2016 Budget Overview

County Council adopted the 2016 budget on February 3, 2016. The development of the County of Essex budget builds upon Council's commitment to accountability, transparency and excellence in financial management. The budget invests in our community and region, maintaining and improving provisions of health services, community engagement and physical and technological infrastructure. The Corporation's capital investment plan builds on improvements to existing infrastructure while preparing for future expansion to service the growth related requirements of our community. Provided below are high level discussions on various matters pertaining to the development of the 2016 estimates:

Legislation

The preparation of annual estimates is prescribed by Section 289 of the *Municipal Act 2001:*

> An upper-tier municipality shall in each year prepare and adopt a budget including estimates of all sums required during the year for the purposes of the upper-tier municipality...
>
> In preparing the budget, the upper-tier municipality, shall treat any operating surplus of any previous year as revenue that will be available during the current year; shall provide for any operating deficit of any previous year...and may provide for such reserves as the upper-tier municipality considers necessary.

Budget Process

The annual budget process commences each year in September with Administration meeting periodically to discuss a variety of budget planning issues, including:

- Development of critical budgeting assumptions.
- Review of departmental work plans.
- Establish a timetable for budget presentation.

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- Improvements to the form and content.

The timetable established for the 2016 Budget is summarized as follows:

- September 2015 – review budget assumptions, prior year budget document & projected year end balances. Corporate Services provides Departments with detailed wage & benefit schedules, working documents and current year projections.
- November 2015 – departmental preparation of preliminary estimates.
- December 2015 – Administrative review of departmental estimates.
- February 3, 2016 – County Council review of departmental submissions.
- February 17, 2016 – County Council Budget adoption

The Budget Report is segregated into functional areas, or more accurately in a County context, operating departments, including:

- Community Services – Housing with Supports / Counselling
- Homes For The Aged – Sun Parlor Home for Senior Citizens
- Emergency Medical Services
- Transportation Services
- Library Services
- General Government Services
- External Commitments

The departmental sections are comprised of two specific components, a line item presentation of the operating requirements supplemented by a qualitative analysis of the more relevant operational variables, including:

- A description of the function, division, program or activity.
- A staffing chart with associated costs.
- A review of prior year's performance.

- A description of the current year's planned activities with identification of key operating variables.

The departmental estimates identify expenditure and recovery classifications. With few exceptions, expenditure and recovery classifications are consistent throughout the Budget Report. In limited cases, exceptions to the uniformity principle are necessary to facilitate the unique operating circumstances or reporting requirements of the program, division, or department.

The presentation of the estimates for each departmental program begins with a delineation of the expenditures by classification, followed by a quantification of recoveries and/or contributions to(from) reserves, if applicable, concluding ultimately with an identification of the amount that the County will contribute toward the operation of a program - referred to as County Responsibility.

Totals are determined for each classification of expenditure and recovery and for all classes in combination. All totals and the measurement of the County Responsibility are shaded for distinct identification. Totals are established for each program, summarized by function or department at the beginning of each of the departmental sections, and then summarized corporately on the Budget Summary comparison schedule.

Following the presentation of the departmental estimates, three sections entitled **Capital Forecasts, Exhibits** and **Glossary** are provided.

The Capital Forecasts section provides a schedule outlining projected corporate capital requirements and anticipated sources of funding over a ten-year horizon, supported by individual departmental schedules itemizing capital requirements in greater detail.

The purpose of the Exhibits section is to provide additional insight into the composition of specific line items or budget impact factors through the use of statistics and/or graphs. Included within the **Exhibit Section** of the budget are various analysis of expenditures, revenues and reserves, including:

- Net Departmental Expenditures by Department (2016)
- Capital Expenditures by Department and Funding Source (2016)
- Gross Expenditures by Function (2012-2016)
- Analysis of Gross Expenditures by Object (2012-2016)
- Analysis of Revenue by Source (2012-2016)
- Corporate Reserves (2013-2016)

- Long-Term Financial Commitments
- Staffing and Employee Benefit Analysis (2012-2016)
- Winter Control Expenditures (10 year analysis)
- Projected Capital Reserve Balances (20 year analysis)
- Infrastructure Expansion Program (25 year analysis)

The Glossary is included to foster the development of a common foundation of understanding of the terminology and references contained in the Budget Report.

The operating estimates for the Corporation address the following two principal functions:

- Services provided / delivered directly by the County

- Funding provided to agencies external to the County

Costs of providing services delivered by the County can be further delineated as being either operational or capital in nature. External commitments funded by the County can be classified as mandatory (i.e. required by legislation or regulation) or discretionary (nature and extent determined by County Council).

Budget estimates have been prepared under the premise that existing service levels are acceptable, all one-time expenditures, to the extent possible, have been drawn from the Corporation’s Rate Stabilization Reserve and proposed enhancements have only been advanced in circumstances where current service delivery levels expose the Corporation to undue risk or are judged to fall short of mandated or endorsed standards.

The estimates are prepared using a combination of incremental budgeting and modified zero-based budgeting. Estimates for routine, ongoing operational expenditures are prepared by analyzing current expenditures and projecting costs for the upcoming year. Discretionary expenditures are reviewed and must be fully rationalized annually.

Inherent in the development of the budget is the recognition of risk. Estimates are prepared based upon an evaluation of the best information available, in light of current operating conditions and circumstances. As budget estimates are developed, care is exercised in assessing the risk of the likelihood of differing outcomes materializing and the effect such outcomes may have on service delivery levels and financial results.

The work plans and associated expenditures contained within the Budget are intended to position Essex County as a vibrant, sustainable and healthy community that fosters opportunity and promotes an enriched quality of life by:

- Delivering regional and/or broad-based services that meet the evolving needs of the Community.
- Operating efficiently and effectively in a fiscally responsible manner.
- Being a leader in community building initiatives.
- Managing the impacts of growth to provide a liveable, energetic and thriving community, making Essex County a preeminent location to live, learn, work, play, invest and visit.

The Budget reflects the vision of Council, focusing upon its core values as they relate to service delivery while simultaneously looking forward, preparing to meet the challenges of the future.

Fiscally Responsible Government

As Council is aware, Essex County continues to be faced with financial pressures from inflation, service demand growth, major operational cost increases, own capital requirements (growth and asset replacement related), facility and roadway infrastructure (replacement and expansion), modest change in assessment growth, reduction in provincial and federal funding, competing demands for new County-wide initiatives, in addition to regional capital requests. These pressures will continue to impact Council decisions related to program delivery, priorities and service levels in 2016 and beyond.

The County has established standards of service delivery that effectively manage the demands and the needs of residents while minimizing the effect of increased costs upon the property tax base of its community.

During the 2016 Budget development, Administration has been guided by fundamental principles previously endorsed by Council, namely:

- The current levels of service being delivered to the community are appropriate.
- The Corporation is prepared to maintain its commitment to the community as represented by current discretionary funding levels (i.e. external commitments).

- In making decisions with respect to the 2016 budget, consideration has been given to the consequences of such decisions upon the Corporation's future financial stability.

Standard and Poor's, a leading provider of financial market intelligence and the Corporation's bond rating agency, recognized the County of Essex's sound financial practices in the Corporation's most recent credit rating (November 2015). Standard and Poor's highlighted the following performance strengths in affirming the County's credit rating at **AA** with a **stable** outlook:

- Strong financial position, derived from very low debt and debt service burdens;

- Exceptional liquidity, a result of the Corporation's ongoing commitment to a solid Reserve Strategy;

- Consistently very strong record in terms of budgetary performance. Solid operating surpluses have provided the Corporation with the means to fund its capital expenditures largely from internal sources, reducing debt issuance needs;

- Long standing life-cycle capital program, which plans for the replacement of assets over their useful lives through contributions to and from capital/infrastructure reserves, validating the County's "pay-as-you-go" philosophy of funding capital/infrastructure requirements by creating capacity in the budget in a measured way and through the effective use of reserve balances;

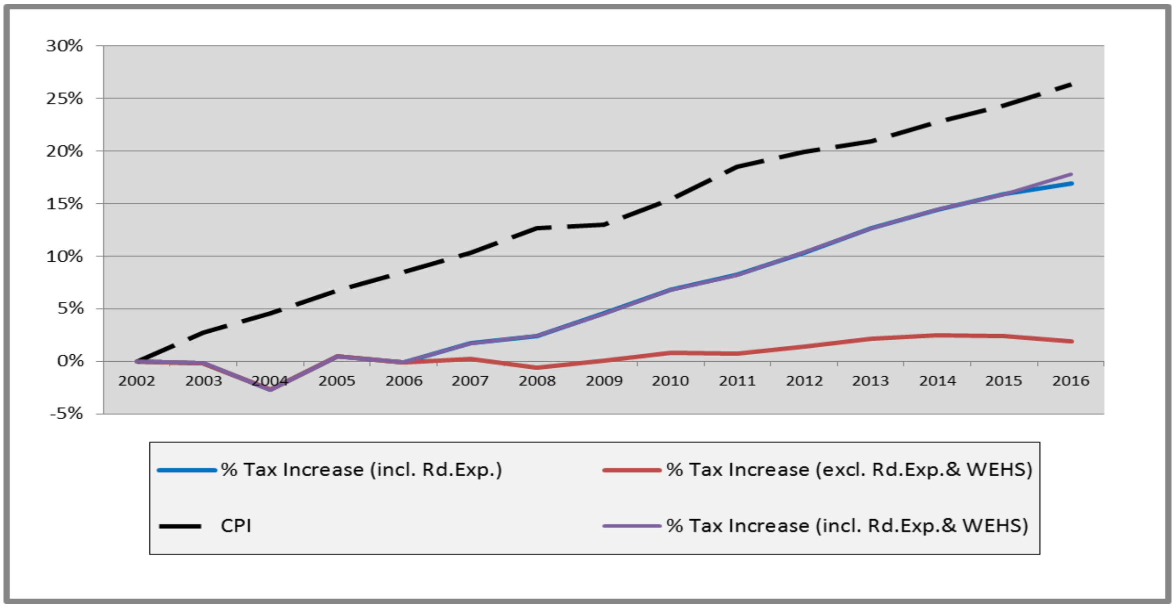
- Very predictable and well-balanced institutional framework, with a qualified management team exercising prudent financial decisions, and

- Diversified economic development efforts away from automotive manufacturing towards alternative energy, medical equipment, tourism, aerospace and agri-businesses.

It is these principles of sound financial stewardship that have positioned the County ahead of its peers and provided Council with the ability to effectively manage changes to tax rates year over year. Provided in the Chart 1 below is a cumulative comparison of the change in Consumer Price Index (CPI) and change in County Tax Rates (with and without Infrastructure Expansion) since 2002 (fourteen years). As is evident from the chart, the County's tax rate increase, exclusive of the 1.5% annual increase associated with Infrastructure Expansion and new funding for the New Windsor-Essex

Hospital Systems (NWEHS) has been basically flat (**less than 0.2% per year**). The total increase in tax rate, including funds established for infrastructure expansion, has increased by approximately 16% over 15 years, or approximately 1.2% per year. In contrast, over this same time period, annual inflation has increase by approximately 25% or approximately 1.9% per year.

Chart 1: CPI and Tax Rate Comparison, 2002-2016



2015 Budget Performance

Based on interim December results of operations, the Corporation is projected to be in a surplus position from Budget of approximately $611,000 for the year ended December 31, 2015. Summarized below is the significant variance by department:

Department	Variance
Sun Parlor Home	(204,000)
Emergency Medical Services (EMS)	(113,000)
Transportation Services	336,000
General Government (Investment Portfolio)	175,000
External Commitments	417,000

As is evident from the listing above and reported previously during 2015, significant expenditures at Sun Parlor Home and EMS were more than offset by savings in General Government, Transportation Services and External Commitments. Significant variances are highlighted below:

- Sun Parlor Home – Overages in staffing costs related to legislated training requirements, staff replacement costs including overtime (STD, LTD) and modified work assignments (WSIB/injury).
- EMS - Additional staffing costs related to modified work assignments (WSIB/maternity/injury), staff replacements (STD, LTD), escalating WSIB NEER experience, offset, in part, by savings in vehicle fuel, repairs and maintenance.
- General Government - Savings in salaries, indemnities and benefits were offset, in part, by an unfavourable variance from budget in net interest income.
- Transportation Services - Favourable expenditures in roadway construction program, winter control maintenance and greater than budget permit revenue.
- External Commitments - Increases in County share of Social Services and Social Housing costs due to an increased shift in regional weighted assessment towards the County were more than offset by savings due to reductions in administrative and program delivery costs.
- External Commitments - Additional operational savings were experienced by the Windsor Essex County Health Unit, Social Housing, and Physician Recruitment initiatives.
- External Commitments - An unbudgeted refund of prior years' surplus from the Windsor Essex Economic Development Corporation.

The results of operations for the year ended December 31, 2015 are addressed in greater detail in the departmental estimates and, where appropriate, in the Exhibit section of the 2016 Budget.

2016 Budget

Provided in Chart 2 is a condensed summary of operations for 2016, compared to 2015 Budget and Projected Actual (see full **Budget Summary Comparison**). Gross Operations for 2016 are budgeted at $145.9 million with $54.5 million in recoveries (provincial and third party contributions, user fees, investment income etc.) and a net contribution from reserve of $6.2 million, resulting in a Levy requirement of $85.3 million, a $3.7 million increase from prior year with a corresponding **tax rate increase of 1.88%** (equivalent to a $17.02 increase, or $924.47 on a house assessed at $200,000 – see tax rate comparison on **Chart 7**).

Chart 2: Budget Summary (excerpt from Budget Summary)

Budget Summary	2015 Budget	2015 Projection	2016 Budget
Total Gross Expenditures	145,293,880	125,504,490	145,963,780
Departmental Recoveries	(54,226,020)	(54,083,090)	(54,469,000)
Net Expenditures	91,067,860	72,839,080	91,494,780
Net Contribution to(from) Reserves	(9,502,110)	10,144,350	(6,231,610)
Total County Requirement	81,565,750	81,565,750	85,263,170

The delineation of net departmental expenditures is highlighted in **Chart 8** of this report.

For 2016, the County of Essex is challenged by a number of key operating conditions and capital expenditures imposing a significant year-over-year increase in net levy requirements, on a stand-alone basis. Offsetting these expenditures, in part, are savings achieved through: the upload of Ontario Works social assistance costs and employment benefit costs; anticipated marginal increases in subsidy for Emergency Medical Services and at the Sun Parlor Home, a net positive change in Current Value Assessment / marginal assessment growth and various departmental cost reductions / containment initiatives proposed throughout the departmental budgets. Highlighted in Chart 3 and discussed in the proceeding pages are various external influences or County of Essex specific conditions giving rise to a projected **net tax increase of approximately 1.88%.**

Chart 3: Summary of Levy Impacts

Budget 2016 - Summary of Levy Impacts	**Levy Impact $**	**Tax Impact %**
County Levy 2015	81,565,750	-2.54%
Regional Services cost sharing (EMS, S.S., S.H.)	173,000	0.21%
Roadway expansion (1.5% of Levy)	1,223,500	1.46%
Social Housing – inflationary & federal block funding	291,910	0.35%
Social Services – inflationary & rate incr., prov. upload	(858,750)	-1.03%
Wages, benefits & stat. deductions (EI,CPP,EHT,WSIB)	1,621,237	1.94%
Health / Dental / LTD / Group Life Benefits	213,790	0.25%
Construction Rehabilitation Program (incl. OCIF)	450,000	0.54%
Asset amortization (facility, fleet & equipment)	150,000	0.18%
County-Wide Active Transportation Infrastructure	100,000	0.12%
SPH - increases in subsidy (2015 per diems & CMI)	(224,440)	-0.27%
Net expenditures/recoveries (utilities/contracts/supplies)	(202,827)	-0.24%
Economic Initiatives (new regional hospital, other…)	760,000	0.91%
County Levy 2016	85,263,170	1.88%

Regional Service Delivery – Cost Sharing

The County of Essex and City of Windsor share service delivery costs for Social Services, including social assistance and childcare, Social Housing and Emergency Medical Services. Social Services and Social Housing are cost shared on a proportional basis of 60% weighted assessment and 40% actual costs, as determined through an arbitration ruling. Emergency Medical Services are cost shared based on weighted assessment, as prescribed by legislation. Under existing tax policy rules/decisions, the projected change to the weighted assessment figures for the City and County based on MPAC's preliminary Phased-In Assessment Reports would indicate a shift or a relative increase in property assessment in the County of Essex, in comparison to the City of Windsor, by approximately 0.38%. Based on 2016 estimates, this relative change in weighted assessment translates into a shift in cost sharing onto the County of Essex for 2016 of approximately $173,000.

Infrastructure Expansion

Council has adopted a financial forecasting model to address the roadway expansion requirements as identified in the Essex Windsor Regional Transportation Study, updated for inflationary considerations, along with estimates, based on recent reports, for the expansion cost of County Roads 17, 19, 22, 42 and 46. The model was premised on 1.5% Levy increases through 2018 to accommodate the approximate $440 million of infrastructure. **In 2012, the financial model was amended to identify and prioritize expansion requirements exclusive of senior government funding and grade separations.** In order to accommodate 100% municipal funding, the schedule has been elongated to manage the financial burden within reasonable limits of the County Levy. The current plan amounts to approximately $440 million (excludes grade separations on County Roads 19 and 22) with a time-line extending through 2038. Assuming no change to the current plan of incorporating a 1.5% increase in the annual levy, the annual base funding level will continue to grow from $12.7 million in 2016 to $15 million in 2018, adjusted for inflation thereafter, providing sufficient financial resources for the management of both the volume of expansion and the timing for financing, without the requirement of debt issuance, and then ultimately position the County to maintain this infrastructure on a go forward basis. **Adherence to a structured plan of self-funding minimizes long-term costs on the local tax base; affirming the Corporation's pay-as-you-go philosophy of funding infrastructure expansion.**

It is important to note that the current analysis assumes: limited receipt of funding from provincial/federal sources (Administration will continue to pressure upper levels of government on the merits of funding expansion projects, and has identified projects that could be quickly advanced if infrastructure funding should become available); the continued cost share of Federal Gas Tax revenue at 80% local municipal / 20% County, and a modest allowance for inflationary considerations on project cost. **If it is Council's desire to narrow the time-frame of expansion, without the receipt of senior government funding, the County would need to**

either substantially increase the annual tax levy allocation to support transportation infrastructure expansion, continue the 1.5% levy allocation beyond 2018 or issue debt; in all cases, the result is a greater tax burden on the residents and businesses of Essex County both at present and in the long-term.

Social Housing

For 2016, the estimated annual cost increase for Social Housing is $291,910 (Total County Responsibility - $9,011,100). The cost increase reflects general inflationary adjustments and an increase in operating costs for housing providers. The reduction in Federal Block Funding has been managed within the budget allocation.

Social Services – Ontario Works Benefits

Notwithstanding the fact that the Essex/Windsor region continues to experience one of the highest rates of unemployment in the Country, Ontario Works caseloads are expected to remain consistent with prior year. Detailed caseload data remains outstanding however due to issues with implementation of the Provincial Social Assistance Management System (SAMS). Included in the Social Services budget are increases in OW benefit payments and inflationary increases associated with wages, benefits and cost of service delivery.

The Government of Ontario announced in 2008, that the Province would, over time, assume the cost of the municipal share of Ontario Works (OW) income and employment assistance benefits. The upload of OW began in 2010 and will be gradually phased-in over a nine-year period, with 100% upload of benefit costs achieved in 2018. The estimated annual impact of this upload, on a percentage basis, is on Chart 4. The estimated benefit for 2016, net of OW benefit payment increases and program inflationary adjustments is $858,750.

Chart 4: Ontario Works – Provincial Upload

Ontario Works	Provincial Cost Share
Pre-Upload	80.0%
2010	80.6%
2011	81.2%
2012	82.8%
2013	85.8%
2014	88.6%
2015	91.4%

Ontario Works	Provincial Cost Share
2016	94.2%
2017	97.2%
2018	100.0%

Wages and Benefits

With an employee base in excess of 800 staff, approximately 40% of the Corporation's gross expenditures are accounted for in salaries, wages and benefits. Collective agreements for CUPE 2974.0 (Library), CUPE 2974.1 (inside/outside) and Teamsters 880 expire March 31, 2016. The ONA collective agreement remains outstanding from March 31, 2014, CUPE 2974.2 (EMS) contract expired March 31, 2015 and adjustments to Non-Union staff compensation ended December 31, 2015. The arbitrated settlement for CUPE 860 extends through March 31, 2017. Modest allocations consistent with negotiated settlements have been accrued and budgeted for these employee groups through 2016. Potentially compounding negotiated settlements, the Corporation is legislated to maintain compliance with pay equity and is currently undertaking a comprehensive job evaluation review. In addition to anticipated adjustments in salaries/wages, the Corporation will also experience an increase in all statutory deductions (CPP, EI, EHT, WSIB), and pension costs, either directly through rate increases or indirectly as a result of the increase to the yearly maximum pensionable earning limits.

For 2016, the Corporation experienced a significant increase in health/drug and Long-Term Disability benefit premiums for three of the Corporation's employee groups (CUPE 2974.1 & 2974.2 and CUPE 860), impacting operating costs in EMS, Sun Parlor Home and General Government Services. Total increase in premiums across all employee groups, net of third party recoveries amounts to $213,790.

Staffing enhancements included within the proposed 2016 Budget include:

- Increased hours at the Sun Parlor Home to meet mandated training requirements; the addition of a Financial Analysist to support operations, covering areas such as optimization of staff resources, asset management and provincial reporting; and internal restructuring of the Life Enrichment Department to provide improved services and stabilize the work force.

- Staff enhancements in EMS to mitigate off load delays (Code 7s).

- A phased departmental reorganization in Transportation Services to mitigate risk in areas that have experienced sustained strain and impeded achievement of service delivery levels.

- Staff restructuring in Library Services to increase outreach and connections within the local communities.

- Addition of a Human Resources staff position to support Occupational Health & Safety and other legislated obligations at Sun Parlor Home and support the adjudication of STD claims in EMS.

In total, including projected retroactive adjustments to base wages, anticipated pay equity adjustments, estimated wage settlements through 2016, County share of EMS WSIB NEER assessments and all associated statutory benefit and pension costs account and for a net increase in 2016 of $1,621,237.

Transportation – Construction Rehabilitation Program

An increase in the annual expenditure level of the Rehabilitation Program in the amount of $450,000 has been included for 2016, providing total funding of $10 million (inclusive of Federal Gas Tax and Ontario Community Infrastructure (OCIF) Funding). Up until 2012, the base funding level had not been increased since 2003. As was reported to Council in 2013, as part of the development of the Corporation's Asset Management Plan (AMP), historic funding levels are not adequate to address the ongoing maintenance requirements of the network. Based on condition assessments, lifecycle costing and existing maintenance rehabilitation levels, annual capital requirements over the next 25 years have been developed in support of the AMP. The expenditure forecast over the 25 year time period is estimated at over $290 million, or an average of $11.2 million per year.

As is evident, the existing budget allocation, inclusive of Federal Gas Tax and OCIF funding, will not meet the funding requirements necessary to preserve and improve the existing road system. Additional funding resources for infrastructure operation / maintenance and capital rehabilitation will be necessary. Funding from upper levels of government will continue to be explored, gradual municipal increments in capital rehabilitation and operational/maintenance allocations will continue to be pursued in the context of good corporate governance and prudent financial management, weighing the balance of acceptable levels of service necessary for regional use, while mitigating risk and liability.

Asset Amortization

As reported earlier to Council (Report #2016-R01-FIN-0120-RM) amortization expense reported within the Corporation's financial statements, in theory, reflects the annual use of the Corporation's assets. However, amortization is measured as straight line depreciation of the cost to acquire that asset over a defined asset life-cycle; neither the estimated cost to replace the asset nor the actual useful life of the asset, are considered in the calculation. For 2016, based on the 2015 asset structure and taking into consideration new assets coming into service for 2016, the estimated amortization expense that will be reported as part of the 2016 audited financial statements will be approximately $11 million (excluding consolidation of EWSWA).

Included within the 2016 Budget, are contributions to reserves for capital replacement equal to approximately $4.9 million, an increase to the annual levy of $150,000. Linear assets (roads, bridges, culverts) are replaced on a pay-as-you-go basis, budgeted at $10 million for 2016 as discussed above. Therefore, in total, factoring in roadway construction costs, the quantum of funds established for the replacement of assets equates to approximately $14.9 million.

While the amount included within the 2016 estimates for capital replacement exceeds the estimated cost of asset usage (amortization expense), it still remains below the true cost to replace corporate assets, after factoring inflation. The increased allocation proposed for 2016 supports the Corporation's efforts to manage the continued viability of the Corporation's asset base proactively in a measured way and through the effective use of reserve balances.

An update to the Corporation's AMP will be forthcoming in 2016, expanding asset reporting from linear assets to include facility and components, fleet, heavy equipment, I.T. infrastructure etc.

County-Wide Active Transportation Infrastructure

The focus and role of municipal highways has begun to experience a shift away from "motor vehicle only" to accommodating other modes of transportation. These other modes include pedestrian and bicycle access in a safe and sustainable manner. The County of Essex has recognized this paradigm shift, embraced the concepts and identified the significant impacts that must be addressed. In 2010, the County initiated the County Wide Active Transportation Study (CWATS) aimed at identifying opportunities to support and strengthen the Active Transportation plans and networks across the region. The Study was designed to improve and designate a regional active transportation network of on-road corridors and off road trails, to improve connections between the proposed regional and local municipal systems and to promote the use of active transportation with the Region. The CWATS includes an implementation strategy that provides recommendations on priorities, funding and timing to develop the proposed network as well as a maintenance strategy to ensure quality and safe use into the future. Building upon the efforts of the local municipalities, the CWATS is intended to provide a continuous network with improved connectivity across the Region.

Aside from the capital cost to develop this network, the implementation of the recommendations will have impacts on Maintenance Operations and affect the on-going Rehabilitation Program. Timing, co-ordination and funding will present numerous challenges.

Current estimates suggest that the County portion of the CWATS initiative amounts to a total project cost of $71 million, with a County portion of approximately $39 million. Included within the 2016 estimates is a provision of $1.5 million, an increase of $100,000 from prior year, to address the County component funding of this program over an estimated 20-year period. A Steering Committee was established in 2013, with the goal of developing annual implementation plans; work by the Committee is on-going and reports will be brought forward for County Council's consideration. It is important to note that for the County to fulfill its commitment within the 20-year time horizon, future annual incremental levy allocations will be necessary.

Directly Delivered Services

Increasingly complex resident care requirements in long term care; rehabilitation, reconstruction, maintenance and expansion of a county-wide arterial road network; increased care level requirements and demand for service from the regional emergency medical services unit; expansion of library services, and the commitment to developing a county-wide active transportation network are but a few of the interests that continue to compete for resources. Cognizant of the economic realities of our region, Corporate Services has worked with all departments, reviewing all resources in an effort to present Council with a budget that balances operating requirements against economic constraints, while not jeopardizing the Corporation's future financial stability. The Corporation, across all departments, is subject to inflationary adjustments for supplies, service contracts, equipment replacement, utilities etc. Every effort is being made to reduce line expenditures, where possible, to mitigate the various external financial impacts on the County's net levy. In many cases, capital requests have been deferred, operational considerations reduced, and reserves utilized to the extent possible. In total, included within the budget estimates for 2016 is a **net decrease** in other operational costs/recoveries of $202,827.

Economic Initiatives – Windsor-Essex Hospitals System

Proposed for the Windsor-Essex region is the construction of a portfolio of projects termed as the "New Windsor-Essex Hospitals System (NWEHS)". A project that includes:

- Construction of a new 1.6 million sq. ft., 10-storey, Single-Site Acute Care Hospital located at the corner of County Rd. 42 and Ninth Concession Rd.
- Construction of a new 80,000 sq. ft., 4-storey, Urgent Care and Satellite Facility at the former Grace Hospital Site.
- Redevelopment of the Ouellette Campus at 1030 Ouellette Ave. to support outpatient mental health services.
- Construction and redevelopment at the existing HDGH Tayfour Campus on Prince Rd, including a 60-bed acute mental health wing, expansion of diagnostic imaging and addition of dialysis services; and
- Demolition of the existing Met Campus and transfer of a clean site to the City of Windsor.

The capital cost of the proposed NWEHS is estimated at $2 billion, with a local cost share component of 10% or approximately $200 million. The timing of the remittance of local cost share commitments and determination of County contribution remains outstanding. However, as reviewed recently by County Council in report # 2016-R03-FIN-0120-RM, Corporate Reserve Strategy Update, one means of funding this commitment is to build up a reserve and an annual provision in excess of $5 million by 2027 to satisfy the County's obligation. Included within the 2016 estimates is an increase in the annual levy of $760,000 as part of this implementation plan. Further analysis and reporting will be forthcoming once greater certainty is established with respect to the total amount of the County's contribution and timing of funds.

Facility Asset Renewal

As has been discussed in various reports and prior year budgets, the Corporation's Reserve Strategy had focused on the replacement of: linear assets, facility equipment; heavy equipment & vehicles; and major computer system components. New facilities and major facility replacement expenditures, such as roofs, exterior cladding, HVAC and window replacements were funded through various grant programs, including the Community Reinvestment Fund (CRF), Ontario Municipal Partnership Fund (OMPF) and most recently through Infrastructure Stimulus Funding (ISF). In the absence of these funding mechanisms, the Corporation, in 2011, began setting aside a funding base to construct and maintain the Corporation's facility infrastructure.

Listed below are some of the outstanding / current demands for facility infrastructure, estimated at upwards of $12 million.

EMS facilities (South-West Windsor)	$2-4 million
Transportation facilities (base rationalization)	$2-4 million
Sun Parlor Home (structural components, elevators)	$4-5 million
Library expansions (furnishings & shelving)	$300K/library

Included in the 2016 Budget is the facility development for the West-End Transportation Depot ($2.5 million total project cost), replacement of HVAC equipment at the Sun Parlor Home ($2.4 million total project cost), reconstruction of the Dougall EMS Base ($2 million projected cost) and temporary financing for the reconstruction of the Civic Centre façade and improvements to building accessibility (County share $3 million).

Budget Risk Factors

It is important to highlight for Council that there are risk factors inherent with any budget, in most cases beyond the control or discretion of Administration or Council. Economic realities potentially impacting operations include, but are not limited to:

- EMS delivery issues related to hospital emergency off-load delays
- EMS call volume – demographics & response time framework
- Service requirements to care for an increasingly frail and higher

- level of acuity resident complement at Sun Parlor Home
- Increase in social service caseloads
- Municipal impact of potential Federal & Provincial deficit mitigation
- Winter control maintenance costs
- Province-wide municipal insurance issues
- Cost of fuel, medical and other supplies necessary across a diverse set of operating programs, specifically in EMS, Sun Parlor Home and Transportation Services
- Operational impact of US Exchange rate
- Decline in Sun Parlor Home Nursing subsidy if the CMI continues to decline in relation to other service providers in the Province
- Interest earned on investments
- Continued OMERS pension funding requirements
- Continued premium increases for WSIB and other statutory deductions
- Health & welfare premiums (usage & escalation in service costs)
- Outstanding collective bargaining / arbitration results

Taxation Comparison with Other Municipalities

Chart 5 provides a comparison of residential, multi-residential, commercial and industrial tax rates among South-Western Ontario Counties from prior year. As is evident from the graphs the County's tax rates remain below average and among the lowest of its peer group comparison. It is important to highlight that these low tax rates are achieved despite the fact that Essex County is the only upper tier municipality that redistributes 60% of its Federal Gas Tax revenue to its lower tier municipalities (>$3 million annually).

Chart 5: 2015 Tax Rate Comparisons, South-Western Ontario Counties

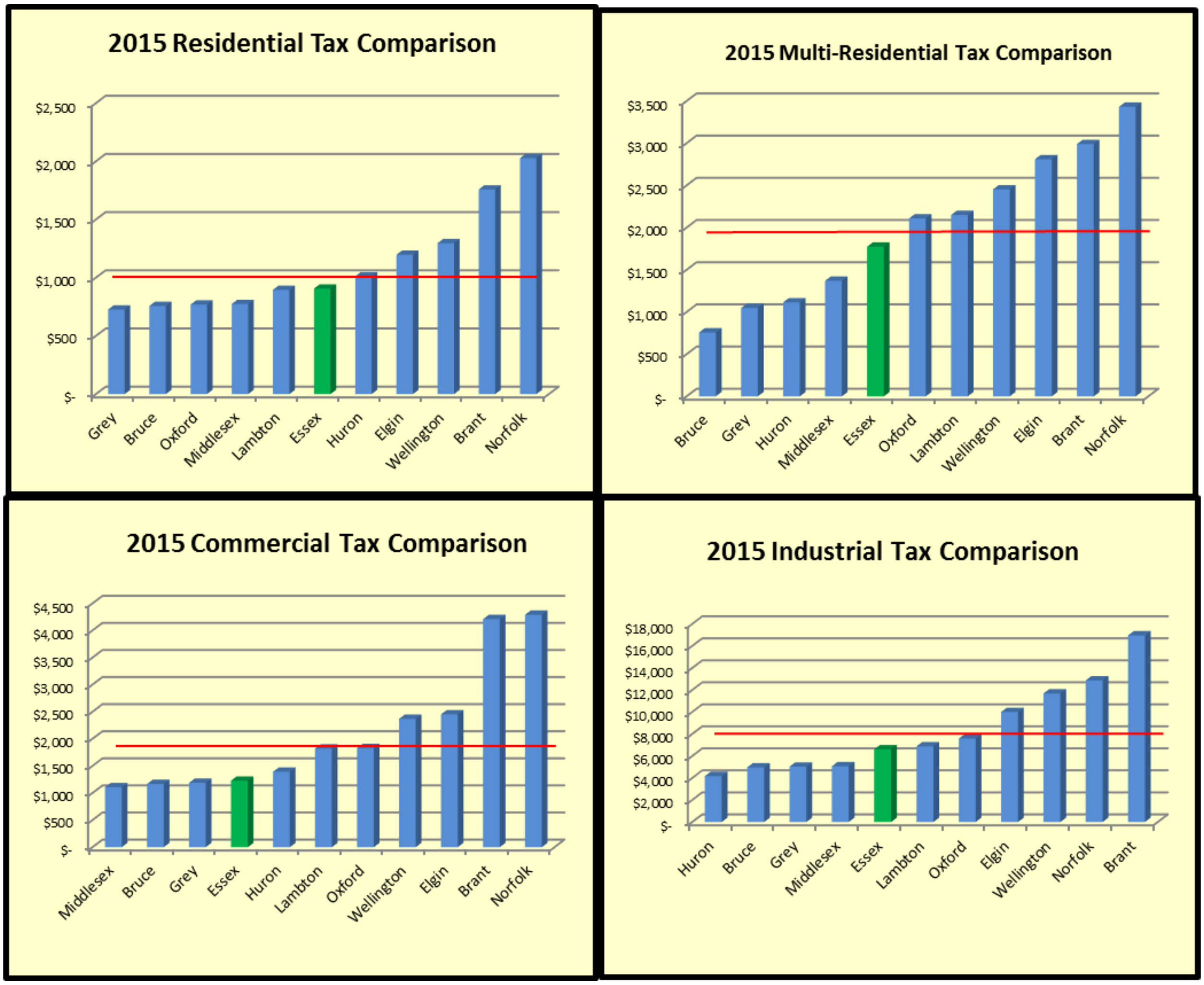
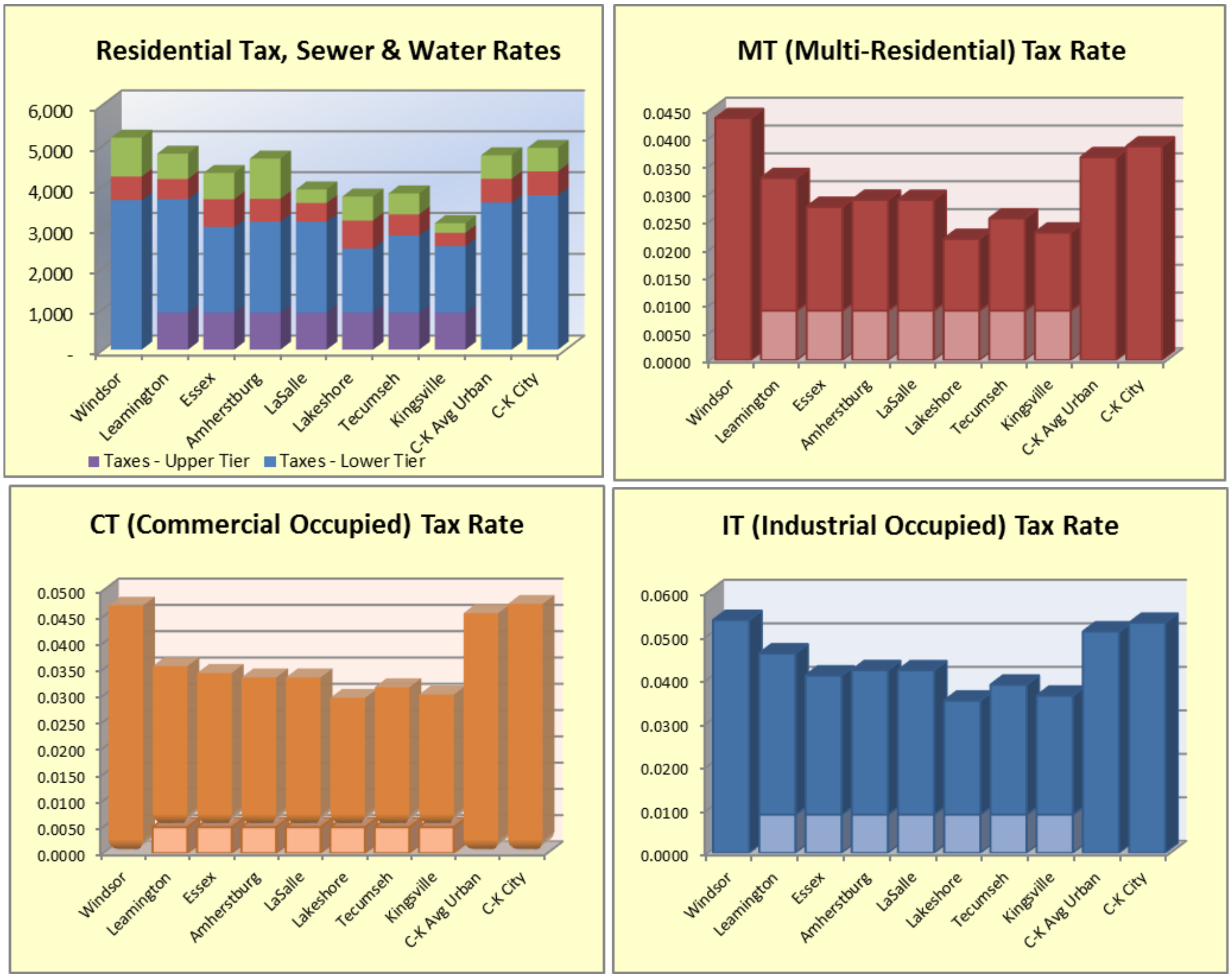


Chart 6 provides 2015 tax comparisons for residential (including water and wastewater), multi-residential, commercial and industrial rates of local municipalities (including County allocation) to immediate neighbours to the west and east. The favourable rates provide an economic advantage for residing and doing business in Essex County.

Chart 6: 2015 Tax Rate Comparison – Essex County / Windsor / Chatham-Kent



County Levy and Tax Rates

Over the past five-years the County Levy has increased, due in large part, to address expansion requirements of the County roadway and active transportation infrastructure. Further, as the County assessment increases relative to the City, a greater shift of costs is transferred from the City to the County for shared programs including: Social Services, Social Housing, Child Care and Emergency Medical Services.

Although the County Levy has steadily grown over the past five years, tax rates remained fairly constant, due in large part, to prudent financial management decisions and moderate but stable growth in assessment in the County of Essex over this same period.

The consolidation of the departmental budget estimates produces a residential tax rate for County purposes for 2016, assuming no change in tax policy, of **.00462235**, representing a **1.88%** increase from prior year.

Chart 7 illustrates the change in County tax rates on a typical residence valued at $200,000.

Chart 7: Residential Tax Rate Comparison, 2015-2016

Year	Assessed Value	Res. Tax Rate	Taxes	Tax Change	%
2015	$200,000	.00453725	$907.45	nil	nil
2016	$200,000	.00462235	$924.47	$17.02	1.88%

Your Tax Dollars at Work

Chart 8 delineates the tax allocation of a $200,000 residence among the services either directly delivered (green) or paid to external agencies through the County Levy (blue). As is evident, a significant portion of County Tax Dollars (30%) are utilized to support commitments external to the County's directly delivered services, including: social assistance, social housing, economic development, regional tourism, public health, hospital & hospice support and property assessment. Of the directly delivered services, transportation infrastructure/rehabilitation, emergency medical services and long term care (Sun Parlor Home) expenditures consume the significant portions of the tax allocation.

Chart 8: Residential Tax Allocation