

2018 Business Plans and Budget

Presentation to
Committee of the Whole
February 6, 2018



Broader Economic Conditions



**Household Debt
Remains High**

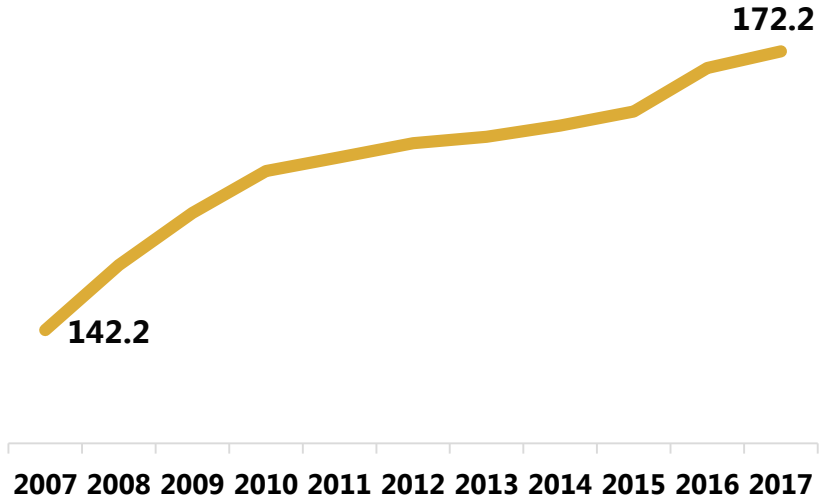


**2018 GDP growth
expected to be more
moderate than 2017**



**Interest Rates
inching upward,
mindful of downside
risks in the forecast**

Debt to Disposable Income Ratio (Canada)



Source: Statistics Canada

"My second preoccupation is the state of Canada's housing markets and the associated level of household debt. The Bank said ...these vulnerabilities are elevated, and are likely to remain so for a long time."

**Steven Poloz, Governor of the Bank of
Canada**

December 14, 2017

Risk and Mitigation Strategies

Risks & Uncertainties



Development Risks

- Lower than forecast DC receipts
- Non-residential development



Economic

- Bill 148 (Minimum wage)
- Interest rate increases on housing market, affordability and debt



External

- Policy/legislation
- Provincial/Federal funding

Mitigation Strategies

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

"The Region's forward looking financial planning for operating and capital plans allow it to identify and address anticipated pressures early on."

**-Moody's Investors Service,
January 9, 2018**

Business Planning Process

June

Asset Management Study

October

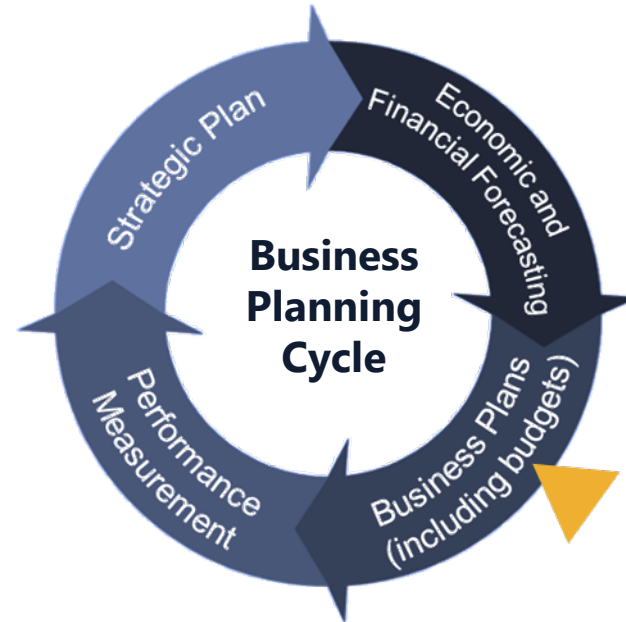
Multi Year Economic & Financial Forecast and Guideline

November-January

Business Planning
Servicing & Financing Studies

January-February Approval

Business Plans & Budgets
Property Tax Strategy
Multi-Year Forecast



2018 Budget Starting Point

Economic Increases

One-Time Items

Annualization

Contract Pricing

Revenues & Subsidies

Guideline



Taxpayer Affordability & Competitiveness

- Business Retention
- Reassessment
- Vacancy Policy Decisions

Annualization of 2017 Items

- Staffing
- Transit Service Plan
- Sunderland Paramedic Station

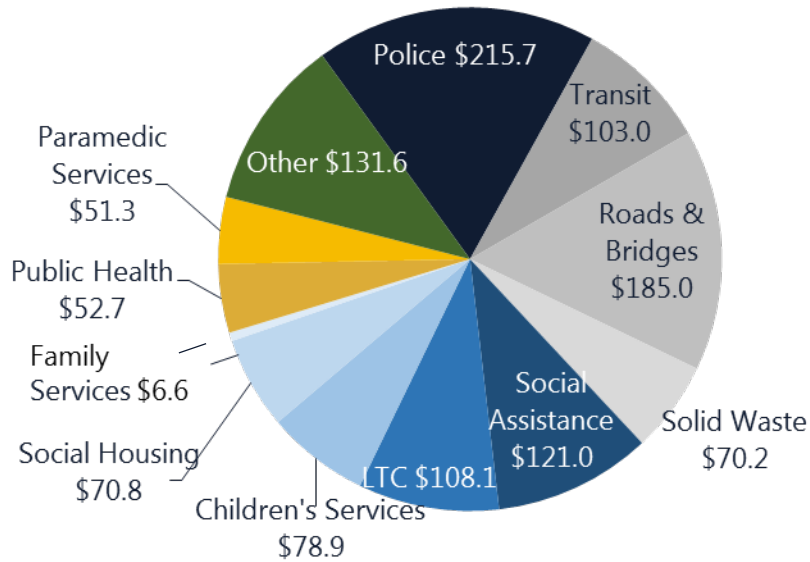
Maintain & Increase Service Levels

- Regulatory
- Legislative
- Operating & Capital

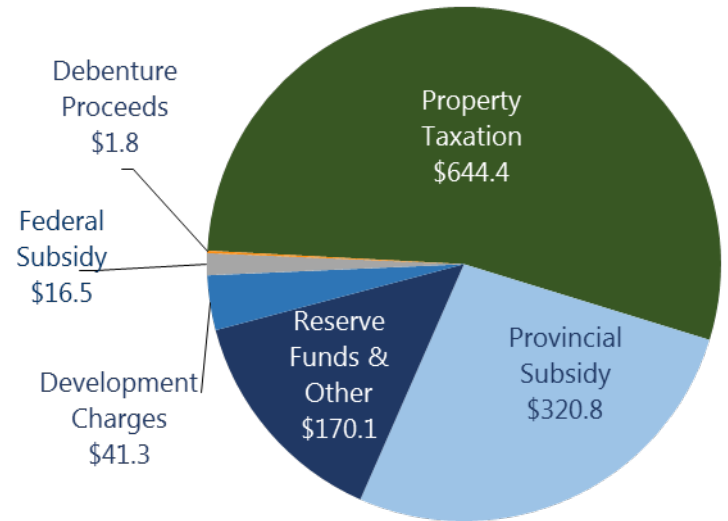
PRIORITIZED AFFORDABLE BUDGET

2018 Gross Property Tax Budget

Expenditures \$1.2 billion (\$m)



Revenue \$1.2 billion (\$m)



(\$1.6 billion including Water/Sewer)

Regional Assets \$13.2b



**Transportation
\$3.4b**



**Facilities
\$1.0b**



**Fleet & Equipment
\$0.3b**



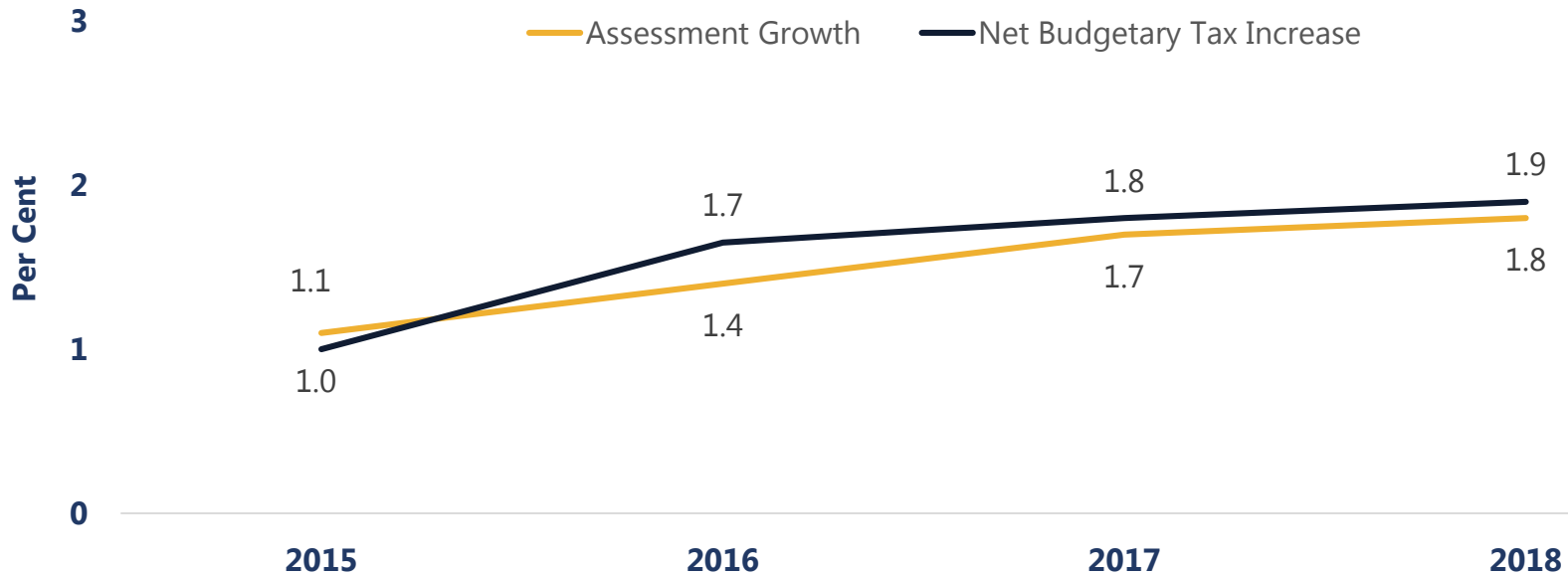
**Water Supply
\$4.0b**



**Sanitary Sewerage
\$4.5b**

Budget & Assessment Growth 2015-2018

Assessment Growth and Net Budgetary Tax Increase
2015 to 2018



4 Year Average Regional Budgetary Tax Impact= 1.6%
(after growth)

2018 Budget Highlights



\$22.99m increase in
Regional Budget over 2017



\$3.5m new operating
costs from 2017 annualizations



53 new staff positions



\$92.8m for roads & bridges, an
\$11.7m increase over 2017



\$48m in additional Tangible Capital
Assets



Service enhancements and
new programs



Final Year of provincial upland



Financing Strategies

- Seaton
- Federal Gas Tax
- Hospice/Hospital
- Asset Management Planning
- Reserve Funds
- Land Management for Conservation Authorities

2018 Guideline Achieved

	2018 Increase (\$ millions)	Tax Impact (per cent)
Police Services	5.79	0.93
Durham Region Transit	3.90	0.63
Conservation Authorities	0.55	0.09
Solid Waste Management	(0.75)	(0.12)
Regional Operations and Other	13.25	2.13
Special Contributions	(0.37)	(0.06)
	<u>22.37</u>	<u>3.60</u>
Assessment Growth—Budgetary		(1.80)
Seaton Growth Reserve Fund		0.10
Property Taxpayer Impact		<u>1.90</u>

Average Residential Home Impact \$40
 2018 CVA - \$362,000

Budget Highlights: Police



3.0% Guideline achieved

Staffing

- Increase Civilian Part-time (5.5 FTE)
- Eliminate Uniform Vacancy Rate (2017 was 5.9 FTE)

Funding

- Last Year of Court Security upload (\$567,000)

Operating

- Body Worn Camera Pilot (\$683,000)

Capital

- Vehicles, Facility Maintenance and Renewal (\$3.6m)

Forecast Pressures/Risks

- Staffing
- Capital Infrastructure
- Police Grant Consolidation

Police Capital Program (\$m)

Capital Expenditures

	Budget	Forecast					
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023-2027</u>	<u>2018-2027</u>
Operations Training Centre - Phase 2	\$ -	\$ -	\$ 2.0	\$ 23.0	\$ -	\$ -	\$ 25.0
Facility Repairs & Renovations	0.5	1.0	1.0	1.0	1.0	5.0	9.5
Clarington Complex Phase 2	-	-	55.0	-	-	-	55.0
Durham Northwest Seaton	-	-	-	-	2.5	27.5	30.0
North Division Expansion	-	-	-	-	-	3.4	3.4
Central East Facility	-	-	-	-	-	50.0	50.0
	\$ 0.5	\$ 1.0	\$ 58.0	\$ 24.0	\$ 3.5	\$ 85.9	\$ 172.9
Financing							
Property Taxes	0.5	1.0	1.0	1.0	1.0	5.0	9.5
Debentures	-	-	57.0	23.0	2.5	80.9	163.4
	\$ 0.5	\$ 1.0	\$ 58.0	\$ 24.0	\$ 3.5	\$ 85.9	\$ 172.9

Budget Highlights: Transit



7.5% Guideline achieved

Operating

- Annualization and base changes from 2017 (\$1.9m)
- Service enhancements (\$0.5m)
- Major engine and part replacement (\$0.4m)
- Route maintenance (\$0.6m)
- PRESTO costs (\$0.3m)

Gross capital investments of \$17m

Revenue \$1.9m including Provincial Gas Tax of \$0.4m

Transit Capital Program (\$m)

	Proposed		Forecast											
	2018		2019		2020		2021		2022		2023-2027		Forecast Total	
	#	(\$m)	#	(\$m)	#	(\$m)	#	(\$m)	#	(\$m)	#	(\$m)	#	(\$m)
DRT Capital														
Capital Expenditures														
Growth Related Vehicles	5	2.3	17	9.3	19	10.4	17	9.3	19	10.4	76	42.3	148	81.7
Replacement Vehicles	23	9.1	26	8.1	27	8.1	25	8.0	27	8.1	132	40.3	237	72.5
Facilities														
Bus Storage/Servicing Facility		4.3		-		50.5		-		-		37.3		87.8
Seaton Phase 1		-		-		-		-		-		25.0		25.0
Raleigh Office Replacement		-		-		-		1.0		-		-		1.0
Other		-		0.2		-		-		-		-		0.2
Facilities Sub total		4.3		0.2		50.5		1.0		0.0		62.3		114.0
System Improvements	39	1.3	418	6.3	144	3.0	136	2.9	144	3.0	644	13.9	1,486	29.1
TOTAL EXPENDITURES		17.0		23.9		72.1		21.2		21.5		158.8		297.4
Capital Financing														
Property Taxes		1.2		7.1		5.1		5.6		5.0		21.6		44.4
Development Charges		4.8		7.6		8.4		7.5		8.4		34.4		66.3
Ontario Gas Tax		6.7		9.1		8.1		8.1		8.1		40.5		73.9
Debenture		1.3		-		50.5		-		-		62.3		112.8
PTIF Phase 1		3.0		-		-		-		-		-		0.0
TOTAL FINANCING		17.0		23.9		72.1		21.2		21.5		158.8		297.4

Table may not add due to rounding

February 6, 2018

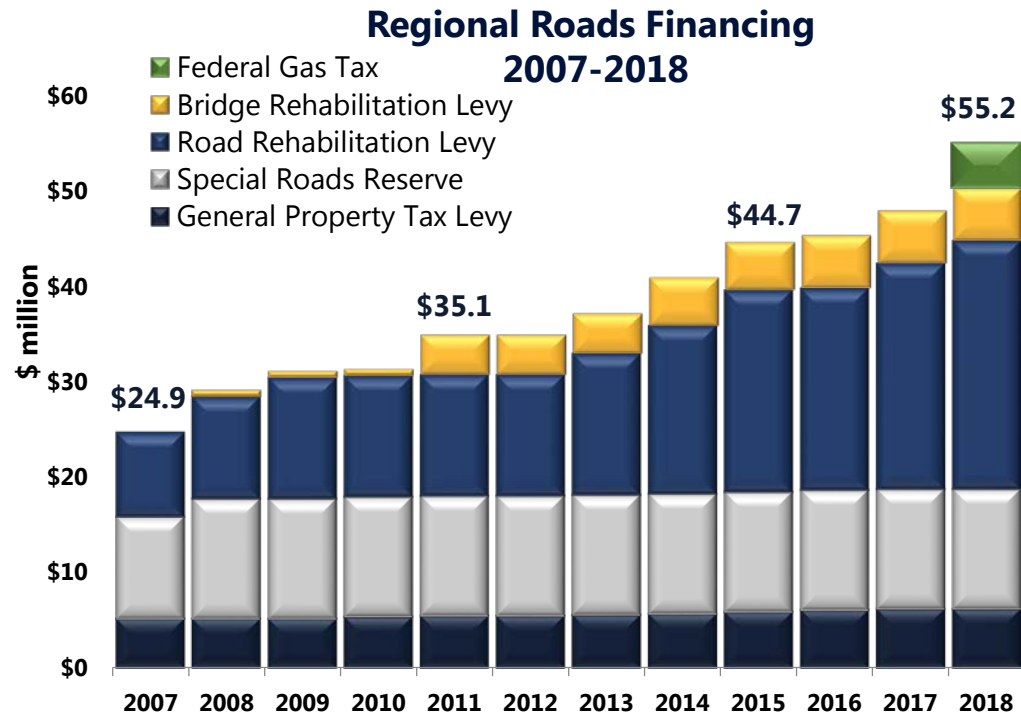
Committee of the Whole

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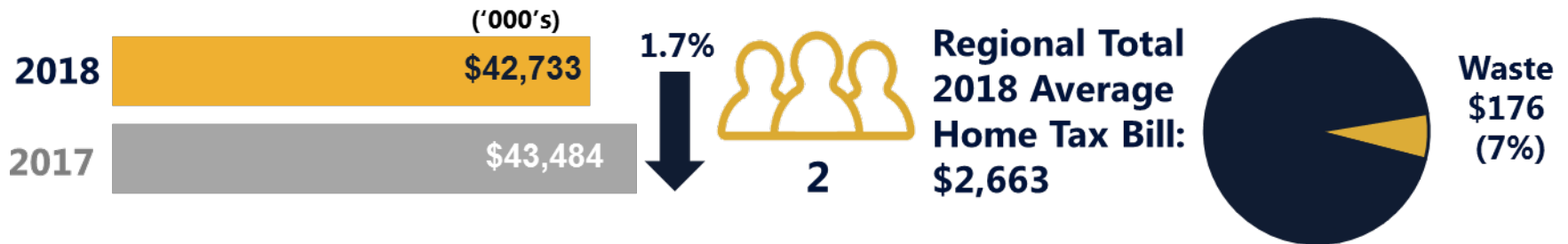
Budget Highlights: Works Roads & Bridges



- Winter Control (\$0.3m)
- \$92.8 million Roads Capital program (\$11.7 million 14% increase)
 - Road rehabilitation \$26m (increase \$7.2m with \$4.8 Federal Gas Tax)
 - Road expansions (\$27.7m)
 - Bridge rehab (\$7.4m)
 - 407-road related projects (\$11.7m)
 - BRT related road projects (\$5.1m)
 - Traffic control & transportation (\$7.8m)
- Other Capital \$8.5m



Budget Highlights: Solid Waste Management



Operating

- Base adjustments – contract price decrease (\$1.0 million) and removal of one-time capital (\$1.9 million)
- Waste Composition Study \$1.3 million (\$0.4 million net)

Capital \$1.0 million

- Vehicles/Equipment \$582,000
- Facility Improvements \$409,000

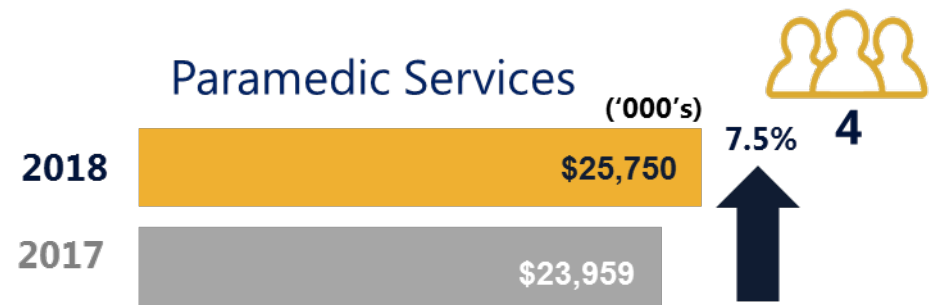
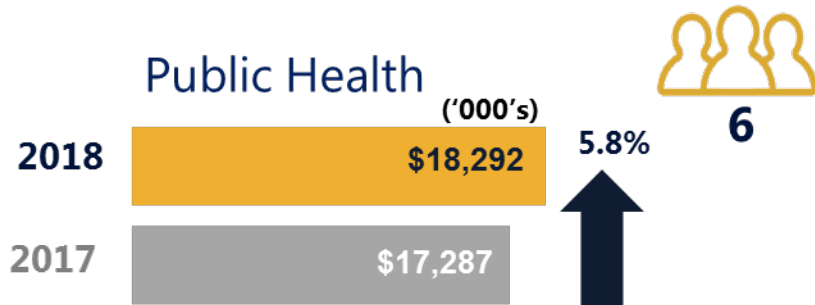
Revenues

- Industry Funding \$5.8 million
- Revenues – Diversion Materials \$5.2 million

Uncertainties

- Provincial Legislation changes
- Organics Management Plan
- Future landfill remediation costs
- Revenues

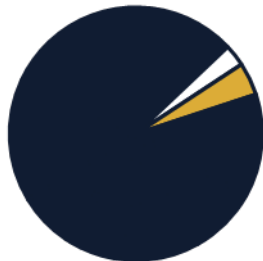
Budget Highlights: Public Health and Paramedic Services



Public Health Standards

- Alignment with 12 new standards,
- Funding risk related to new standards
- No subsidy increase

**Regional Total 2018
Average
Home Tax Bill:
\$2,663**



**Public Health
\$75 (3%)**

**Paramedic Services
\$107 (4%)**

- Extension of 16 hour vehicle to 24 hours (\$274,000)
- 50 defibrillators (\$1.2m)
- 9 replacement ambulances (\$1.7m)
- 2 emergency response vehicles (\$152,000)
- 1 management support vehicle (\$42,000)
- Seaton and Clarington Paramedic Stations – funding for land and detailed design (\$2.1m)
- Subsidy increase (\$1.3m)

Budget Highlights: Social Services



- \$10.1 million increase in funding for child care and early learning programs
- Decreased wait list for Child care fee subsidy spaces – 2 months down from 12 months in 2017
- Increased investment to assist households obtain/retain housing, emergency shelters \$1.21 million
- Final year of Social Assistance Upload \$2.3 million
- Financial Empowerment and child poverty reduction activities \$200,000
- Electronic Health Records Software and Training for long-term care homes \$412,000 (\$273,000 training and \$139,000 software)

Other Departments

- Operating and capital for DRLHC (\$5,991,000)
- Ontario Municipal Commuter Cycling Program (\$2,771,190 total \$554,238 regional contribution)
- New positions (7 FTE): Planning (1), Human Resources (1), Legislative Services (3), Corporate Communications (1), and Finance-Insurance Pool (1)
- Privacy Management Program (\$255,000)
- Growth planning and transportation studies
- Economic Development initiatives
- Continued investment in equipment and technology improvements
- Regional Headquarters Parking Garage Recoating \$2.6 million and Customer Service Strategy \$100,000



Special Contributions

- Durham College (\$350,000)
- Oak Ridges Hospice of Durham Ltd. Capital funding from the Hospital Reserve Fund (\$350,000)
- Pending:
 - Additional Hospices
 - Grandview Children's Centre
 - Post-secondary
 - Hospital

Conservation Authorities

- Operational funding \$5.8m; Special Project Funding \$1.7m
- Land Management Funding \$200,000 from Reserve Fund based on land holding formula

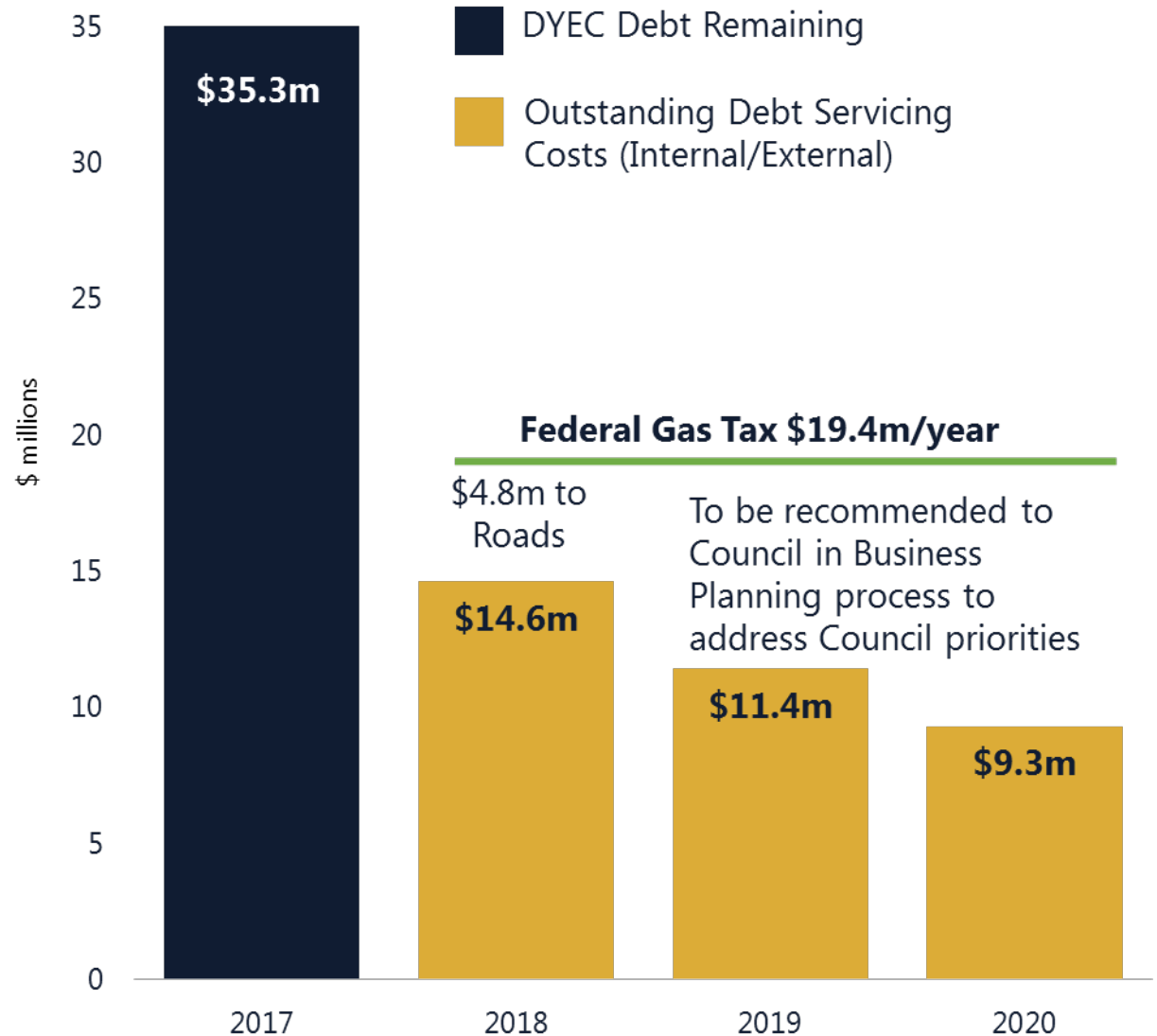
Special One-Time Funding Requests from Reserve Funds

<ul style="list-style-type: none"> • CLOCA - Update Watershed Plans-Phase 1 of 2 	\$100,000
<ul style="list-style-type: none"> • GRCA – Watershed Plan Update 	\$50,000
<ul style="list-style-type: none"> • LSRCA - Scanlon Creek Operations Centre Renovation Project 	\$39,162
<u>Conditional on NDMP Funding Approval:</u> Lake Ontario Shoreline Management Plan Update	
	\$50,000 CLOCA; \$25,000 GRCA
<u>Support for:</u> TRCA’s funding application for Pickering and Ajax Dyke Remediation EA, Floodplain mapping Duffins Creek and Hydrology update Petticoat Creek watershed	

Federal Gas Tax Strategy

Flexibility to apply portion of Federal Gas Tax elsewhere

- 2017 DYEC Costs Finalized
- 2017 Balloon External Debt paid-off
- Gas Tax has increased



Property Tax Supported Capital Forecast (\$m)

<u>Requirements</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2018- 2022</u>	<u>2023- 2027</u>	<u>Total</u>
Police Services	0.5	1.0	58.0	24.0	3.5	87.0	85.9	172.9
Paramedic Services	5.4	9.3	2.3	7.7	2.4	27.1	19.0	46.1
Solid Waste	-	172.8	0.7	9.1	0.2	182.7	2.2	184.8
Transit	17.0	23.9	72.1	21.2	21.5	155.6	158.8	314.4
Social Services	-	9.3	-	20.0	-	29.3	-	29.3
Headquarters	-	-	-	120.0	-	120.0	-	120.0
Regional Roads Program	85.6	101.6	120.2	115.3	122.0	544.6	666.4	1,211.0
TOTAL	108.5	317.8	253.2	317.3	149.6	1,146.4	932.2	2,078.6

Table may not add due to rounding

Capital Forecast Financing (\$m)

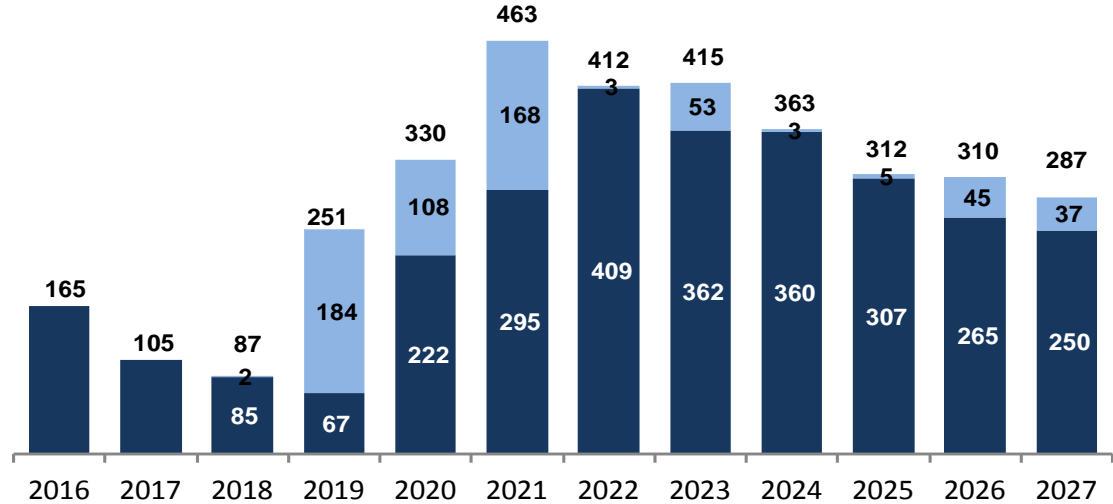
<u>Financing Requirements</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2018-2022</u>	<u>2023-2027</u>	<u>Total</u>
Property Taxes	12.8	35.4	41.5	38.6	39.5	167.8	206.4	374.2
Road Reserves	41.8	41.8	41.8	41.8	41.8	208.9	208.9	417.8
Development Charges	41.0	46.5	54.4	56.2	56.7	254.9	332.4	587.3
Ontario Gas Tax Revenue	6.7	9.1	8.1	8.1	8.1	40.1	40.5	80.6
Other	4.4	0.8	-	5.0	1.0	11.2	0.9	12.0
Debentures	1.8	184.3	107.5	167.5	2.5	463.6	143.2	606.8
TOTAL	108.5	317.8	253.2	317.3	149.6	1,146.4	932.2	2,078.6

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Debt Forecast

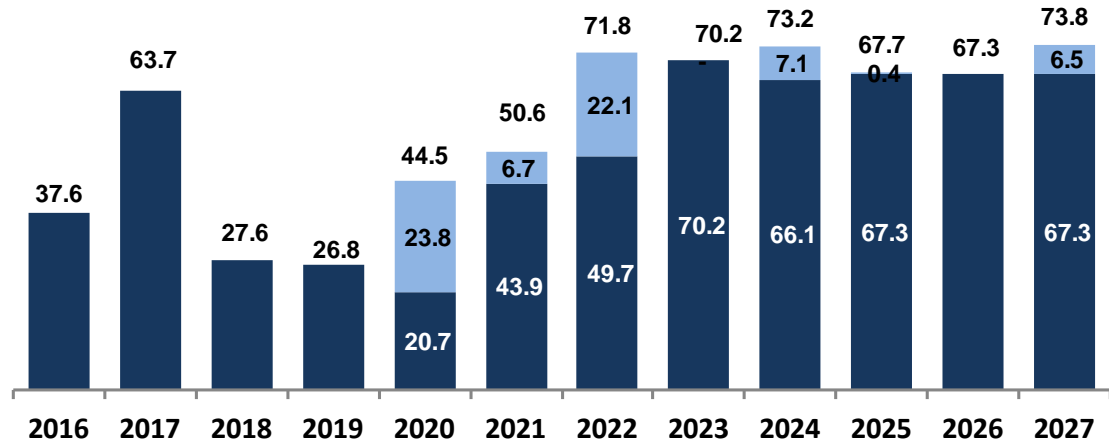
Regional Property Tax Debt Outstanding 2016 to 2027 (\$m)

■ New Debt
■ Existing Debt



Annual Property Tax Debt Servicing Payments 2016 to 2027 (\$m)

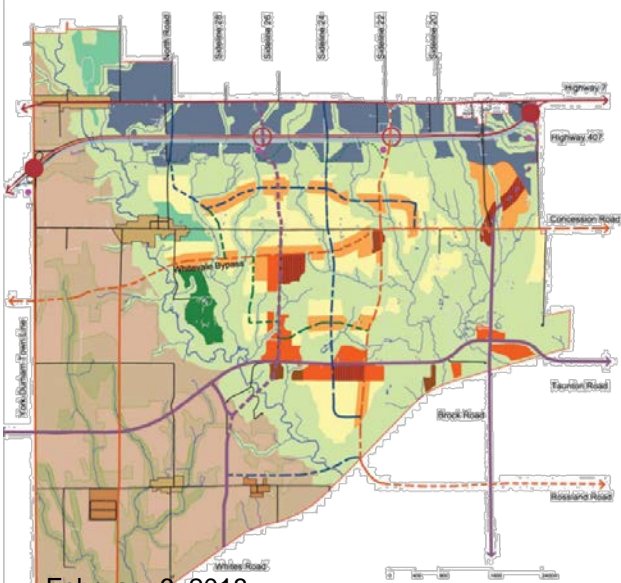
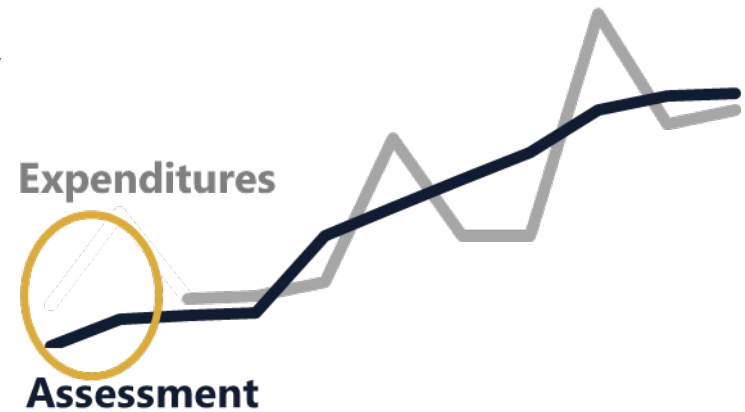
■ New Debt Charges
■ Existing Debt Charges



Seaton Strategy

Financing Strategy Developed

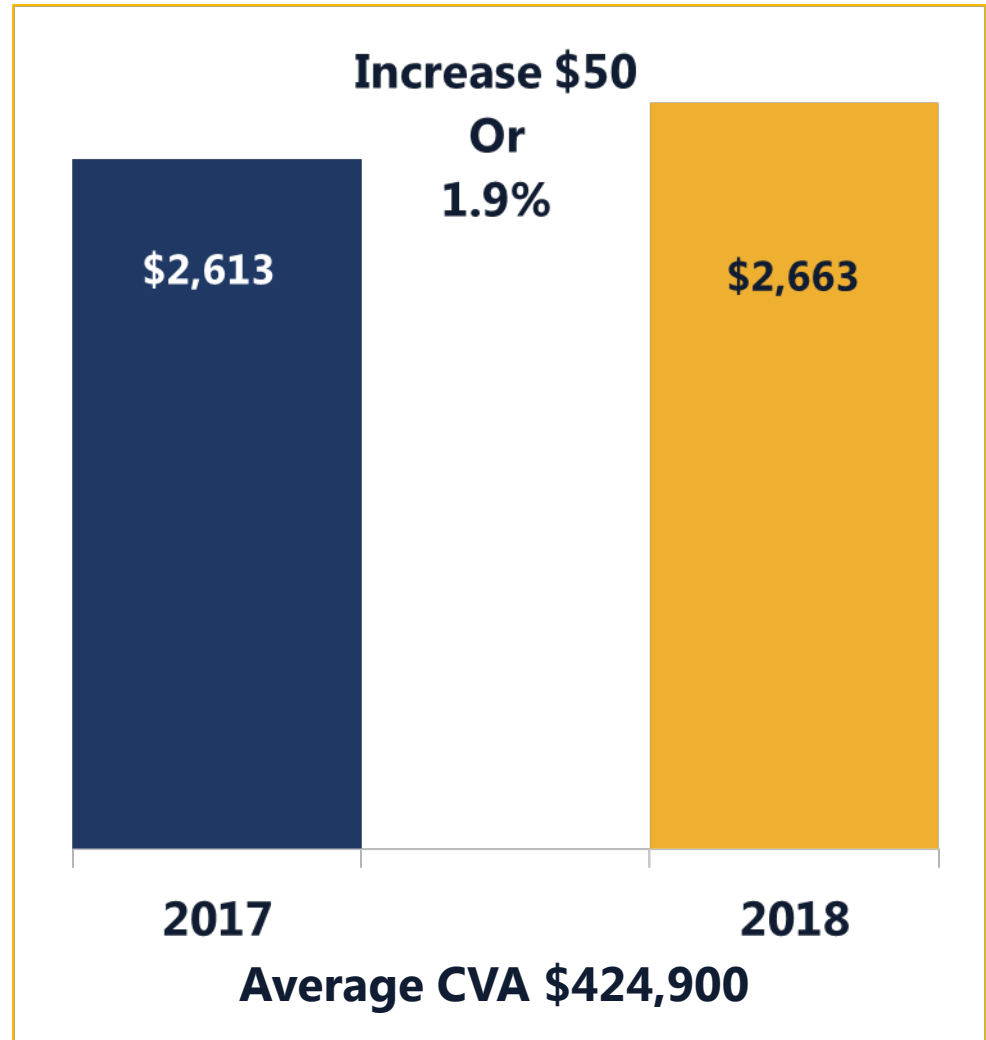
To ensure continued financial sustainability given that there may be a timing difference in the matching of taxable assessment growth and the related property tax revenue from the Seaton community with the budgeted Regional operating costs to service this community.



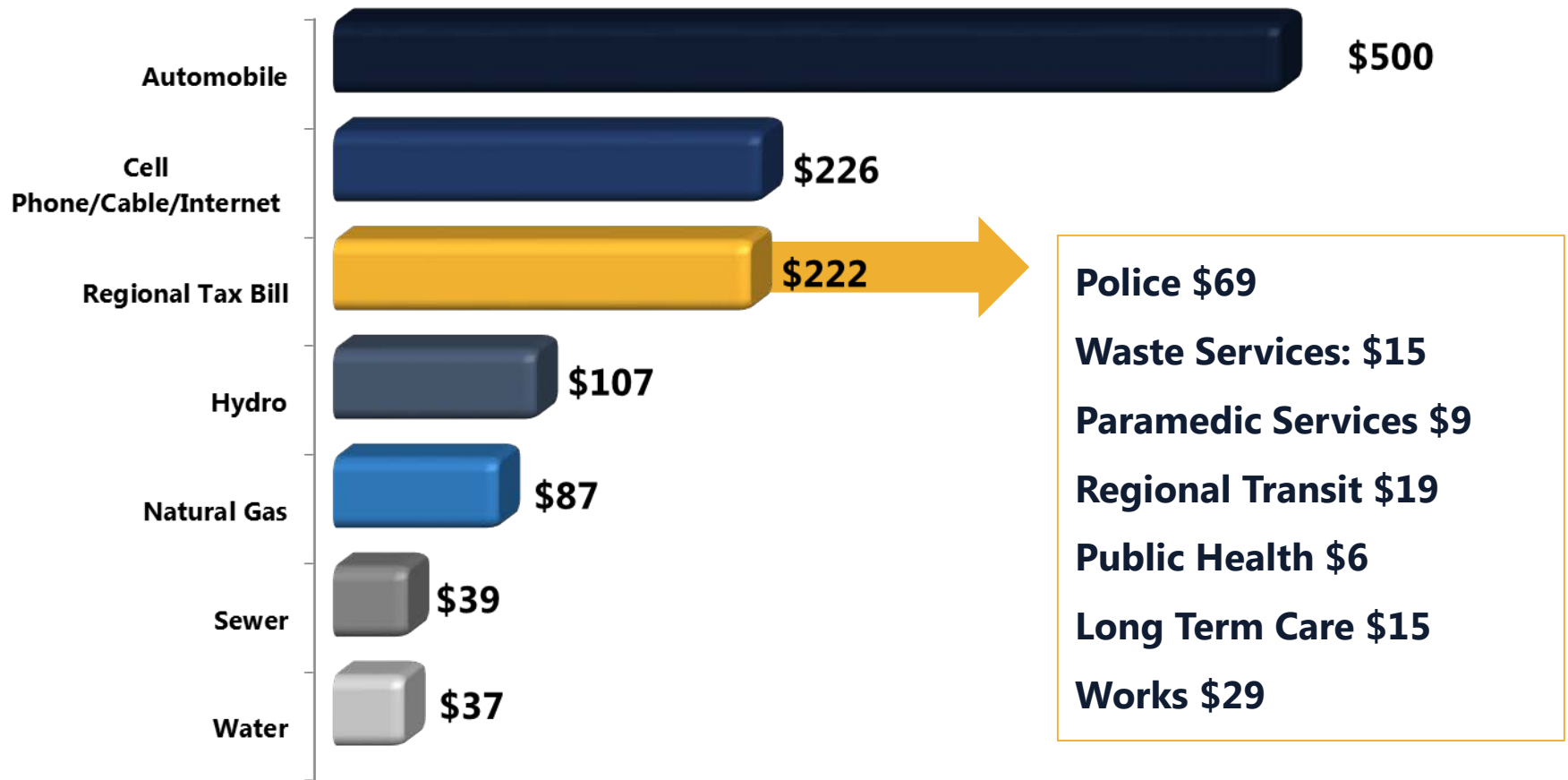
- Estimated assessment growth increase for 2018 (\$0.6m in property taxes) be deferred to 2019
- Annual review of anticipated Seaton-specific operating cost requirements with taxable assessment growth as part of Business Planning

2018 Regional Property Tax Impact

- Region-wide property tax rate impact of 1.9 per cent, after approximately 1.7 per cent assessment growth and 0.10 per cent Seaton Growth; and
- A \$50 budgetary increase for an average residential home in Durham Region with a 2018 current value assessment of \$424,900.



Average Monthly Household Regional Tax Impact



Fiscal Sustainability

\$3m+ 2018 Annualization

\$2.1b Capital Program

\$120m PTIF 2+ Operating

\$42.9m Transit Service Plan

\$170m Organics Management

Hospitals & Education Requests

FISCAL SUSTAINABILITY

Budget Summary

2018 Budgeted Tax Impact (1.9%) is Reasonable and Affordable for the Region, Residential Tax Payers and Non-residential Tax Payers



Global Risks
Legislative Uncertainty
Reassessment Appeals
Forecasted Debt Increase



Increasing Debt & Interest Rates
Increasing Tax Burden
Continued Reassessment Impacts



Competitive tax rate to retain and attract businesses in Durham