



TOWN OF AURORA

**ADDITIONAL ITEM
FOR SPECIAL GENERAL COMMITTEE
2015 BUDGET REVIEW MEETING**

***Saturday, February 7, 2015
9 a.m.
Council Chambers***

- **Delegation (b) Bill Hughes, Commissioner, Finance and Treasurer, Regional Municipality of York**
Re: Financial Sustainability, Asset Management, and York Region Long-Term Financing Overview

RECOMMENDED:

THAT the requirements of section 3.8(c) of the Procedural By-law be waived to permit the delegation of Bill Hughes, Commissioner, Finance and Treasurer, Regional Municipality of York, to speak for more than five (5) minutes.

Good Government

Financial Sustainability for York Region

Aurora Town Council

Bill Hughes, Commissioner of Finance &
Regional Treasurer, York Region

February 7, 2015



Outline



- ❑ Financial Sustainability
- ❑ Asset Management
- ❑ Proposed Regional Budget

Financial Sustainability



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Roman aqueducts still in use today



Credit agencies' view of York Region

- From Moody's:

“The Regional Municipality of York's Aaa debt rating is supported by...prudent and far-sighted fiscal management”

“...given York's track record, we are confident that medium-term pressures will be addressed successfully through the budgetary process.”

- From Standard & Poor's:

“York's financial management is strong...Management has a track record of meeting its goals, and revising them as necessary...Revenue and expenditure management is very strong”

“We expect that York's liquidity will remain exceptional”

Financial sustainability is about the stewardship of the long-term

- ❑ Financial sustainability requires long-term planning; it does not just happen
- ❑ The key to financial sustainability is taking the necessary steps in the near-term to manage long-term risks
- ❑ The most important risks to the Region's long-term financial sustainability are:
 - ❑ The future cost of infrastructure investments (asset management)
 - ❑ Over-reliance on debt financing of growth-related capital

The Region is well-positioned to manage future risks now because it is growing

Building blocks of financial sustainability

Long-Term
Perspective

Strategic Use
of Debt

Growing
Reserves

Sound
Capital
Budgeting

Sophisticated
Asset
Management

Active
Investment
Management

Full Cost
Recovery

Superior
Credit Rating

Appropriate
Levels of
Service

Budget achieves complex, interwoven goals related to long-term financial sustainability

- ❑ Reduced reliance on debt
- ❑ Accumulation and wise use of reserves
- ❑ High credit rating
- ❑ Capital investments to keep pace with growth
- ❑ Moderate tax increases
- ❑ Investment in Strategic Plan priorities
- ❑ Compliance with the Province's Annual Repayment Limit

Asset Management



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Much more is at stake now for municipalities

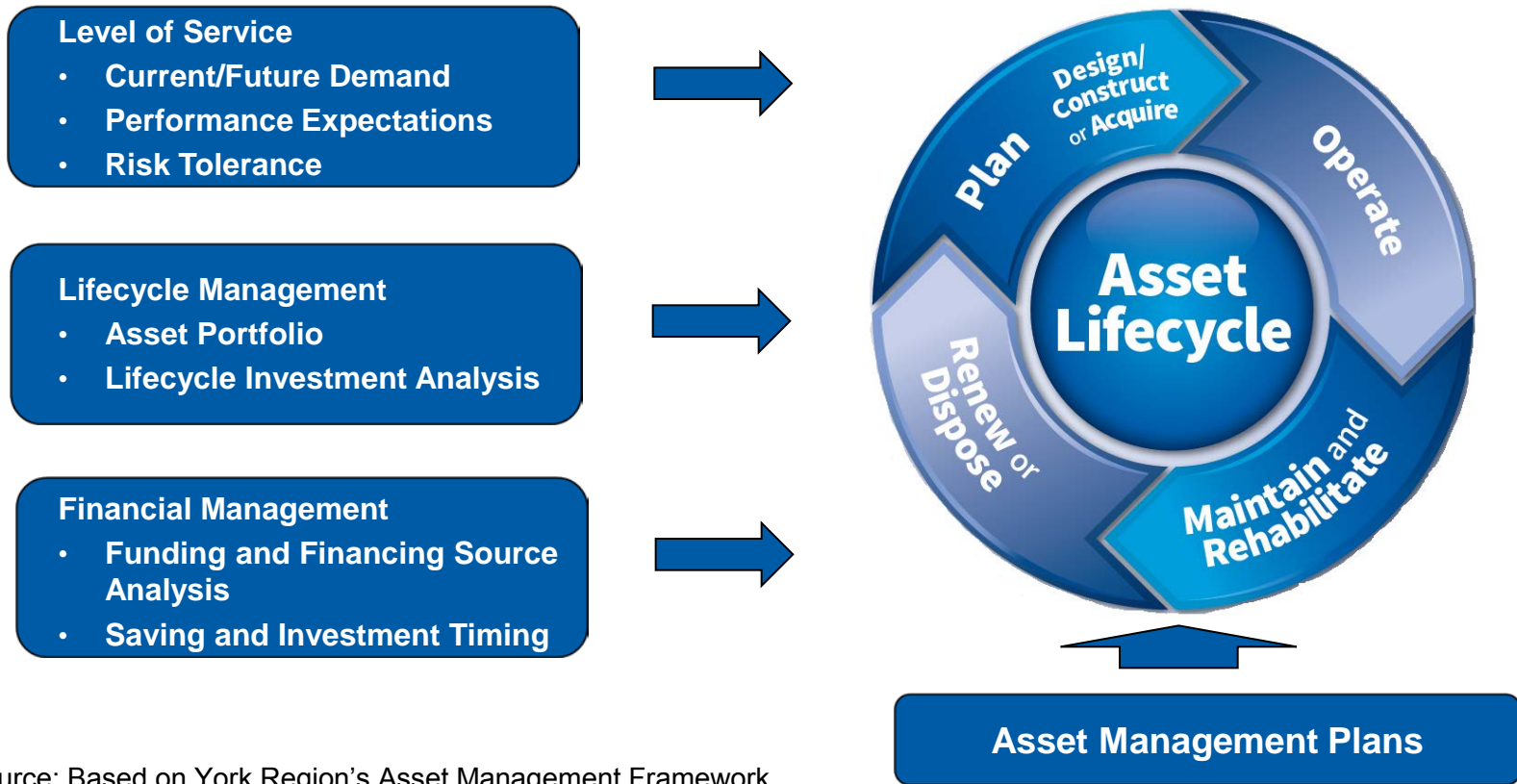
- The municipal share of asset ownership in Ontario has significantly increased since the 1960s

Share (%)	1961	2005
Federal	31%	10%
Provincial	31%	22%
Local	38%	67%

Original source: StatsCan, From Roads to Rinks, Table A.1, Feb. 2008

There has been a dramatic shift in government responsibility for infrastructure

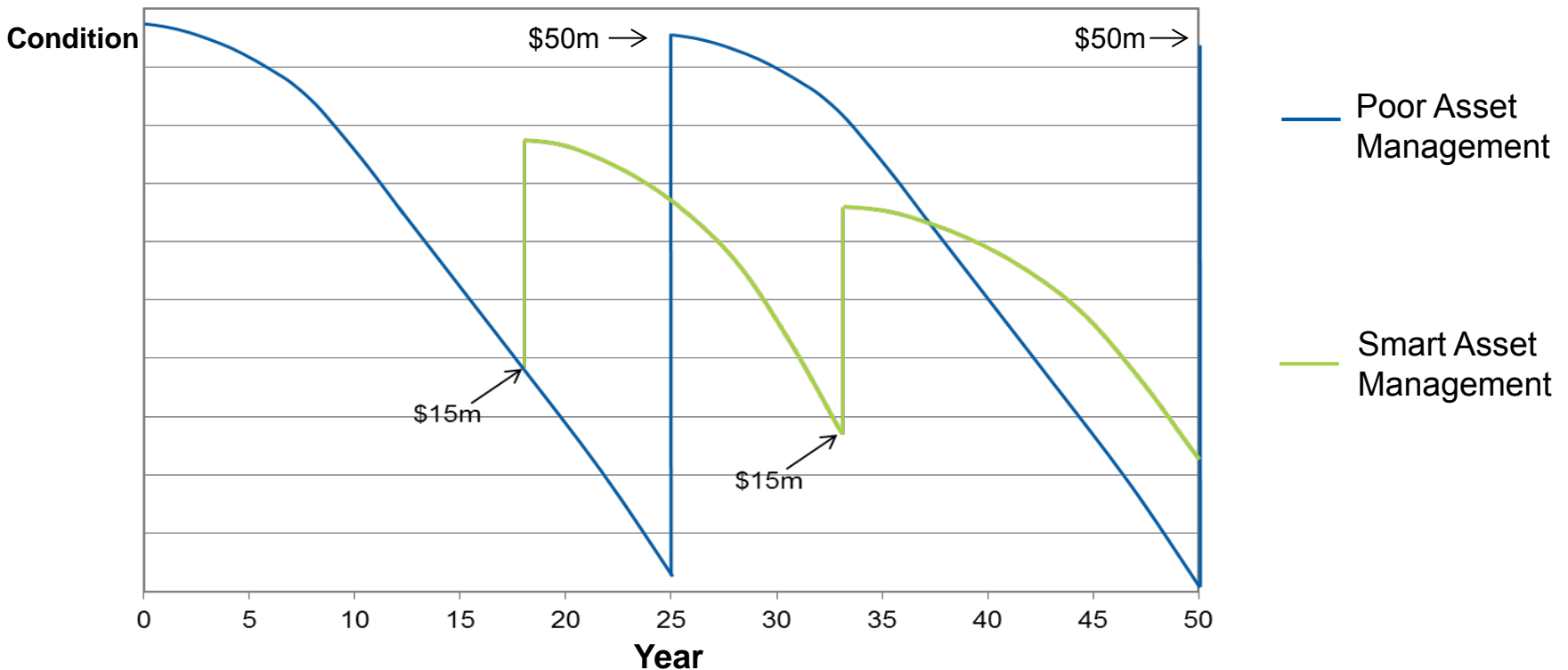
An asset management framework



Source: Based on York Region's Asset Management Framework

Asset management is simply managing an asset so that it provides the desired level of service over its life span at the lowest possible cost

Effective asset management lowers costs over time

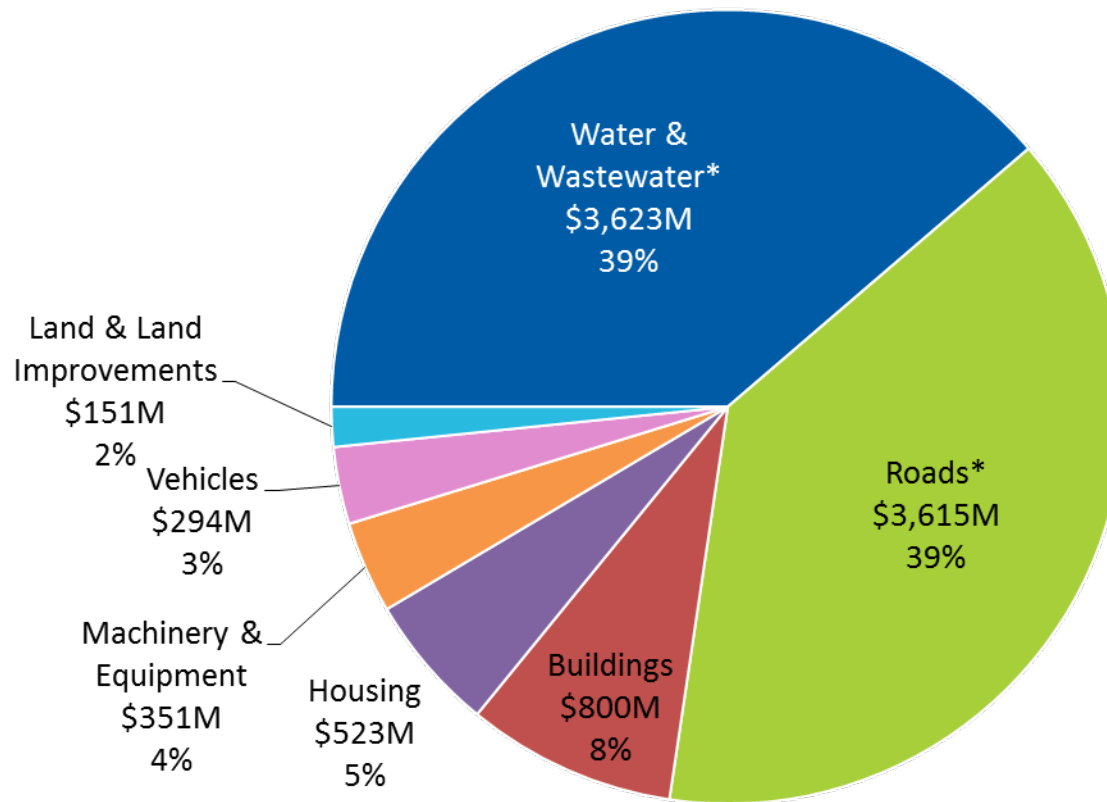


Source: Based on a chart in the Ontario Ministry of Infrastructure's *Guide for Municipal Asset Management Plans*

Timely investments in repairs can provide higher service levels and lower the total cost of managing an asset

The Region already has a valuable asset base

Current Replacement Value – \$9.4 Billion As of December 31, 2013

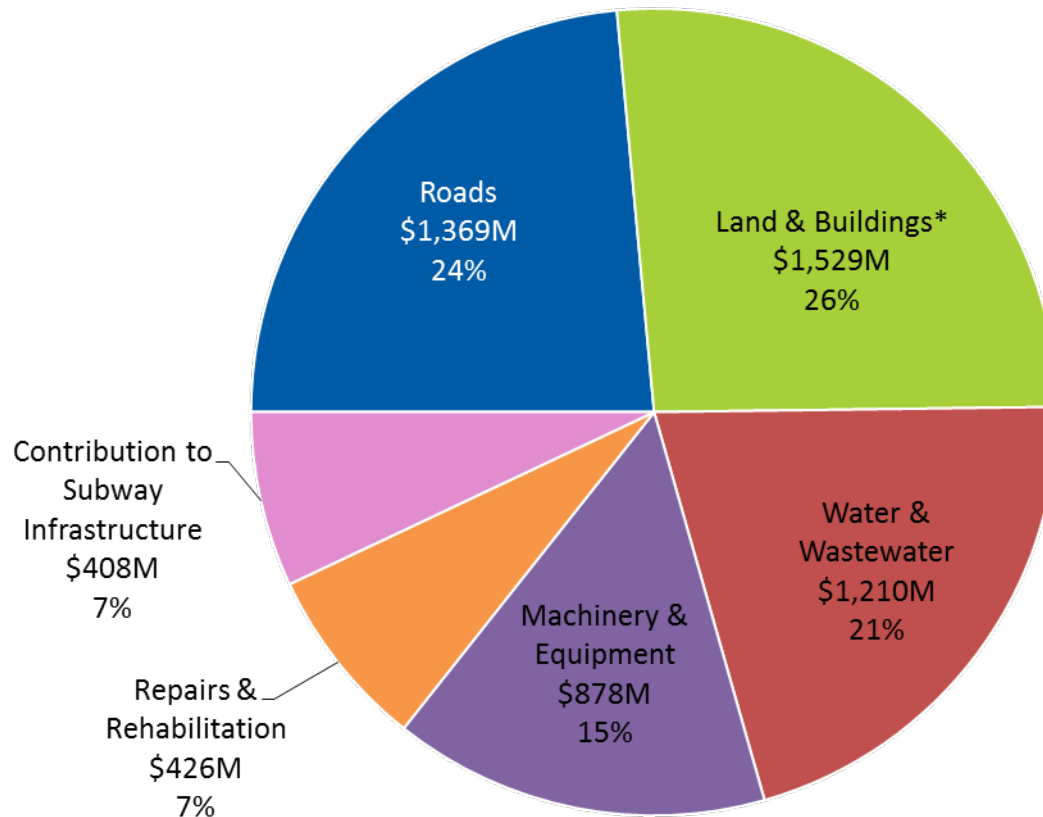


*includes land, land improvements, buildings, equipment and vehicles associated with the services

The asset base continues to grow rapidly

2015 Ten-Year Capital Plan by Asset Classification (2015-2024)

Total \$5.8 Billion



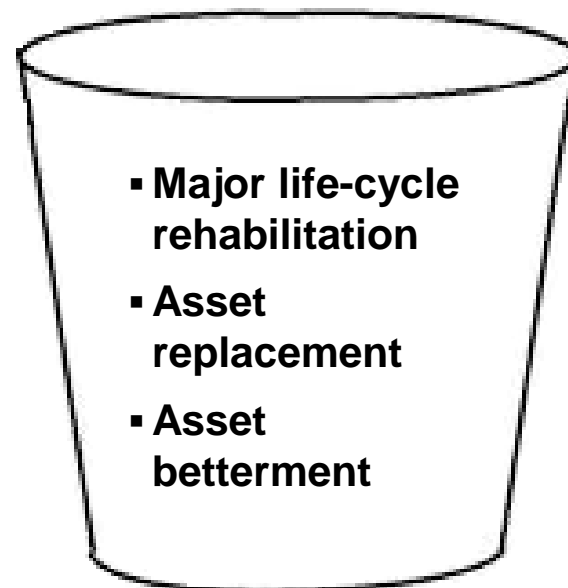
*Including Housing York Inc.

Budgeting for asset management

- The National Research Council recommends that about 2% of the value of assets should be spent on repairs and normal rehabilitation and 2% contributed to reserves each year



Pay-as-you-go Capital



Reserves

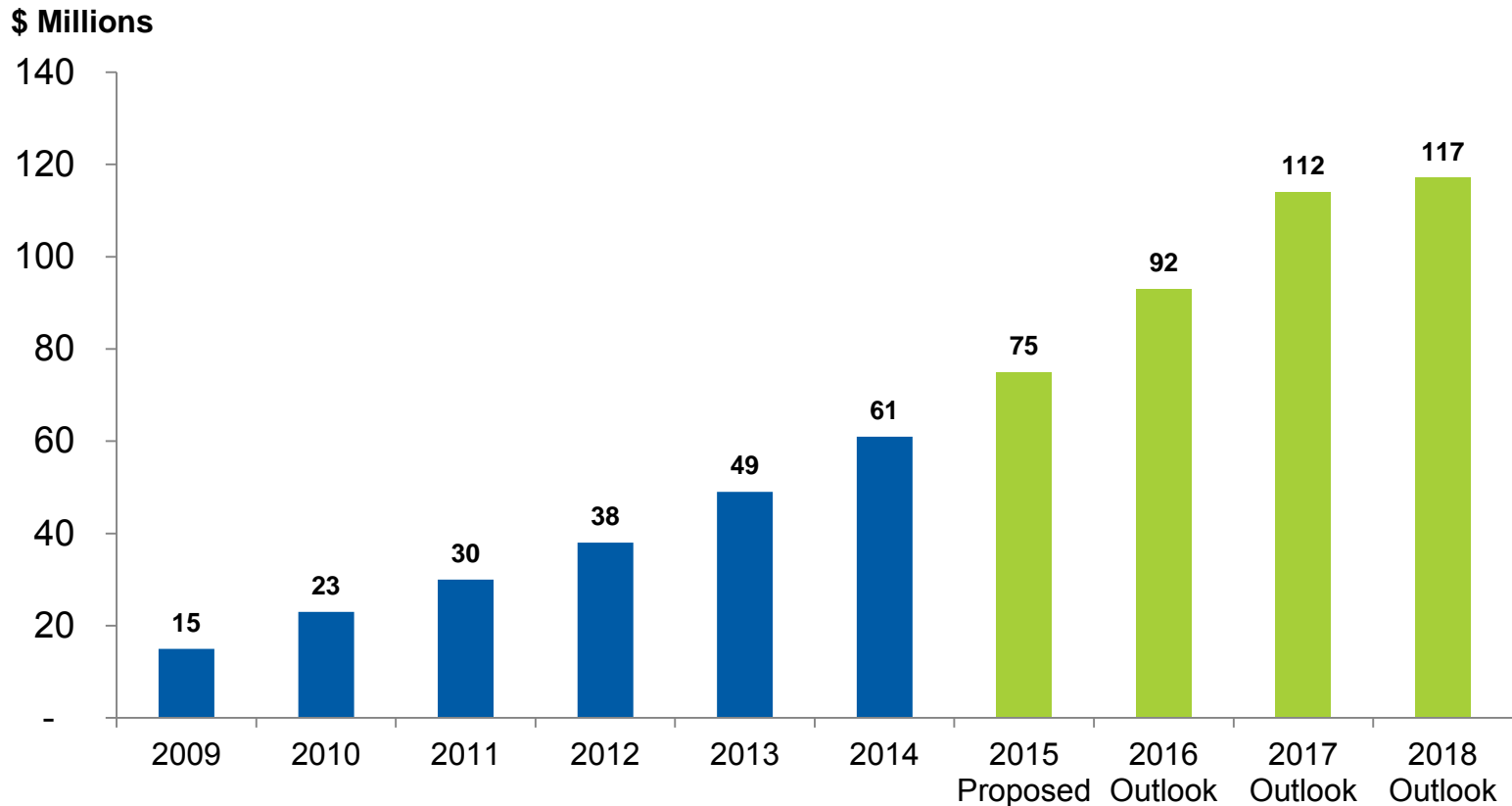
The Region is providing for its asset management needs

- ❑ Council has a policy of incrementing the contribution to general capital asset replacement reserves by 1 percent of the prior year's tax levy each year
- ❑ Starting in 2013, Council directed that the increment be further increased by 0.2 percent annually until it reaches 2 percent in 2017

(\$Millions)	2015	2016	2017	2018
Pay-as-you-go capital	81	98	104	83
Contributions to corporate asset replacement reserves	75	92	112	117
Contributions to water/wastewater replacement reserves	40	41	53	104
Other specialized contributions to replacement reserves	47	50	51	52
Total contributions to capital reserves	243	281	319	356

*Numbers may not add due to rounding

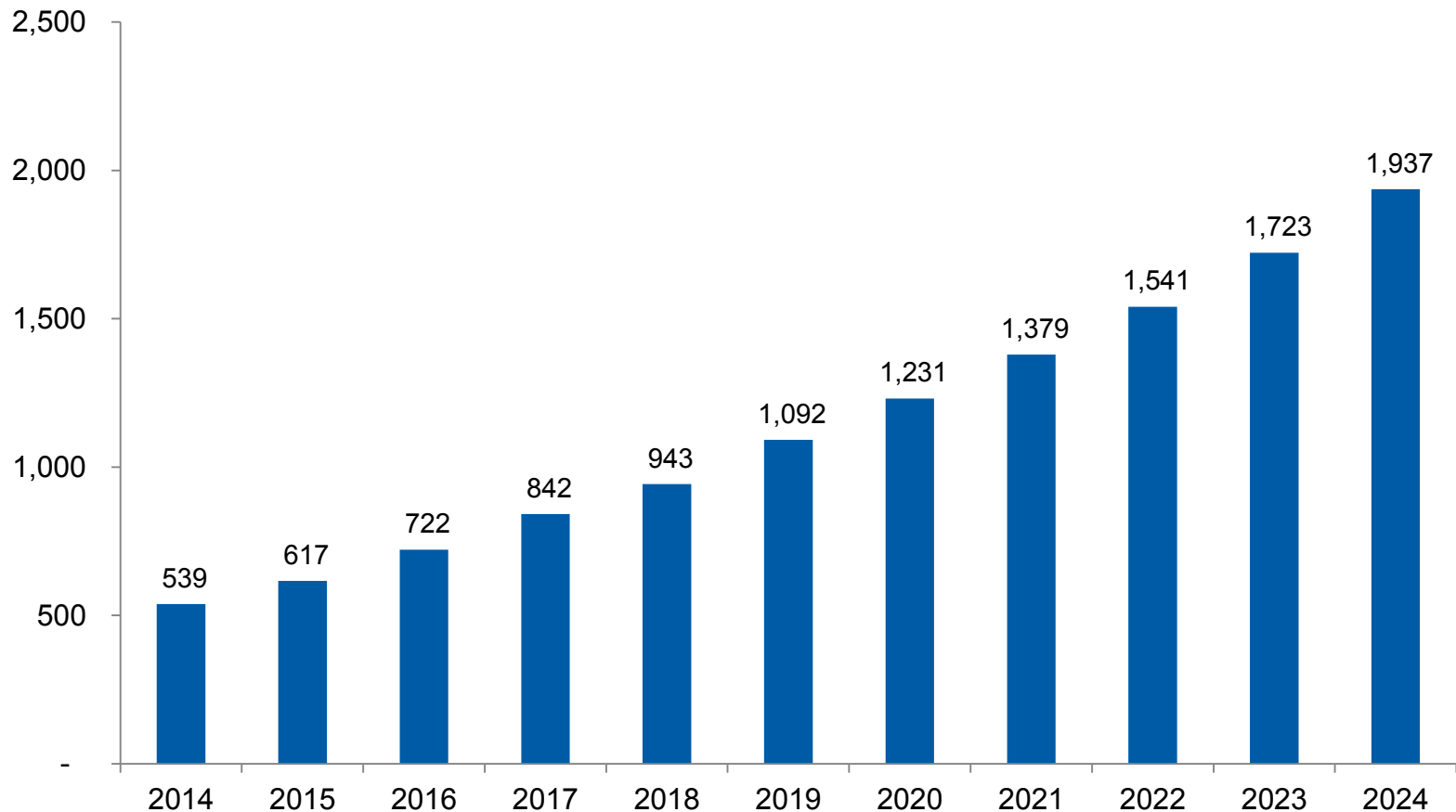
Rising contributions to corporate capital asset replacement reserves



Contributions to corporate capital asset replacement reserves continue to grow

Strong growth in capital asset replacement reserve balances

\$ Millions



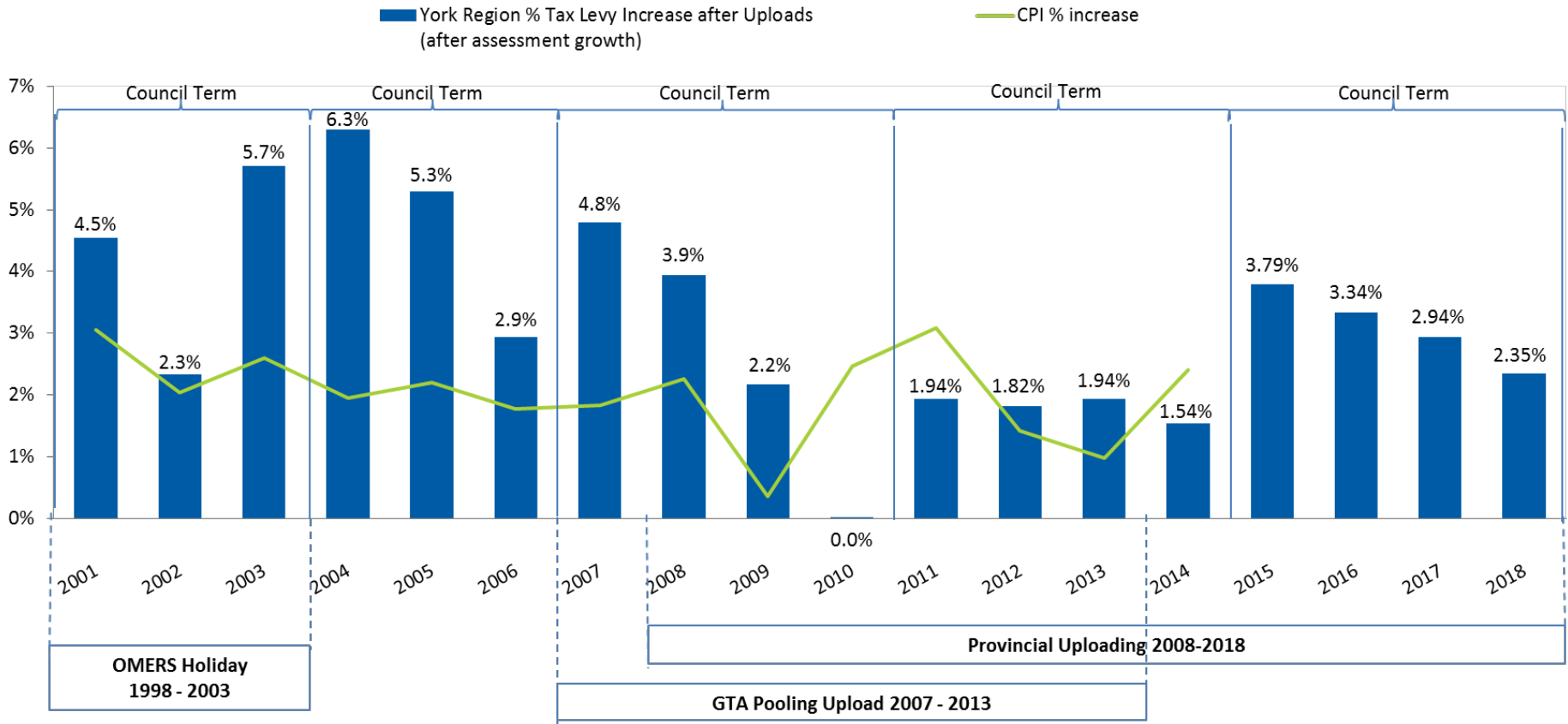
Proposed Regional Budget



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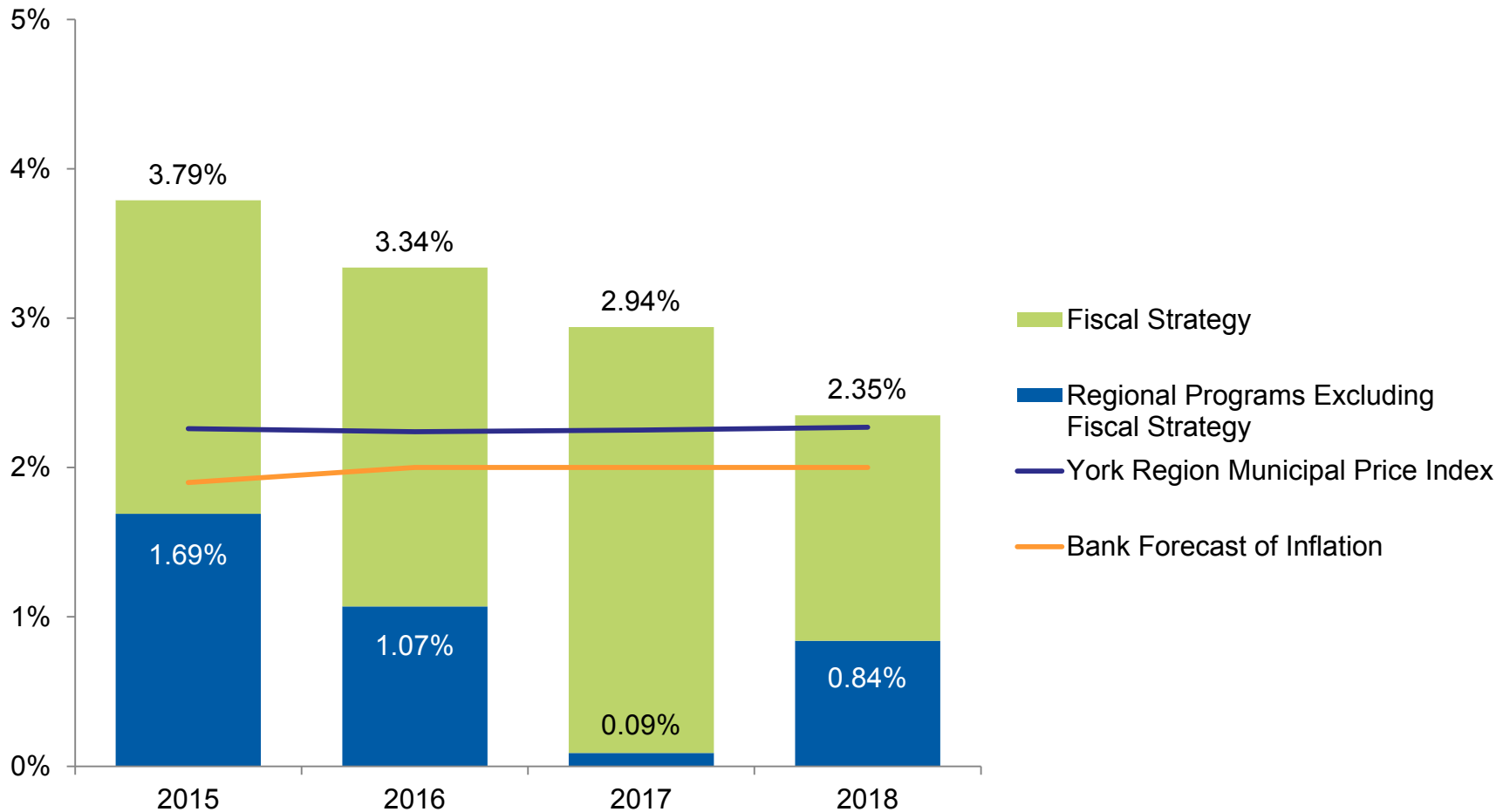
History of tax levy increases

Historical York Region Net Tax Levy Increases



*2014 CPI increase is based on a 12-month, October to October estimate

Recommended tax levy increases



Short-term Fiscal Sustainability Index

- Developed by the City of Edmonton, the Fiscal Sustainability Index is one measure used to track whether spending growth is reasonable

$$FSI = \frac{\% \text{ Change in Operating Spending (Actuals)}}{\% \text{ Population Growth} + \% \text{ Inflation Growth}}$$

- An FSI equal to 1 means that spending is growing in lockstep with growth and inflation
- The most accurate measurement of a short-term Fiscal Sustainability Index requires a Municipal Price Index, as outlined in the Budget submission

Fiscal Sustainability Index below one

