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# 2009 Budget Update & Overview

Presented to Council  
Wednesday January 14<sup>th</sup>, 2009

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# Objectives

- Provide an update on changes to the numbers
- Provide a high level overview of the Proposed 2009 Budget
  - Utility Supported 2009 Budget
  - Capital Plan 2009 – 2018
  - Capital Sustainability
- Schedule for Departmental Budget review

# Summary of Changes Since December 11, 2008 Budget Meeting

Decrease in Ontario Works - change in revenue assumptions (\$0.4 M)

Decrease in Human Services Administration (\$0.2 M)

Decrease in LTC Adult Day Service (Tall Pines) (\$0.1 M)

Decrease in Internal Services (Access Peel - \$0.3, Commissioner's office - \$0.2) (\$0.5M)

Increase in Supplemental Assessment (\$0.8 M)

Reduction in MPAC costs (\$0.1 M)

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(\$2.1 M)

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# Summary

	% Increase	Tax Impact	
<b>Regional Programs</b>			
Operating	3.5%	0.8%*	
Capital	<u>N/A</u>	<u>1.0%</u>	
	5.0%	1.8%	
<b>Police</b>			
OPP	1.0%	0.0%	
PRP	<u>7.7%</u>	<u>1.9%</u>	
	7.5%	1.9%	
<b>Conservation Authorities</b>		<b>Total Tax Impact</b>	
Option 1	16.7%	0.2%	3.9%
Option 2	39.0%	0.4%	4.1%
Option 3	76.8%	0.8%	4.5%

\* Includes MPAC = 0.1%

# Conservation Authorities – Option 1\*

	<b>2009</b>	<b>2008</b>	<b>Variance</b>	<b>% Increase</b>
CVC	\$ 13,037,405	\$ 12,741,515	\$ 295,890	2.3%
TRCA	\$ 11,127,213	\$ 11,055,013	\$ 72,200	0.7%
Halton	\$ 362,526	\$ 328,381	\$ 34,145	10.4%
Other (Greenland)	\$ 500,000	\$ 500,000	\$ -	0.0%
	<b>\$ 25,027,144</b>	<b>\$ 24,624,909</b>	<b>\$ 402,235</b>	<b>1.6%</b>
Reserve Contribution	\$ -	-\$ 887,119	\$ 887,119	
Allocation to Utility	-\$ 16,028,343	-\$ 16,028,343	\$ -	
	<b>\$ 8,998,801</b>	<b>\$ 7,709,447</b>	<b>\$ 1,289,354</b>	<b>16.7%</b>

\* As per original submission

# Conservation Authorities – Option 2\*

	<b>2009</b>	<b>2008</b>	<b>Variance</b>	<b>% Increase</b>
CVC	\$ 14,122,405	\$ 12,741,515	\$ 1,380,890	10.8%
TRCA	\$ 11,757,213	\$ 11,055,013	\$ 702,200	6.4%
Halton	\$ 362,526	\$ 328,381	\$ 34,145	10.4%
Other (Greenlands)	\$ 500,000	\$ 500,000	\$ -	0.0%
	<b>\$ 26,742,144</b>	<b>\$ 24,624,909</b>	<b>\$ 2,117,235</b>	<b>8.6%</b>
Reserve Contribution	\$ -	-\$ 887,119	\$ 887,119	
Allocation to Utility	-\$ 16,028,343	-\$ 16,028,343	\$ -	
	<b>\$ 10,713,801</b>	<b>\$ 7,709,447</b>	<b>\$ 3,004,354</b>	<b>39.0%</b>

\* Additional funding: CVC - \$1,085K, TRCA - \$630K

# Conservation Authorities – Option 3\*

	<b>2009</b>	<b>2008</b>	<b>Variance</b>	<b>% Increase</b>
CVC	\$ 15,737,405	\$ 12,741,515	\$ 2,995,890	23.5%
TRCA	\$ 13,057,213	\$ 11,055,013	\$ 2,002,200	18.1%
Halton	\$ 362,526	\$ 328,381	\$ 34,145	10.4%
Other (Greenlands)	\$ 500,000	\$ 500,000	\$ -	0.0%
	<b>\$ 29,657,144</b>	<b>\$ 24,624,909</b>	<b>\$ 5,032,235</b>	<b>20.4%</b>
Reserve Contribution	\$ -	-\$ 887,119	\$ 887,119	
Allocation to Utility	-\$ 16,028,343	-\$ 16,028,343	\$ -	
	<b>\$ 13,628,801</b>	<b>\$ 7,709,447</b>	<b>\$ 5,919,354</b>	<b>76.8%</b>

\* Additional funding: CVC - \$2,700K, TRCA - \$1,930K

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# 2009 Utility Supported Budget

Average = 6.0%

# Change in Utility Supported Total Budget

	<u>2009</u>	<u>2008</u>	<u>Variance</u>
Total Utility Expenditure	\$240	\$225	\$15
Revenue	<u>(5)</u>	<u>(9)</u>	<u>4</u>
Net Budget	\$235	\$216	\$19

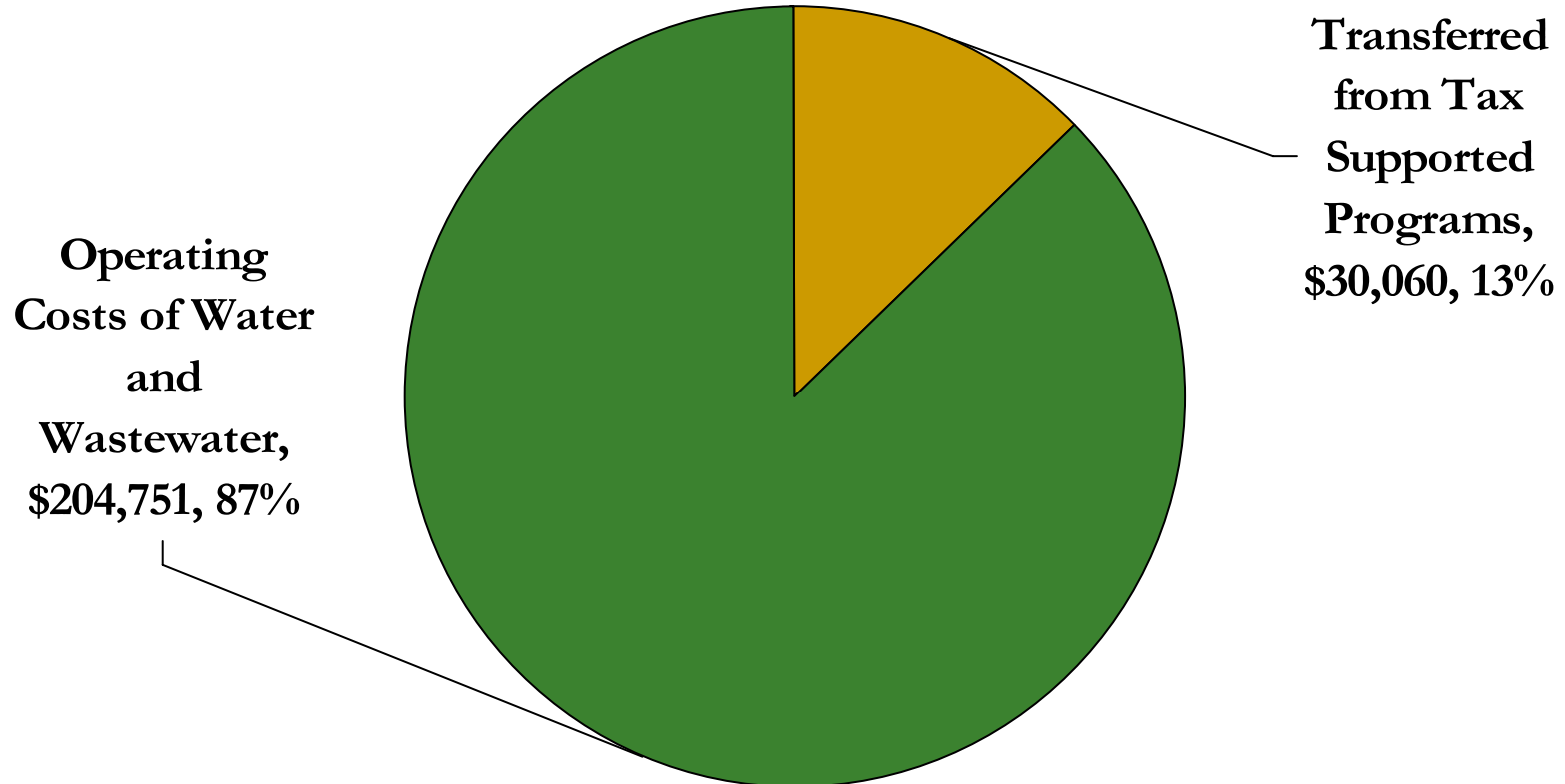
Annual Increase of \$28 per average household

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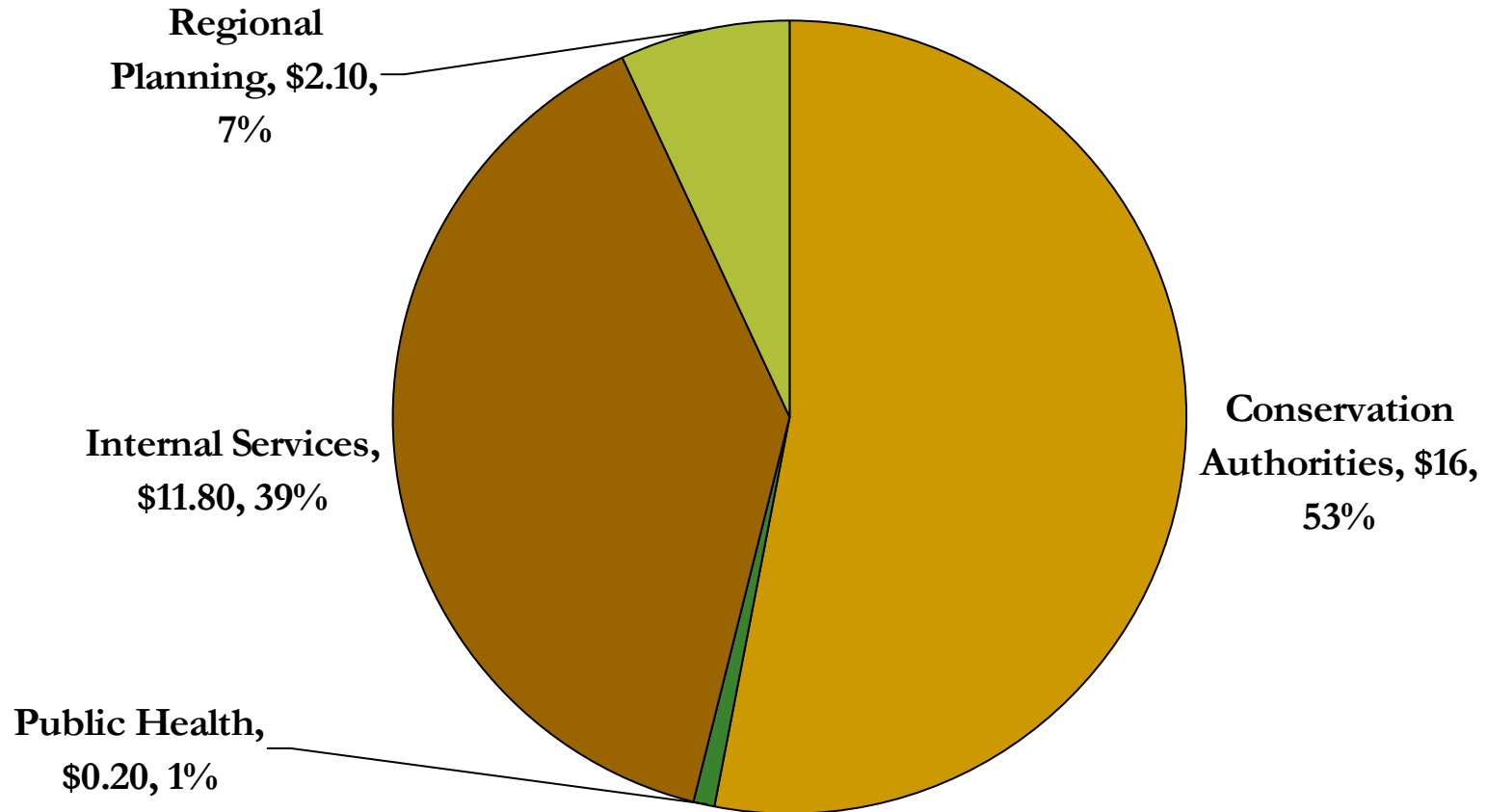
# Utility Challenges

- Changing consumption trends due to changes in building form, code and conservation efforts
- Weather represents a significant uncontrollable driver
- Limited ability to mitigate revenue shortfalls through reduced expenditures due to high degree of fixed costs

# Net Budget Expenditures Transferred from Tax to Utility Rate



# Expenditures Transferred from Tax Supported Programs to Utility (\$30.1 Million)



**Note: No additional Regional costs allocated to rate for 2009**

# Drivers Contributing to Water Increase

- **Water net budget increase of \$16.2M or 13.8%:**

□ Inflationary pressures	\$4.2M
□ Reserve Contributions	\$7.9M
□ Operations-growth/enhancement	\$1.5M
□ Rate Management phase out	<u>\$2.6M</u>

**Total** **\$16.2M**

# Water Staffing Changes

	2009 (in Millions)	FTE
Capital Program Support	\$0.44	5.0
Operations & Maintenance Growth	\$0.66	8.0
Quality Assurance (legislative)	\$0.10	1.0
Asset Management Growth	\$0.07	1.0
Efficiency	\$(0.06)	(1.0)
<b>Total Water</b>	<b>\$1.21</b>	<b>14.0</b>

# Drivers Contributing to Wastewater Increase

- **Wastewater net Budget increase of \$3.1M or 3.1%:**

□ Reserve Contributions	\$0.6M
□ Operations	\$0.1M *
□ Rate Management phase out	<u>\$2.4M</u>

**Total** **\$3.1M**

\*Net of efficiencies \$1.3M

# Wastewater Staffing Changes

	2009 (in Millions)	FTE
Supporting Surcharge Program	\$0.14	2.0
Lab Service Growth (contract upgrade)	\$0.02	2.0
Quality Assurance/ Program Support	\$0.06	1.0
Communal Wastewater Program	\$0.09	1.0
<b>Total Wastewater</b>	<b>\$0.31</b>	<b>6.0</b>

# Peel Budget Story - Utility

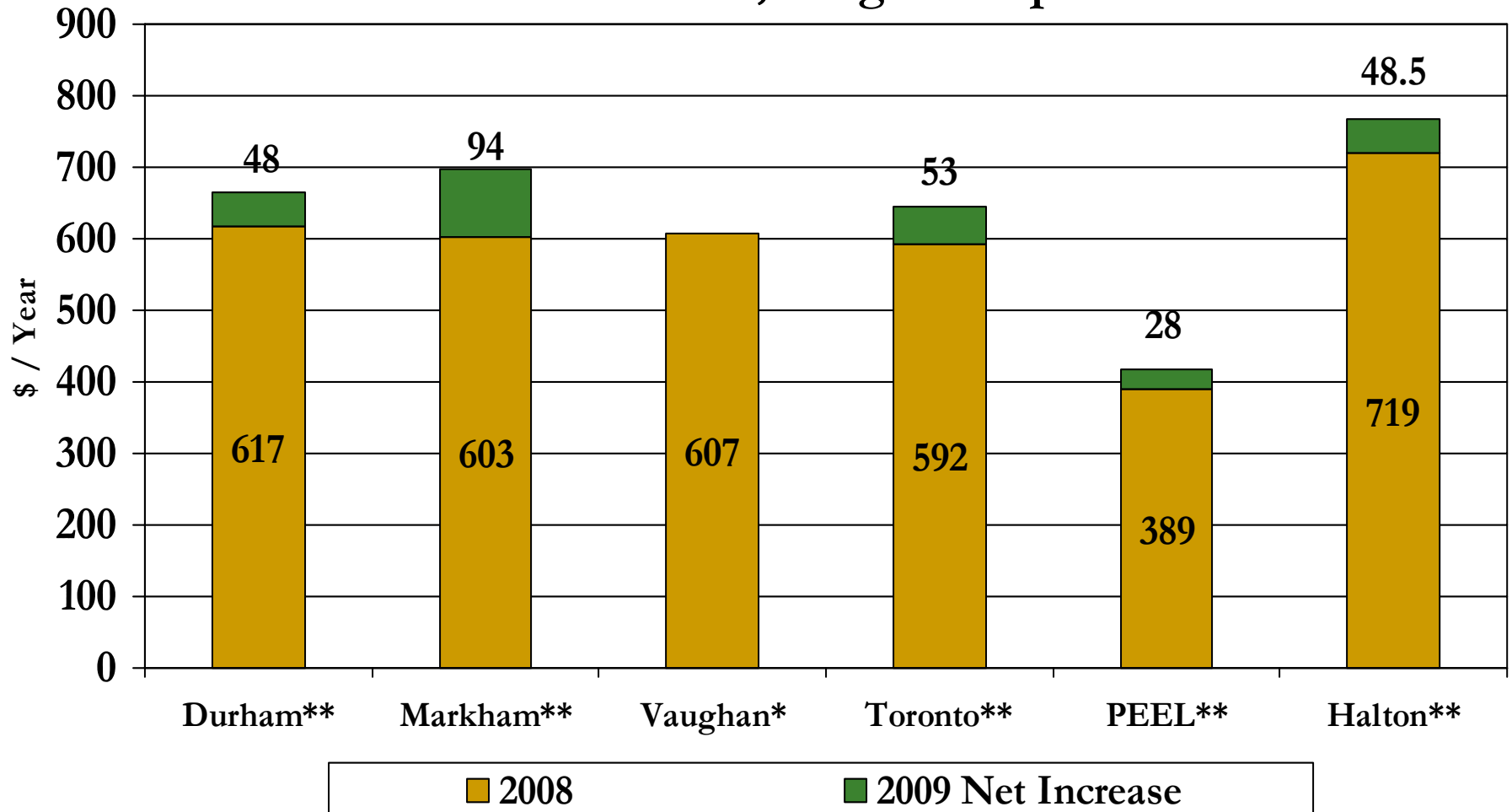
■ Water Rate	12.0%
■ Wastewater Rate	0.0%
<b>■ Average Utility Rate</b>	<b>6.0%</b>

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Average annual increase of \$28 for residential and \$60 for small business consumer

# Combined Water and Wastewater Comparison

341 cubic meters or 75,000 gallons per annum

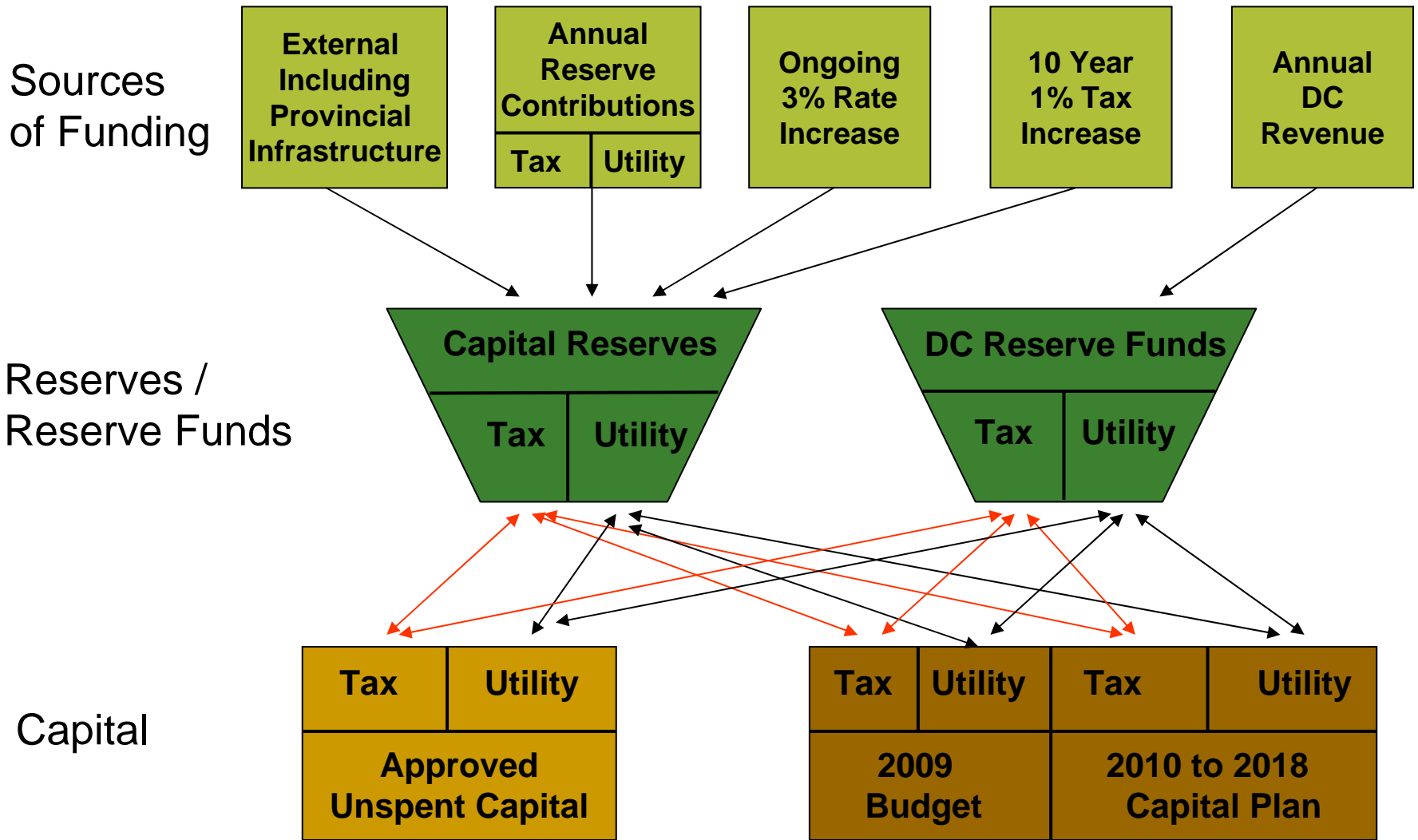


\* 2009 Data Not Available \*\* 2009 Recommended Increase

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# 2009 Capital Budget

# Capital Plan



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# Capital Sustainability - Multi-Faceted Approach

## **Non-Growth Tax -Supported:**

- 2008 Budget introduced a portfolio approach to assessing sustainability of non-growth tax supported capital plan
- proposed as first step increase in reserve contributions equal to a 1% tax increase for the next 10 years

## **Non-Growth Utility Supported:**

- 2009 Budget introducing an increase in reserve contributions equivalent to a 3% utility rate increase to provide for future state of good repair

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# Capital Sustainability - Multi-Faceted Approach

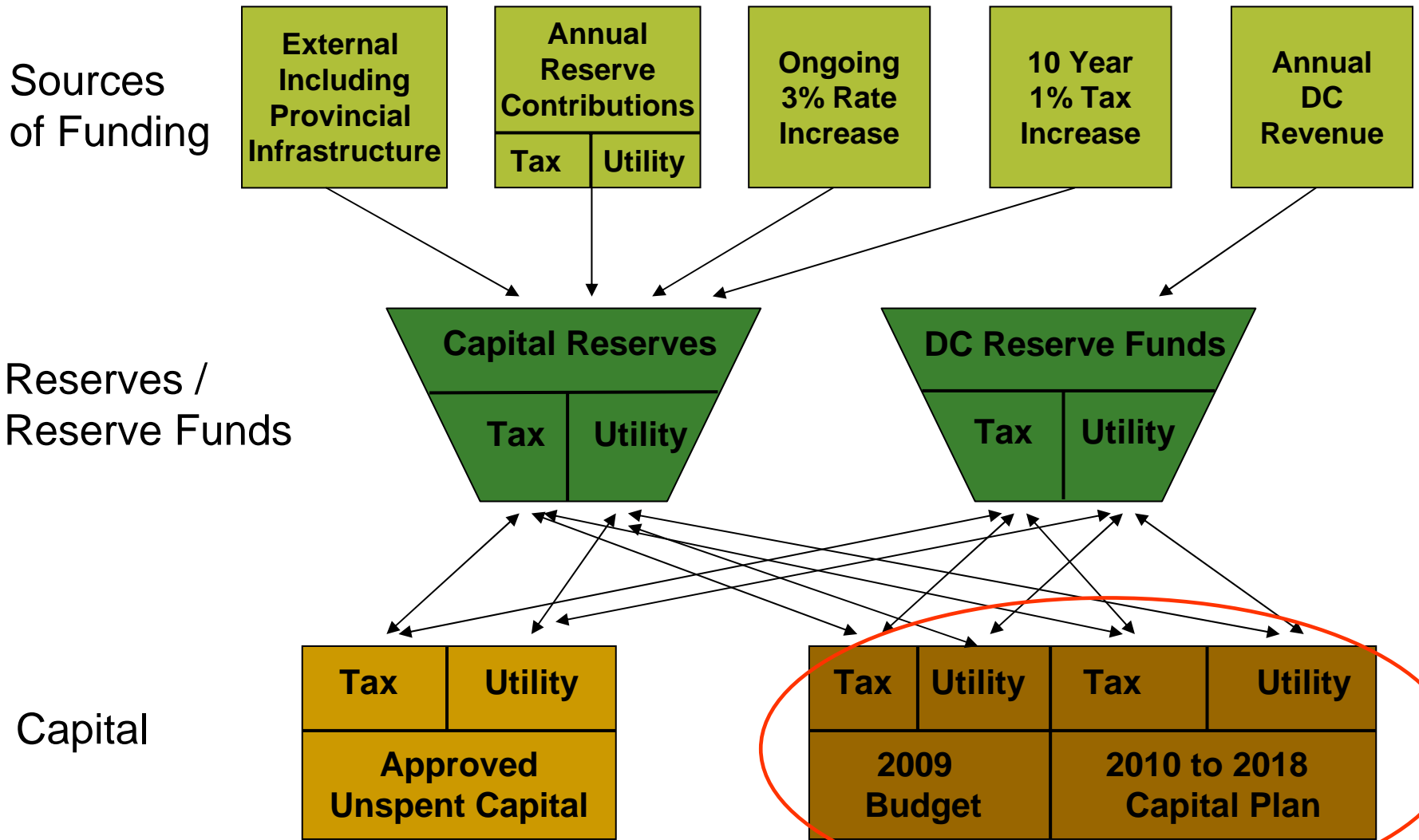
## **Growth:**

- Annual assessment of the adequacy of DC rates as part of annual budget process

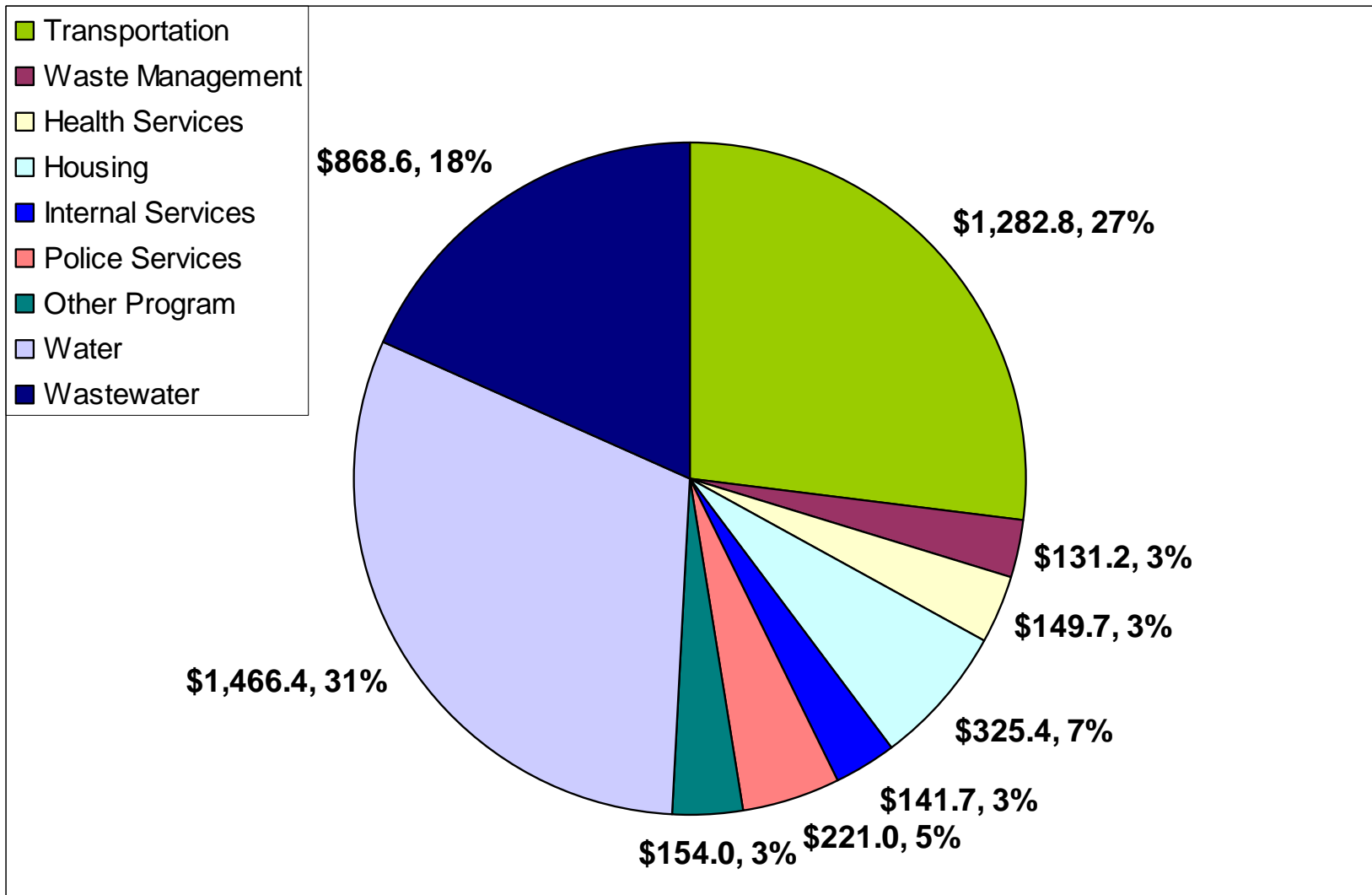
## **Growth and Non-Growth:**

- Recognition that a series of tactics would be required to ensure overall sustainability—continued advocacy for additional sources of funding, changes to DC Act, uploading, etc.

# Capital Plan



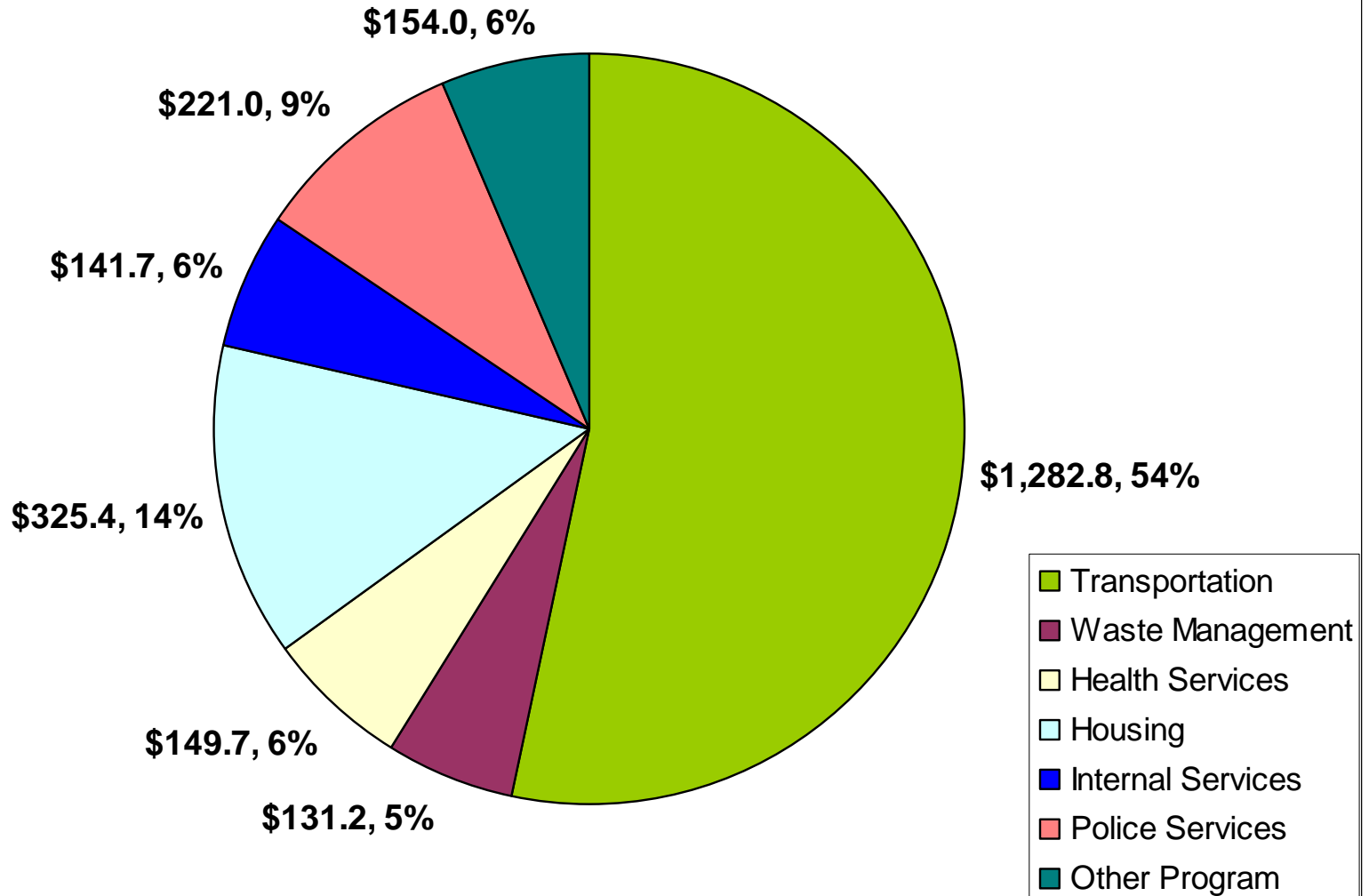
# 2009 – 2018 Capital Plan- \$4.7 Billion



## Capital Budget Funding:

■ 50% Development Charges ■ 39% Reserves ■ 11% External

# 2009 – 2018 Tax Supported - \$2.4 Billion



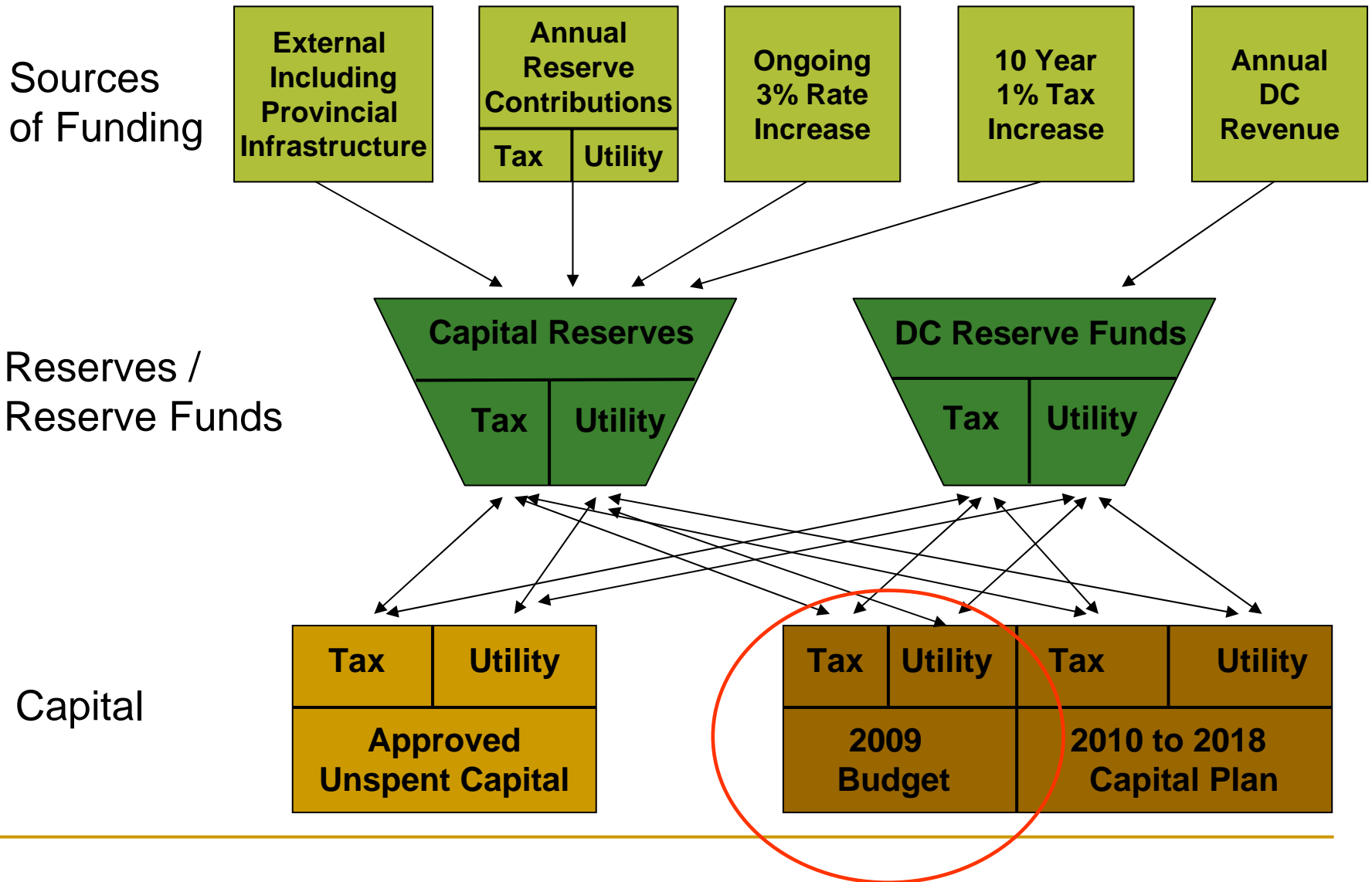
## Capital Budget Funding:

■ 40% Development Charges ■ 52% Reserves ■ 8% External

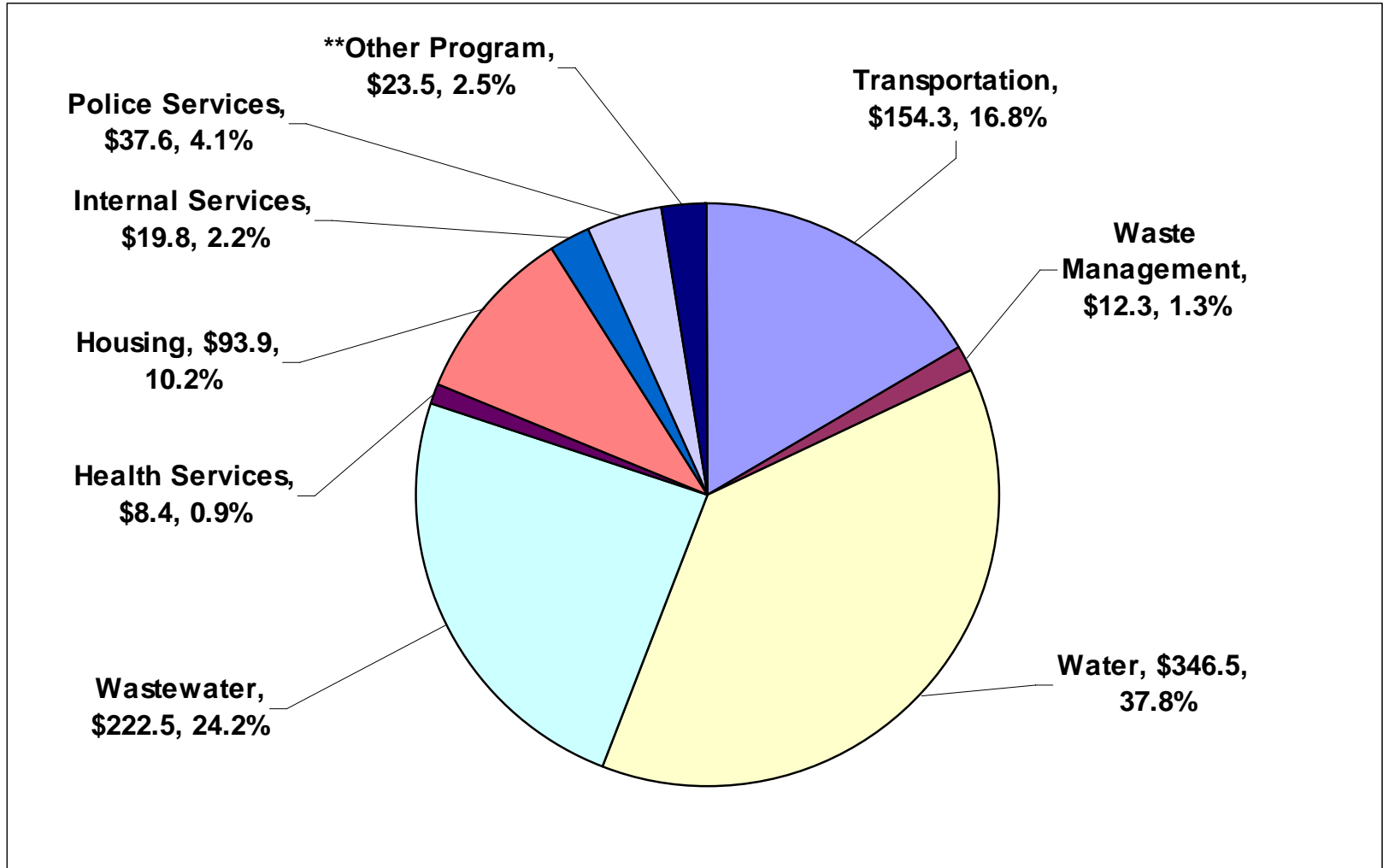
# Sustainability of Tax-Supported Capital Program Funded from Reserves

Reserve Requirements	<u>(\$1,265.3M)</u>
■ Uncommitted capital reserves - Dec 31/2008	\$231.0M
■ Annual Reserve contributions - over 10 years	618.0M
■ In-year adjustments to end of 2009	<u>(40.0M)</u>
Reserve Balance	<u>\$809.0M</u>
Shortfall	<b>(\$456.3M)</b>
■ 9 Years of additional 1% contributions	<u>400.0M</u>
Shortfall	<b>(\$56.3M)</b>
Funds Returned to Reserves	<u>\$12.1M</u>
Overall Shortfall	<b>(\$44.2M)</b>

# Capital Plan



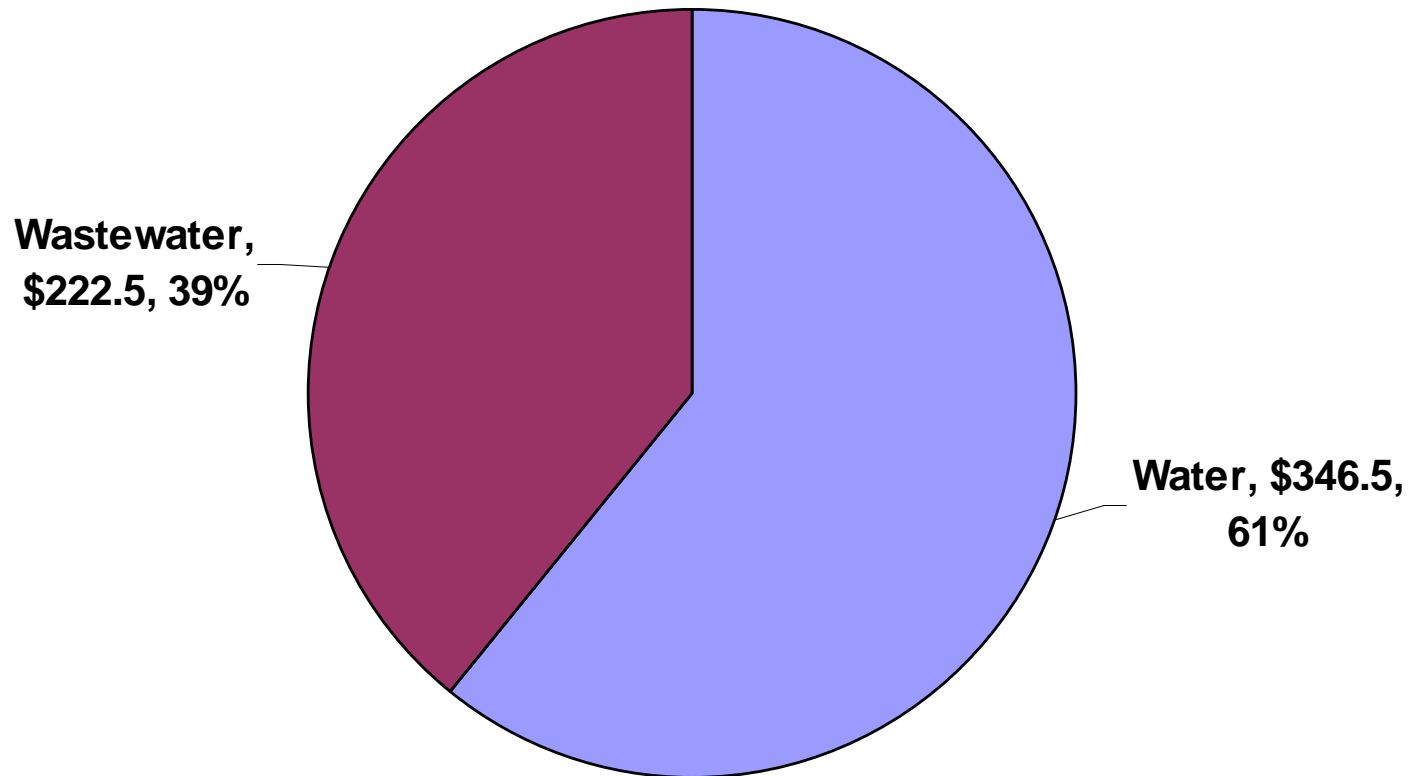
# 2009 Capital Budget- \$918.8 Million



## Capital Budget Funding:

■ 49% Development Charges ■ 30% Reserves ■ 21% External

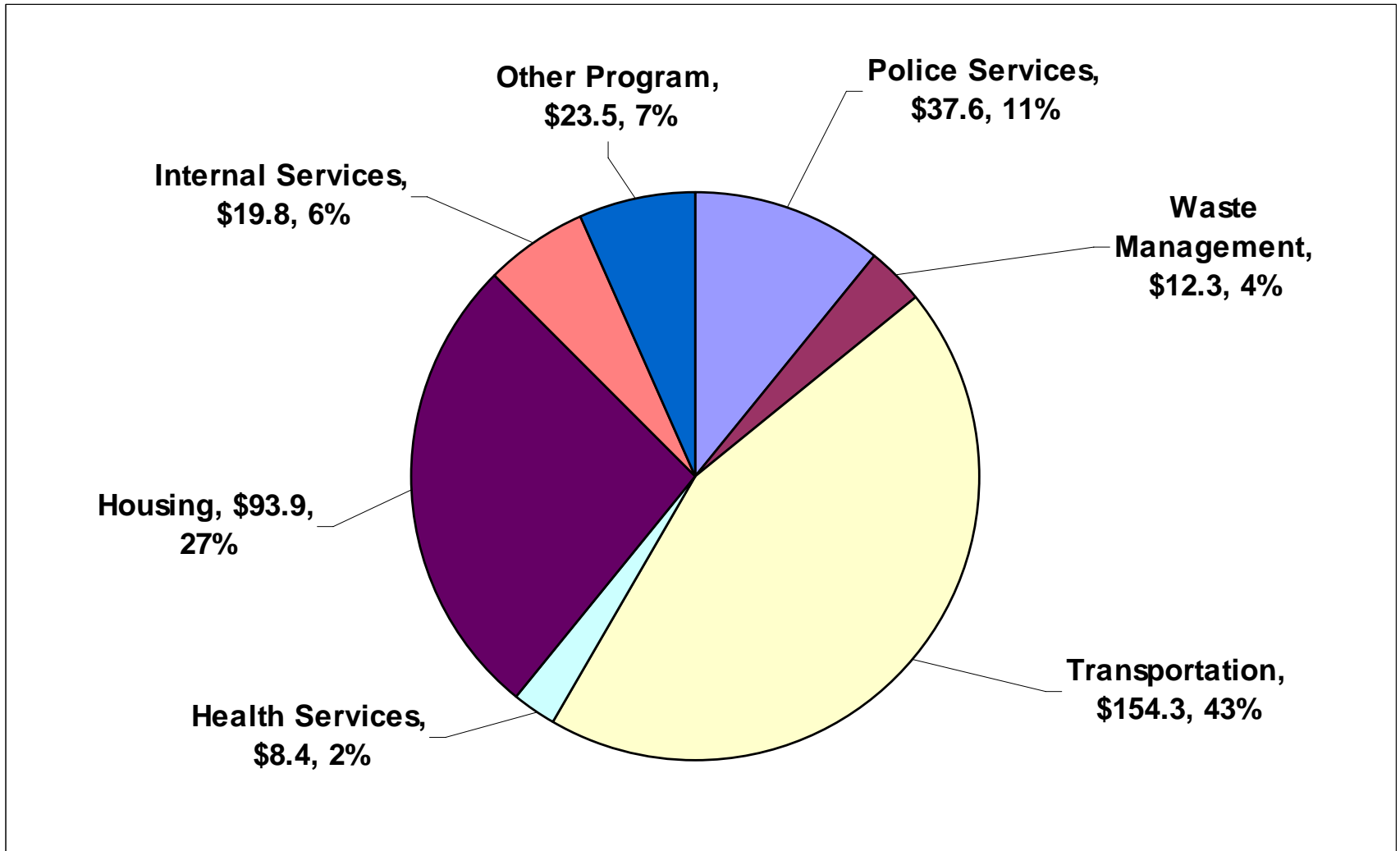
# 2009 Utility Supported Capital - \$569 Million



## Capital Budget Funding:

■ 61% Development Charges ■ 19% Reserves ■ 20% External

# 2009 Tax Supported Capital - \$349.8 Million



## Capital Budget Funding:

■ 31% Development Charges ■ 47% Reserves ■ 22% External

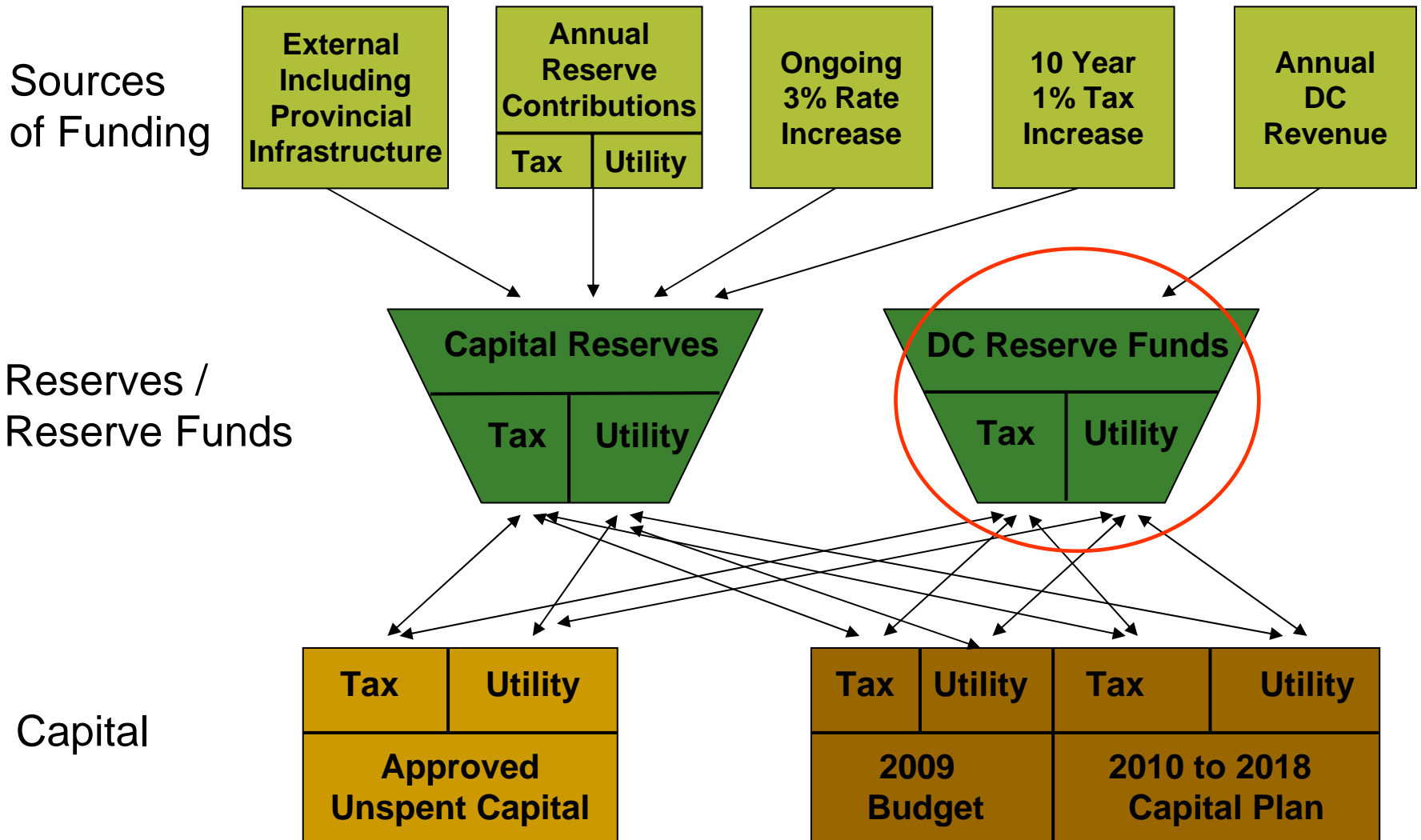
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# Approach to Review of New Capital

## ■ New Capital

- Largest components are Transportation, Water and Wastewater
- Plans prepared with input from area municipalities
- Further rationalization of program in these areas should be done in consultation with area municipalities to ensure plans are aligned

# Capital Plan



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# Update on Sustainability of Development Charges

- Net in-year adjustments reduced reserves by:
  - DC Reserves (\$83.7M)
- DC Revenue Forecast for 2008 \$88M representing a shortfall of about \$100M
- Cost of construction inputs expected to moderate due to reductions in price of oil
- Statistics Canada Non-Residential Construction Price Index set at 7.74% for February 2009

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# Next Steps with Development Charges:

- DC by-law reviews will be required for all three area municipalities due to statutory five year expiration in 2009
- Propose that the Region not use the 2009 Budget to update the DC By-Law
- Continue to watch construction cost trends and re-evaluate during 2010 Budget.

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# 2009 Budget Summary

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# Budget Summary

- Proposed 2009 Budget outlines a responsible service contract which balances service needs with taxpayer impacts
- After 6% average utility rate increase remain the lowest in GTA

# Budget Recommendation

## Tax Impact

### Regional Programs

Operating

0.8%\*

Capital

1.0%

1.8%

### Police

OPP

0.0%

PRP

1.9%

1.9%

### Conservation Authorities

Option 2

0.4%

## **Total Tax Impact**

**4.1%**

\* Includes MPAC = 0.1%

# Budget Summary

- The impact of proposed budget increases are as follows:

	Average Residential
Tax increase – 4.1%	\$64
Utility rate increase – average 6%	<u>\$28</u>
<b>Total</b>	<b><u>\$92</u></b>

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# Proposed Budget Review Schedule

- Human Services
- Health Services
- ETPS
- Internal Services
- Go Transit, Assessment Services and Non-Program

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# Questions