

Clause 22 in Report No. 12 of Committee of the Whole was adopted, without amendment, by the Council of The Regional Municipality of York at its meeting held on September 20, 2018.

22

2018 Operating and Capital Budget Mid-Year Progress Report

Committee of the Whole recommends adoption of the following recommendation contained in the report dated August 8, 2018 from the Commissioner of Finance:

1. Council receive this report for information.
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Report dated August 8, 2018 from the Commissioner of Finance now follows:

1. Recommendations

It is recommended that Council receive this report for information.

2. Purpose

This report outlines mid-year financial results and provides an update on progress towards the objectives outlined in the 2018 Budget. Regular performance monitoring helps ensure that York Region's 2018 service mandate of \$3.0 billion (operating and capital) will be delivered in a cost efficient and effective manner.

3. Background and Previous Council Direction

On [December 14, 2017](#), Council approved the 2018 Budget. This report provides a summary of 2018 budget-to-actual results as at June 30, 2018, and a 2018 year-end forecast for both operating and capital budgets.

A number of factors influenced mid-year results, some of which are common to all departments and others are specific to individual departments. To establish the anticipated spending profile over the year, departments allocate their budgets to the months in which the expenditures and revenues are expected to occur. The mid-year results included in this report are relative to this "calendarized" budget for the first six months of 2018.

4. Analysis and Implications

Operating Mid-Year Results

Regional net (tax levy) operating expenditures were 95% of the year-to-date budget at mid-year and are expected to reach 98% at year-end

For the first six months of 2018, net expenditures were \$538.4 million, or \$28.4 million less than the mid-year budget of \$566.8 million. This variance reflects both gross expenditure and revenue variances, which are highlighted in Table 1 below. Mid-year expenditures represented 95% of budgeted expenditures, which was slightly below the ratio of 98%, on average, reported over the last three years.

Year-end expenditures are forecasted to be closer to the budgeted amounts as some of the timing and delay challenges reported at mid-year are addressed, and as key pressures are accommodated. On a net basis, year-end operating expenditures are forecasted to be at 98% of budget. This would result in a surplus of \$18 million, which would be higher than surpluses projected at mid-year in the previous three years.

In addition, departments identified potential risks that could affect the projected year-end results. There is less certainty associated with the likelihood and timing of these risks compared to expenditure pressures included in the year-end forecast. Examples include an increase in the frequency and severity of winter storm events requiring additional road salt expenditures, reduced revenue from the sale of blue box recyclables due to market price changes, fluctuations in the foreign exchange rate that could result in higher costs for processing residual waste, and officer training and equipment costs associated with the legalization of cannabis in the fall of 2018. Department staff will continue to work with Finance staff to monitor risks to ensure that overall expenditures are managed within approved levels.

Table 1
Mid-Year Results - Operating

Department	Mid-Year Budget \$ millions	Mid-Year Variance* \$ millions	Expended % Mid-Year	Expended % Year-End Forecast
NET EXPENSE VARIANCES				
Transportation Services	121.8	4.4	96%	100%
Environmental Services (excluding Water and Wastewater)	27.0	0.4	98%	100%
Community and Health Services	92.2	11.3	88%	96%
Corporate Services	18.4	8.1	56%	84%
Finance	28.2	2.2	92%	95%
York Region Rapid Transit Corporation	8.8	1.1	87%	100%
YorkNet	0.2	0.1	76%	125%
York Regional Police	161.5	1.7	99%	98%
Other**	108.6	(0.9)	101%	102%
TOTAL (Expenditures less Revenues)	566.8	28.4	95%	98%

* Numbers without brackets indicate an expense that is under-budget, or a revenue that is over-budget (i.e., favourable); brackets indicate over-budget expenditures, and under-budget revenues (i.e., unfavourable)

** The mid-year budget for Other includes contributions to reserves as part of the Fiscal Strategy (\$81.2M), Boards and Authorities (\$20.3M), smaller departments (\$6.4M) and corporately budgeted items (\$0.7M).

Attachment 1 provides a complete summary of mid-year budget-to-actual performance for all departments.

Net expenditures were \$28.4 million lower than expected at mid-year

Lower expenditures in Community and Health Services were due to the timing of child care expenditures, as spending associated with new provincial funding begins to ramp up, along with other unanticipated delays in programs including homelessness prevention, housing services and in other program areas.

Public Health and Paramedic and Senior Services expenditures were higher than expected at mid-year and partially offset the department's overall lower spending. However, these higher expenditures are expected to be offset by provincial funding by the end of the year.

Lower revenues in Community and Health Services reflect an expected reduction in provincial transfers associated with the department's lower-than-budgeted expenditure figures discussed above.

2018 Operating and Capital Budget Mid-Year Progress Report

Corporate Services and Finance reported lower-than-expected spending in facilities operations, salaries and benefits, professional contracted services and in other business management support costs. Corporate Services also reported higher revenues from the sale of surplus lands and from higher-than-expected development engineering and planning fees.

Transportation Services reported lower spending in salaries and benefits due to temporary vacancies, in roads operations due to maintenance delayed to Q3, and in other business management support activities.

Environmental Services reported lower costs and revenues due to the new fee structure at the Community Environmental Centers (CECs) and the delayed opening of the Household Hazardous Waste facilities at the Elgin Mills CEC site. Revenues were also below budget due to the market decline in recyclable material prices and lower than expected timber harvest revenues.

Factors contributing to below-budget net spending in other areas included lower costs for professional contracted services by YRRTC, and lower than expected costs and revenues by YorkNet due to temporary vacancies and delays in developing service agreements with potential private sector clients, respectively. YorkNet's reduced revenue is expected to result in a shortfall of \$200 thousand at year-end, which will be managed within the overall Regional budget.

Although overall revenues were lower than budget, this was partially offset by higher revenues reported by Courts Services due to an increased volume of fine payments, including default fines and red light camera fines and higher revenues reported by York Regional Police from seasonal paid duty revenues and volume-driven requests.

Water and Wastewater revenues and expenditures are below budget at mid-year and are anticipated to remain below budget by year-end 2018

User rates fund Water and Wastewater expenditures. This service has no tax levy impact. Any operating variances are addressed by contributions to or draws from water and wastewater reserves. Table 2 outlines mid-year results for Water and Wastewater.

Table 2
Mid-Year Results - Water and Wastewater

Water and Wastewater	Budget \$000's	Actual \$000's	Variance \$000's
Expenditures			
Expenditures*	211,639	200,860	10,779
Contributions to reserves	67,664	77,090	(9,426)
Gross Expenditure	279,303	277,950	1,353
Revenues			
Revenues*	(279,303)	(277,058)	(2,245)
Draws from reserves	-	(892)	892
Total Revenue	(279,303)	(277,950)	(1,353)
TOTAL (after draw from reserves)	-	-	-

*Excluding corporate allocations recovered from user rates

Water and wastewater expenditures were \$10.8 million below budget due to:

- Operational savings related to focused efforts on strengthening business practices around procurement and contract development, planned maintenance to mitigate costly unplanned emergency work, and optimization of water sources
- Lower Duffin Creek Wastewater Treatment Facility costs due to credit received for 2017 year-end reconciliation process (payments are made to Durham based on budget and are trued-up based on actual expenditures in the following year)
- Savings in purchased water costs resulting from lower flows.

Lower expenditures were partially offset by revenue being \$2.2 million under budget mainly as a result of lower municipal flows revenue.

To address the variances, reserve contributions and draws were higher than planned by \$9.4M and \$0.9M, respectively.

By 2018 year-end, water and wastewater flow revenues are forecasted to be 2% lower than budget. Reduced revenues are expected to be fully offset by lower expenditures (e.g., due to operational efficiencies, reduced purchase costs), and reduced contributions to reserves or increased draws from reserves, if required.

Capital Mid-Year Results

Significant progress is being made on delivering the 2018 Capital Plan

As of June 30, 2018, gross capital expenditures were \$226 million, or 85% of the year-to-date capital budget of \$265 million. Most of the mid-year variance is due to timing issues that are typical in the budget cycle, and are expected to be resolved in the second half of the year. The departmental year-end forecast for gross capital expenditures is \$705 million, or 87% of the capital budget. These numbers are up from last year at 73% and 81%, respectively.

On [June 28, 2018](#), Council approved the Mid-Year Capital Reprofile report. This report reallocated funding from capital projects that were progressing slower than anticipated to those progressing faster than expected or that were rescheduled to proceed more quickly. It requested changes to Capital Spending Authority and/or current year capital spending for projects to accommodate changes in project timeline or costs. Capital reprofiling helps departments maximize the delivery of the capital plan.

The budget figures contained in this report reflect reallocations and adjustments approved in the Mid-Year Capital Reprofile report.

As of June 30, 2018, Regional capital expenditures were under budget by \$39.5 million

The underspending of \$39.5 million was mainly due to delays in various Transportation projects, Administrative Centre Annex, Woodbridge Housing project and purchase of police vehicles. Under- and over-spending by departments at mid-year is a normal occurrence.

Table 3 summarizes year-to-date results by department. Further details of mid-year departmental results and year-end forecasts are provided in Attachment 2.

Table 3
Mid-Year Results - Capital

Department	Mid-Year Budget \$ millions	Mid-Year Variance* \$ millions	Expended % Mid-Year	Expended % Year-End Forecast
Transportation Services	80.3	18.0	78%	87%
Environmental Services	59.8	(2.5)	104%	93%
Community and Health Services	25.5	9.1	64%	81%
Information Technology Services	5.9	1.1	82%	76%
Corporate Services	50.1	12.0	76%	89%
Court Services	0.1	0.1	0%	100%
York Region Rapid Transit Corporation	31.9	(7.0)	122%	91%
YorkNet	0.5	0.3	33%	14%
York Regional Police	11.3	8.3	27%	74%
TOTAL	\$265.4	\$39.5	85%	87%

* Numbers without brackets indicate an expense that is under-budget, brackets indicate over-budget expenditures
Note: numbers might not add up due to rounding

Transportation Services, Corporate Services, Community and Health Services, and York Regional Police account for most of the mid-year variance

Mid-year spending for Transportation Services included several projects proceeding faster than anticipated, including Highway 404 mid-block crossing (north of Highway 7) and Major Mackenzie Drive (CP Railway to Highway 400), resulting in higher-than-expected expenditures. This was offset by other projects that experienced delays compared to the calendarized budget, mainly due to inclement spring weather and delays in utility relocations, permit acquisitions, and finalizing or signing tenders.

Community and Health Services was underspent at mid-year primarily due to construction on the Woodbridge Housing project not proceeding as quickly as forecast, and delays in constructing paramedic response stations.

Corporate Services mid-year underspending is mainly due to the timing of expenditures for the Administrative Centre Annex. This consists predominately of expenditures that need to be re-profiled to future years due to timing of remaining work.

At mid-year, York Region Rapid Transit Corporation (YRRTC) was over budget by \$7.0 million, which is mainly attributed to the latest cash flow update on the Toronto-York Spadina Subway Extension (TYSSE) project. It includes higher-

than-forecast December contractors' invoices and inflow of delayed claims from 2017. However, the total project cost has not changed. At year-end, YRRTC anticipate being slightly under the budget.

Underspending in York Regional Police is primarily related to the timing of purchases of new and replacement vehicles, as well as delays in construction of new and renovated facilities, including #1 District Multi-Functional Facility and the #3 District Marine Headquarters.

Departments are currently forecasting year-end expenditures of 87% of the 2018 capital budget

Capital expenditures are forecasted to be \$705 million, or 87% of the \$811 million budget.

Transportation Services is expected to deliver 87% of its capital plan in 2018. Part of the forecasted underspending is because the planned Viva bus replacement will not proceed in 2018. The 23 Viva buses originally planned to be retired have been converted to conventional service and continue to operate, with replacement deferred to a future year.

Environmental Services forecast year-end underspending of \$11.4 million is mainly due to delays in Toronto Water Supply Cost Shared Works project, Duffin Creek Water Pollution Control Plant Upgrade project, Duffin Creek Incinerators project, various water and wastewater rehabilitation projects, and cancellation of energy retrofit projects.

Forecasted year-end underspending for Corporate Services of \$12.3 million is primarily related to the timing of expenditures for the Administrative Centre Annex. The Annex project remains on budget and on schedule with completion in early 2020.

Community and Health Services is forecasting year-end underspending related to the Woodbridge and Unionville housing projects, although the timing of project completion is not expected to change, and delays in the construction of paramedic response stations.

Forecasted underspending in York Regional Police related primarily to delays in #1 District Multi-Functional Facility and the #3 District Marine Headquarters.

The YRRTC year-end forecast is at 91% or \$8.6 million under the budget. While overspending on the TYSSE project is expected to continue throughout 2018 by the total of \$16.4 million, other projects, such as Yonge Subway Extension and Facilities and Terminals, are expected to be underspent by the total of about \$25 million. The underspending is mainly attributed to delays associated with finalizing the Memorandum of Understanding for the Yonge Subway Extension project and the delay in awarding the contract for the Yonge Subway Extension Consulting Engagement.

The mid-year progress report supports the strategic priority goal area of the 2015 to 2019 Strategic Plan

This report is consistent with the Strategic Priority Area of “Providing Responsive and Efficient Public Service” of the 2015 to 2019 Strategic Plan.

5. Financial Considerations

As of June 30, 2018, total net expenditures for Regional operations were \$538.4 million, or 95% of the year-to-date budget. Departmental year-end projections indicate that total net expenditures will be \$1,054.5 million or 98% of budget.

As of June 30, 2018, gross capital expenditures were \$226 million, or 85% of the year-to-date capital budget of \$265 million. The departmental year-end forecast for gross capital expenditures is \$705 million, or 87% of the 2018 capital budget of \$811 million.

Department staff will continue to work with Finance staff to monitor expenditures and risks to ensure that overall expenditures are managed within approved levels.

6. Local Municipal Impact

There is no direct local municipal impact associated with this report. The Region’s budget funds essential services and capital infrastructure for residents and businesses in all local municipalities in the Region.

7. Conclusion

The Region is on track to deliver on the commitments outlined in the 2018 Budget. Many of the variances reported at mid-year are due to timing issues that are typical in the budget cycle, and are expected to be addressed in the second half of the year. Year-end expenditures are forecasted to be within the budgeted amounts.

Summaries of the operating and capital financial results have been appended to this report.

2018 Operating and Capital Budget Mid-Year Progress Report

For more information on this report, please contact Kelly Strueby, Director, Office of the Budget at 1-877-464-9675 ext. 71611.

The Senior Management Group has reviewed this report.

Recommended by:

Approved for Submission:

Laura Mirabella
Commissioner of Finance

Bruce Macgregor
Chief Administrative Officer

August 8, 2018

Attachments (2)

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Accessible formats or communication supports are available upon request

Consolidated 2018 Mid-Year Operating Summary

(in \$ Millions)	Gross Expenditures			Revenues			Net			% Spent
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance	Net
Transportation Services										
York Region Transit/Viva	96.6	96.4	0.1	(45.0)	(44.5)	(0.5)	51.5	51.9	(0.3)	100.6%
Roads & Traffic	79.1	77.3	1.8	(21.6)	(22.1)	0.5	57.5	55.2	2.3	96.0%
Business Management Support	12.8	10.4	2.4	(0.1)	(0.1)	0.0	12.7	10.3	2.4	80.8%
Subtotal	188.5	184.2	4.4	(66.7)	(66.8)	0.0	121.8	117.4	4.4	96.4%
Environmental Services										
Waste Management	32.4	31.5	0.9	(10.5)	(9.9)	(0.6)	21.9	21.7	0.3	98.8%
Water & Wastewater Services	279.3	277.9	1.4	(279.3)	(277.9)	(1.4)	-	-	-	-
Natural Heritage & Forestry	5.4	5.1	0.3	(0.7)	(0.6)	(0.1)	4.7	4.5	0.2	95.4%
Energy Management	0.5	0.5	(0.0)	(0.1)	(0.1)	(0.0)	0.4	0.4	(0.1)	113.7%
Subtotal	317.6	315.1	2.5	(290.5)	(288.5)	(2.1)	27.0	26.6	0.4	98.4%
Community and Health Services										
Employment & Financial Support	42.4	39.4	3.0	(37.9)	(35.8)	(2.1)	4.5	3.6	0.9	79.3%
Integrated Children's Services	96.5	67.3	29.2	(88.8)	(63.8)	(25.0)	7.7	3.5	4.2	45.8%
Housing Services	41.2	36.5	4.7	(17.1)	(14.1)	(3.0)	24.1	22.4	1.7	92.9%
Seniors Services	17.2	17.7	(0.5)	(10.8)	(11.0)	0.2	6.4	6.7	(0.3)	104.6%
Public Health	32.5	33.4	(0.9)	(24.3)	(24.8)	0.5	8.2	8.6	(0.4)	104.4%
Paramedic Services	39.4	39.6	(0.2)	(21.0)	(21.4)	0.5	18.4	18.1	0.3	98.6%
Strategies and Partnerships	8.5	6.7	1.8	-	(0.1)	0.1	8.5	6.6	1.9	77.4%
Integrated Business Services	9.8	9.2	0.6	(0.1)	(0.0)	(0.1)	9.6	9.2	0.4	95.4%
Subtotal	299.6	259.5	40.1	(207.3)	(178.6)	(28.8)	92.2	80.9	11.3	87.7%
Corporate Management and Governance										
Chair & Council	1.2	1.1	0.1	-	-	-	1.2	1.1	0.1	90.5%
Office of CAO	3.3	2.9	0.4	(0.1)	(0.1)	0.0	3.2	2.7	0.5	85.7%
Legal Services	3.5	3.0	0.5	(0.2)	(0.2)	0.0	3.2	2.8	0.5	84.9%
Financial Management	10.4	8.2	2.2	(1.0)	(0.7)	(0.2)	9.4	7.5	2.0	79.2%
Information Technology Services	18.8	18.5	0.3	-	(0.0)	0.0	18.8	18.5	0.3	98.6%
Communications, Information & Data	7.4	7.0	0.4	(0.0)	(0.1)	0.1	7.4	6.9	0.5	93.3%
Human Resource Services	4.7	4.4	0.3	(0.0)	(0.0)	(0.0)	4.7	4.4	0.3	93.8%
Property Services	2.7	1.9	0.9	(0.2)	(3.9)	3.7	2.5	(2.1)	4.6	-82.3%
Planning and Economic Development	5.5	5.0	0.5	(1.7)	(3.9)	2.2	3.9	1.1	2.7	29.0%
Subtotal	57.4	51.9	5.5	(3.2)	(9.1)	5.9	54.2	42.8	11.4	79.0%
Recovery from WWw (User Rate)	-	-	-	(3.1)	(2.3)	(0.8)	(3.1)	(2.3)	(0.8)	73.1%
Total Regional Programs	863.1	810.6	52.5	(570.9)	(545.2)	(25.8)	292.2	265.5	26.7	90.9%
Financial Initiatives										
Fiscal Strategy	81.2	81.2	-	-	-	-	81.2	81.2	-	100.0%
Non-Program Items	7.4	9.6	(2.2)	(3.5)	(3.5)	(0.0)	3.8	6.0	(2.2)	156.9%
Subtotal	88.6	90.8	(2.2)	(3.5)	(3.5)	(0.0)	85.1	87.2	(2.2)	102.6%
Court Services	6.7	6.8	(0.1)	(7.9)	(9.3)	1.3	(1.2)	(2.4)	1.2	201.8%
Boards and Authorities										
Conservation Authorities	3.1	3.1	-	-	-	-	3.1	3.1	-	100.0%
Hospital Funding	7.3	7.3	-	-	-	-	7.3	7.3	-	100.0%
MPAC	9.9	10.0	(0.2)	-	-	-	9.9	10.0	(0.2)	101.6%
GO Transit	1.3	-	1.3	(1.3)	-	(1.3)	-	-	-	-
Subtotal	21.5	20.4	1.1	(1.3)	-	(1.3)	20.3	20.4	(0.2)	100.8%
York Region Rapid Transit Corporation	22.0	20.9	1.1	(13.2)	(13.2)	(0.0)	8.8	7.7	1.1	87.2%
YorkNet	0.6	0.5	0.1	(0.4)	(0.3)	(0.1)	0.2	0.1	0.0	76.1%
Total Operating Programs	1,002.5	950.0	52.5	(597.3)	(571.5)	(25.8)	405.3	378.5	26.7	93.4%
York Regional Police	178.5	178.3	0.2	(17.0)	(18.4)	1.4	161.5	159.9	1.7	99.0%
Total Operating Budget before Tax Adjustme	1,181.1	1,128.3	52.7	(614.3)	(589.9)	(24.3)	566.8	538.4	28.4	95.0%

2018 Capital Progress Report as at June 30, 2018

(in \$000s)	Year-to-date (YTD) as at June 30, 2018				Forecast Year-End (YE) at December 31, 2018			
	Budget YTD	Actual YTD	Variance YTD	Expended YTD%	Budget YE	Forecast YE	Variance YE	Forecast Expended YE%
Transportation Services								
York Region Transit/Viva	10,072	8,954	1,118	89%	105,118	74,318	30,800	71%
Roads	70,219	53,313	16,906	76%	223,425	210,882	12,543	94%
Subtotal	80,291	62,267	18,024	78%	328,543	285,200	43,343	87%
Environmental Services								
Water Services	24,785	29,017	(4,232)	117%	61,663	57,065	4,598	93%
Wastewater Services	31,520	30,078	1,442	95%	78,552	74,982	3,570	95%
Waste Management	1,337	2,087	(750)	156%	8,544	7,402	1,142	87%
Natural Heritage & Forestry	576	559	17	97%	1,486	1,486	0	100%
Energy Management	1,624	560	1,064	34%	3,670	1,585	2,085	43%
Subtotal	59,842	62,301	(2,459)	104%	153,915	142,520	11,395	93%
Community and Health Services								
Housing Services	14,036	7,053	6,983	50%	47,185	38,590	8,595	82%
Paramedic Services	10,421	9,036	1,385	87%	22,778	19,053	3,725	84%
Seniors Services	1,005	261	744	26%	2,939	1,676	1,263	57%
Public Health	25	-	25	0%	200	135	65	68%
Subtotal	25,487	16,350	9,137	64%	73,102	59,454	13,648	81%
Corporate Management								
Information Technology Services	5,879	4,801	1,078	82%	19,152	14,579	4,573	76%
Property Services	49,623	37,813	11,809	76%	109,414	97,256	12,158	89%
Planning and Economic Development	484	294	190	61%	851	671	180	79%
Subtotal	55,986	42,908	13,078	77%	129,417	112,507	16,911	87%
Total Regional Programs	221,606	183,826	37,780	83%	684,977	599,681	85,297	88%
Court Services	81	0	81	0%	120	120	0	100%
York Region Rapid Transit Corporation	31,885	38,837	(6,952)	122%	96,130	87,525	8,605	91%
YorkNet	500	165	336	33%	6,940	1,004	5,936	14%
York Regional Police	11,321	3,072	8,249	27%	22,642	16,764	5,878	74%
Total Capital Budget Programs	265,393	225,900	39,493	85%	810,809	705,093	105,716	87%