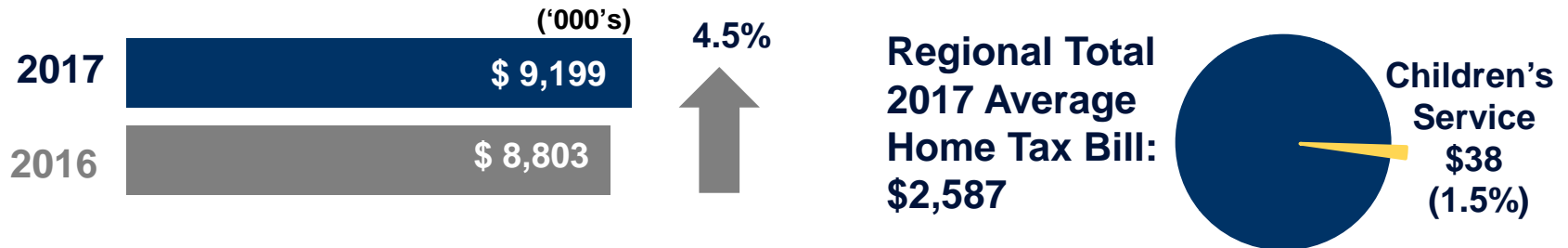


- Increased CHPI funding (\$0.8m)
- Replacement of housing property management system
- Capital Program (\$239k)

**Regional Total
2017 Average
Home Tax Bill:
\$2,587**



Budget Highlights: Children's Services



Staffing

- 2 new positions (\$198k annual)

Programs

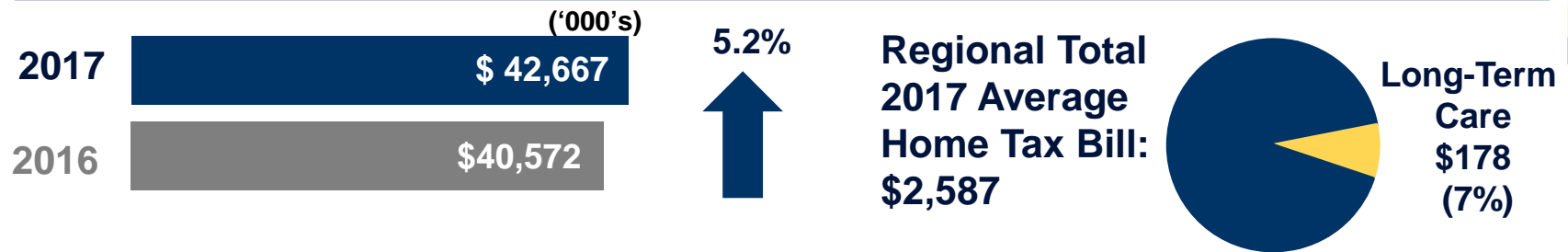
- Anticipated childcare subsidy increase to fund 45 additional subsidized spaces (\$0.5m)
- Continuation of Province's Wage Enhancement Program (\$9.9m)
- One-time funding to transition Ontario Early Years Child and Family Centres to the Region (\$132k)

Risk

- Adequate provincial funding for Early Years Centres

Capital Program Furniture & Equipment (\$121k)

Budget Highlights: Long-Term Care



Staffing

- 6 new positions (5 Estates, 1 Terrace; \$418k annual)

Programs

- Increase for Music Therapy & Art Therapy Recreation Programs (\$34k)
- 3 new provincially funded positions required to support the Behavioural Support Ontario program across 3 homes (\$223k annual)

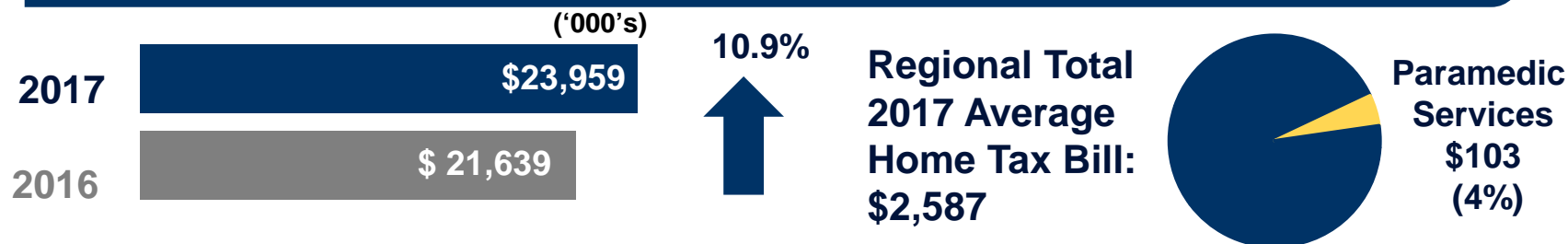
Capital Program (\$1.4m)

- Furniture & Equipment, software, facility improvements & resident care

Subsidy/Revenue

- Projected subsidy increase (\$727k)
- Projected revenue increase (\$656k)

Budget Highlights: Paramedic Services



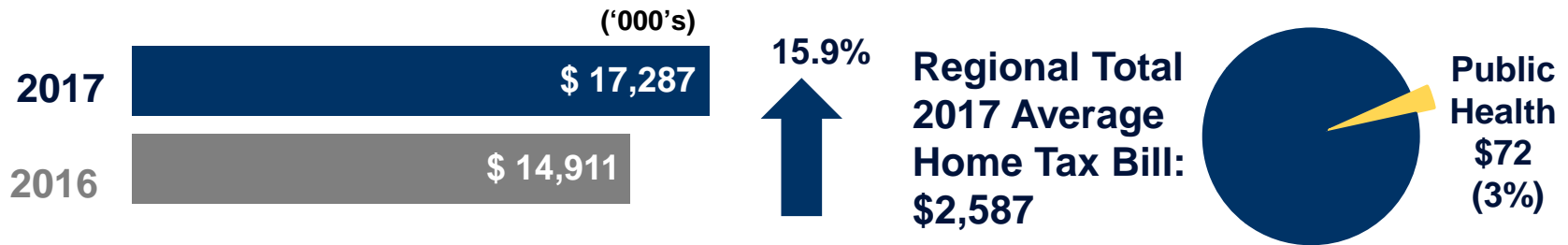
Sunderland Station

- 12 new staff (\$1.5m annual)
- Partial-year operating costs (\$32k)

Capital (\$2.2m)

- Power assist cots (\$1.6m)
- New Bariatric Special Purpose Vehicle (\$217k)
- Other Vehicles & equipment (\$407k)

Budget Highlights: Public Health



Programs

- Respond to following Provincial regulations:
 - Integration of provincial dental programs into Healthy Smiles Ontario
 - Changes to *Immunization of School Pupils Act*
 - Maintain compliance with *Ontario Public Health Standards*, other applicable provincial legislation, standards & protocols.

Capital Program (\$316k)

- Furniture, equipment & computer



Other Budget Highlights

- 3 new positions (Corporate Communications, Corporate Services & Family Services) (\$306k annual)
- MPAC (increase 3.6%)
- Social Housing Download (\$0.4m) and DRLHC operating & capital funding (\$0.3m)
- Continued investment in growth and transportation planning & economic development (e.g. Broadband Study \$150k)
- Funding to develop & implement Durham Community Climate Adaptation Plan (\$100k)
- POA net revenue decrease (Durham share \$0.3m)

Conservation Authorities (\$000's)

	Recommended 2017 Budget		
	Operating	Special Benefiting	Special Requests
Central Lake Ontario	3,779	-	150
Kawartha	578	132	-
Ganaraska	437	225	-
Toronto & Region	611	760	42
Lake Simcoe Region	258	463	24
Funding	5,663	1,580	216

Special Contributions (\$000's)

Recommended 2017 Budget

Special Contributions

Regional Land Acquisition Reserve Fund	935
Hospitals	4,060
Durham College	<u>350</u>
Total	<u>5,345</u>

“The funding support requested is \$1M and can be payable in instalments over 3 years, for the 2017, 2018 and 2019 calendar years.”

-Durham College Centre for Collaborative Education funding request

Risks Going Forward

LEGISLATIVE

Development Charge Act
Conservation Authorities Act Review
Healthy Menu Choices
Ontario First Responders Act
Waste Free Ontario Act

POLICY

Climate Change
Cap & Trade
Long-Term Affordable Housing Strategy
Intensification
Provincial Poverty Reduction Initiative
Patients First

Cost/Revenue

Electricity
Fuel
Winter Maintenance
Tax Appeals
OW Caseload
Provincial Subsidies
Development Charge Receipts
Debt Charges

Estimated 2017 Regional Property Tax Changes

■ 2016 ■ 2016 + Reassessment ■ 2017 (with budgetary)

Regional Property Taxes



Region-wide Average Home

2016 CVA = \$366,600
2017 CVA = \$395,700

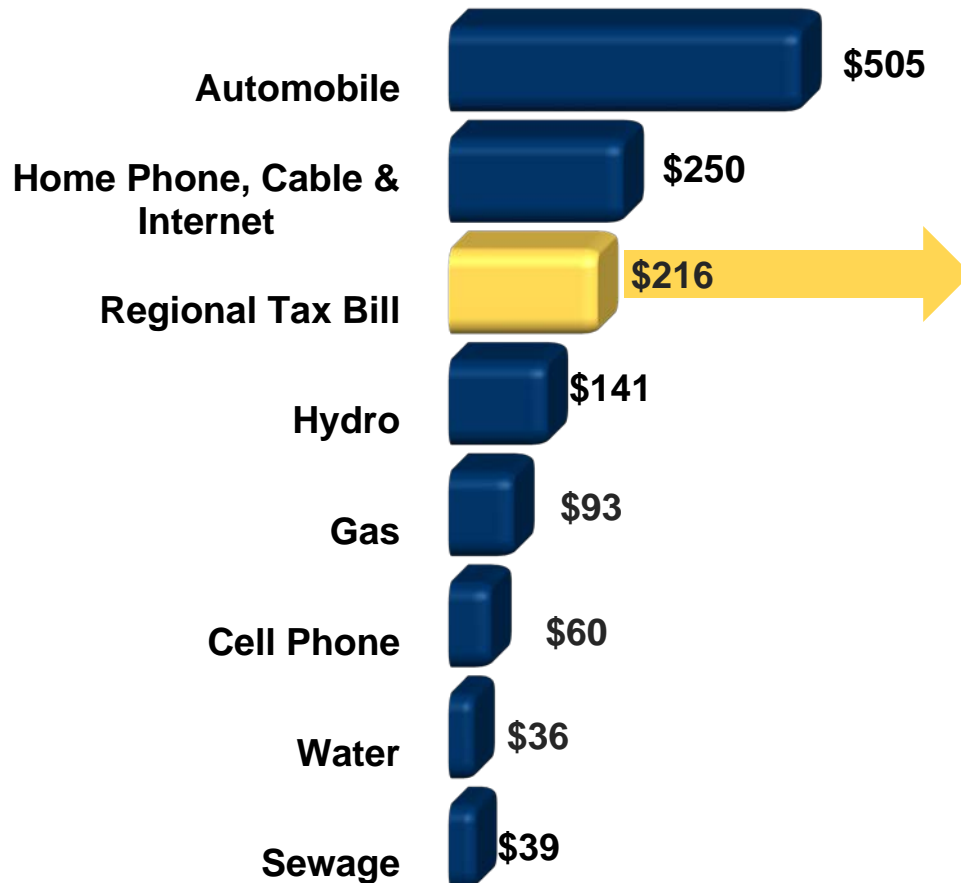
■ 2016 ■ 2016 + Reassessment ■ 2017 (with budgetary)



Regional Property Taxes—Commercial

2016 CVA = \$500,000
2017 CVA = \$514,743

Average Monthly Household Regional Tax Impact



Police (\$67/month)
Waste Services (\$15/month)
Paramedic Services (\$9/month)
Regional Transit (\$18/month)
Public Health (\$6/month)
Long-Term Care (\$15/month)
Works (\$28/month)



Conclusion





2017 Decision Impacts on 2018

Staffing Annualization:

- 36 new staff positions adds \$1.8 million in 2018

Transit Service Plan Adjustments (adds \$1.2m)

Operating Costs for New Facilities

- Sunderland Paramedic Station, Raleigh Transit Facility & Clarrington MHSW Facility

Conclusion

2017 Budget Permits

- *Taxpayer affordability & property tax competitiveness*
- *Increased staffing levels in key program areas*
- *Conventional & specialized transit service enhancements*
- *Increased investment in roads and bridges*
- *Continued investment in police facilities*
- *New Paramedic Station*
- *Strategic investment in capital replacement*
- *Continued investment in Conservation Authorities*

Staff will Continue to:

- **Monitor economic conditions**
- **Look for efficiencies & cost savings**
- **Business Case Approach for major projects**
- **Phased implementation where appropriate**