



REGIONAL MUNICIPALITY OF WATERLOO ADMINISTRATION AND FINANCE COMMITTEE AGENDA

Tuesday, September 27, 2011
Immediately following Closed Session
(Time is Approximate – 11:30 a.m.)
Regional Council Chamber
150 Frederick Street, Kitchener, Ontario

1. **MOTION TO RECONVENE INTO OPEN SESSION**
2. **DECLARATIONS OF PECUNIARY INTEREST UNDER THE MUNICIPAL CONFLICT OF INTEREST ACT**
3. **DELEGATIONS**
 - a) Michael Druker, Open Data Waterloo Region, re: CR-CLK-11-017, Open Data Investigation and Proposal
4. **REPORTS – Corporate Resources**
 - a) [CR-CLK-11-017](#), Open Data Investigation and Proposal 1

REPORTS - Finance

 - b) [F-11-062](#), Periodic Financial Reporting January – August 2011 8
 - c) [F-11-063](#), Reserve and Reserve Funds Review 14
5. **INFORMATION/CORRESPONDENCE**
6. **OTHER BUSINESS**
 - a) [Council Enquiries and Requests for Information Tracking Sheet](#) 35
7. **NEXT MEETING – October 18, 2011**
8. **MOTION TO GO INTO CLOSED SESSION**

THAT a closed meeting of the Planning & Works Committee be held on Tuesday, September 27, 2011 immediately following the Administration and Finance Committee meeting in the Waterloo County Room in accordance with Section 239 of the Municipal Act, 2001, for the purposes of considering the following subject matters:

- a) proposed or pending litigation related to a matter before an administrative tribunal
- b) proposed or pending litigation related to a matter before an administrative tribunal
- c) proposed or pending acquisition of land in the City of Kitchener

9. **ADJOURN**



REGION OF WATERLOO

**CORPORATE RESOURCES
Council and Administrative Services**

TO: Chair Tom Galloway and Members of the Administration and Finance Committee

DATE: September 27, 2011 **FILE CODE:** A10-20/OD

SUBJECT: OPEN DATA INVESTIGATION AND PROPOSAL

RECOMMENDATION:

THAT the Regional Municipality of Waterloo establish an open data catalogue and webpage(s) for the purposes of making data available to the public under an Open Data Model;

AND THAT staff conduct an evaluation of this initiative within one year of its commencement.

SUMMARY:

There is a growing public expectation to have more timely access to government information. Advocacy groups in support of this philosophy are growing and becoming more active in public forums and through social media venues. In response to this, many municipalities across the world are releasing open data catalogues and taking a more open approach to government processes. While the Region is releasing data and information, in physical formats through formal requests and electronically through the website, this data and information is not made available in accessible formats in order for the data to be used and reused. The Region is being urged by various groups and individuals to release data more openly.

In November 2010, Council directed staff to explore the application of the Open Data concept. Following a detailed investigation and consultation with representatives from Region departments, the public and area municipalities, the project team is recommending the adoption of an open data model that includes a data catalogue, the creation of a new Open Data webpage on the Region's website, a process to evaluate data for release, datasets for initial release, a planned approach to releasing more data over time, a governance model and a data licence. The availability of data in open formats will result in increased access and usability because it will be "machine readable" or "computer friendly" enabling citizens and businesses to make informed decisions, conduct research, analyze statistics and develop applications. Data will be carefully reviewed and evaluated before posting using a data evaluation process which will ensure that the Region is not releasing personal or otherwise proprietary or confidential information. The amount of data will increase incrementally over time. Use of the data will be governed by legal terms and conditions prepared by Legal department staff and posted with the data.

REPORT:

Background

Open data is a philosophy and practice under which certain raw data be made available to the public, without interpretation, cost, restrictions from copyright, patents or other mechanisms of control and is provided in a machine readable format. This data can be used to educate the public on government processes, for increased analysis, to solve unique problems and for the development of mobile applications. Several municipalities have adopted this philosophy and practice, releasing data catalogues for public consumption. The federal government has also

released an extensive catalogue of open data. In November 2010, Report P-10-082/CR-IT-10-003 directed staff to explore the application of the Open Data concept. A project team (consisting of members from Legal Services, Information Management and Archives, Citizen Services, Corporate Communications, Planning Information and Research, Information Technology Services and Transportation Planning) was struck to conduct a feasibility study and investigation of options for implementing an open data site.

The project team has completed a comprehensive investigation to inform the recommendations including consultation with Regional departments, Area Municipalities and the community and reviewing the experiences of other municipalities.

Consultation and investigation activities included:

- Meeting with and engaging a grassroots open data advocacy group called Open Data Waterloo Region and following their website posts and comments
- Collecting input from the community via Facebook and Twitter regarding licensing, terms of use and particular datasets of interest
- Hosting an Open Data Panel Discussion involving Regional and Area Municipal staff and members of Open Data Waterloo Region
- Interviewing representatives from the Cities of Toronto, Ottawa, Vancouver, Edmonton and Surrey and the Township of Langley about their experiences and lessons learned
- Analyzing the data catalogues from the Cities of Vancouver, Edmonton, Toronto and Ottawa to determine what types of data might be in highest demand or easiest for the Region to share

Internal and External Input

Through the activities mentioned above, input was sought from both internal and external groups. The Open Data Panel discussion was well attended with approximately 75 people participating. A survey was conducted after the session and the responses were favourable. The Region's Facebook and Twitter accounts were used to solicit feedback from the public. The nature of the public input was generally around the type of datasets they would like to see released and encouragement for investigating and releasing an open data catalogue.

Current State

The concept of information and data release to the public is not new to the Region. Several departments are currently releasing information and data to the public in paper or electronic format. In most cases, these formats are restrictive, limiting the ability to access, analyze and reuse the data. For example, some of the Region's data is available on our website in PDF format, which does not allow users to easily create and update applications that could make the information much more useful to the average citizen. Also the amount and variety of data currently being released is less than is envisioned in this proposal, which would result in a gradual expansion of publicly accessible data.

Earlier in 2011, the Region released Grand River Transit schedule and stop data in an open format called GTFS or General Transit Feed Specification. Since that time, many applications have been created by local developers to assist transit users with finding the nearest stop and route, finding out when the next bus is scheduled to arrive and much more. While the open data community is grateful for the release of this data, there have been criticisms about the terms of use/licensing of the data and that users must log in with a password in order to obtain data, both of which are not considered fully open.

Implementation Approach

Based on the investigation, the team is recommending an Open Data model that includes a data catalogue, the creation of an Open Data web page, a process by which to evaluate data for release,

datasets for initial release, a planned approach to release more data over time, a governance model and a data licence.

Creation of an Open Data Web Page

The recommended option for an Open Data web page would be to develop a webpage hosted on, and fully integrated with, the Region's recently redesigned website because it is the fastest and most inexpensive way to post data. This allows the Region direct control over updates to datasets and it allows the Region to choose and post a licence and terms of use that best fits its data and is consistent with the recommendations in this report.

To gain immediate benefits without added costs or delays of creating a new site, the Region's Open Data web page should link to other municipal open data sites as they become available and make use of the A to Z Service List, recently developed in collaboration with the Area Municipalities. An "open data" category would integrate as a link to other Area Municipal open data sites. Region departments will also link to the open data site where data is related to a particular service as a cross-reference to allow for multiple access points. The A-Z Service List will also provide a common nomenclature across municipalities for naming and categorizing datasets. Data that is delivered through this webpage will be offered in multiple formats, where possible, to meet the needs of a variety of data consumers.

Future consideration will also be given to partnership opportunities with the developer community to help citizens access the powerful tools and applications that may be developed through the release of open data. The team will also monitor other data distribution technologies, such as cloud computing options, as they become available.

Data Evaluation Process

The project team has developed a recommended process to evaluate Region data for future release in open format. This process would be in place for choosing the initial data to be released, data to expand the catalogue in the future, as well as for evaluating ongoing requests for data. Formality of the process provides consistency in how data is evaluated across departments, a concrete method of considering privacy impacts and ownership, a useful tool for staff to quickly assess a dataset's appropriateness for such release, and clarity of staff roles in the process.

The recommended data evaluation process will assess which datasets could be made available through analysis involving principles developed by the Sunlight Foundation which is a team of open government experts and advocates focussed on government openness and transparency. The principles state that the data must be complete, primary (collected at the source), timely, accessible, non-discriminatory (available to anyone), non-proprietary (no entity has exclusive control over), licence free¹. The process will also assess data in light of Region specific considerations, including:

- Public interest
- Conversion capabilities
- Readiness of the data
- Privacy and confidentiality considerations
- Internal data ownership
- Other jurisdictions that would be impacted

Any data that is released pursuant to the Open Data initiative will be screened to exclude any personal information, confidential information or other information that would be excluded from release to the public in accordance with the *Municipal Freedom of Information and Protection of Privacy Act* or other legislation applicable to the undertakings of the Region such as the *Personal Health Information Protection Act*.

¹ <http://sunlightfoundation.com/policy/documents/ten-open-data-principles/>

Datasets for Initial Release

To determine which datasets could be posted as part of the launch of an open data site, the project team gave special consideration to data that is already available on the Region's website and data that the Region already possesses in an open format.

The following datasets have been informally evaluated using the above criteria and will be formalized if the recommendations are approved. These datasets could be posted once an open data site is established:

- Streets
- Waste Management Routes; Garbage, Recycling and Green bin
- Water Conservation Measures
- Grand River Transit Routes and Stops
- Publicly Accessed Regional Facilities
- Cycling Routes
- Trails
- Traffic counts

As the principle mandate of the Project Team was primarily related to feasibility and not the investigation of datasets, if the recommendation is approved by Council the number datasets released should increase significantly through the phases of the project which are described later in the report.

Data Licence

A data licence is an integral component of an Open Data Model because it determines how the data can be used. In order for data to be considered "open", it must be easily searchable, modifiable and shareable. In terms of the licence, being "shareable" is the most important as it would allow the maximum amount of freedom for reuse with some limited conditions.

The project team researched and evaluated a number of potential templates for the structure of an open data licence, balancing the merits and drawbacks of each. The licence that is being proposed is adapted with permission from the UK Open Government Licence and has been prepared by Legal Department staff to be posted with the data. The UK Open Government Licence is written in plain language and, since its introduction in 2010, has been adopted by a number of governments internationally, most notably by the Province of British Columbia. The project team has been advised that other municipalities such as Vancouver and Edmonton are considering the use of the UK Open Government Licence for their own open data initiatives.

The licence grants recipients of the data a royalty-free, non-exclusive licence to use, modify and distribute the data. Recipients are encouraged to acknowledge the Region of Waterloo as the source of the data, but acknowledgement is not strictly required. In determining which data can be made available on the open data website, each dataset will be evaluated to ensure that it does not contain confidential information or third party proprietary information as noted above.

The UK Open Government Licence essentially permits open use of information with only a few conditions. These conditions require that the user not misrepresent the information or its source and that the user not use the data in a way that suggests any official status or Regional endorsement of the use of the information.

Governance/Internal Alignment

While most Canadian municipalities actively involved in Open Data have charged GIS staff with responsibility over these initiatives, Open Data supporters advocate for the release of data that includes much more than just geospatial data. The Region's Open Data project team sees benefits in releasing data from many disciplines and, for this reason, the Manager, Information Management

and Archives will continue to lead the Open Data initiative and will assume as part of her current Manager role the ongoing responsibilities for open data coordination. This closely aligns with the model adopted by the City of Toronto and respects the notion of accountability and transparency.

Success Measurement

In order to determine the success of an Open Data initiative, it is imperative that performance measures be developed and reviewed at regular intervals. This will be a major component of the first phase of the project. These measures will be established to ensure the following:

- Value of the data to the organization and the public
- Timely delivery of data in response to requests from the public
- Customer satisfaction
- Quality of the data posted

Implementation Phasing and Timelines

If approved by Council, the Open Data initiative would progress in three phases over the next year. These phases are detailed below:

Phase 1 – Initial Development and Rollout (September-December 2011)

- Establish an Open Data web page on the Region's website
- Release initial datasets
- Communicate existence of web page to the public and solicit feedback
- Communicate Open Data Model to departments

Phase 2 – Review and Refinement (January-April 2012)

- Review and revise processes as a result of feedback
- Analyze data currently on website to make it more accessible through the Open Data Model
- Data conversion and release through site
- Solicit feedback from user departments and the public

Phase 3 – Expansion and Ongoing Evaluation (May-August 2012)

- Review and revise processes as a result of feedback
- Collaborate with departments to research and release datasets for applicability through the Open Data Model
- Imbed Open Data evaluation into Regional project management methodology
- Develop evaluation report for Administration and Finance Committee

Benefits of Implementing an Open Data Initiative

Open Data is seen as influencing innovation within the developer community and the Region, simplifying and improving access to information, and generally providing an enhanced level of service to the public at little or no cost to the Region. Many organizations see open data as a facilitator of government transparency and accountability. Software developers may see potential for new uses of Regional data, or may see opportunities to combine it with external datasets that would increase its utility. An example of this kind of data use is wheelmap.org, which is an application created by the development community using data contributed by citizens and various organizations to provide mapping of wheelchair accessible facilities throughout the world. Citizens contribute to and benefit from this type of map and can identify accessible facilities and their suitability more easily. Existing applications like wheelmap.org and new applications created by developers locally and worldwide also rely on information provided by government; a need which the open data program is intended to address.

A Regional open data initiative can provide a number of other benefits both to the Region and to the community. Open data:

- Allows open use of Regional data for the purpose of creating useful web-based applications that are often shared with the community;

- Requires fewer responses to requests for information both internally and externally once datasets are posted and set up for automatic updates;
- Promotes openness and transparency with the public consistent with the Region's Accountability and Transparency Policy (Policy 07-01);
- Promotes greater citizen involvement in government by allowing deeper understanding and greater knowledge about our community through the development of visualization tools and through the detection of patterns;
- Promotes community collaboration by combining the skills and input of many to create useful applications;
- Has been demonstrated to increase the cross departmental accessibility and sharing of information within and between public sector organizations;
- Involves processes that can be accommodated by current staff/staff time, using current resources and that can be governed in most cases by existing internal Regional committees and at no additional cost.

Challenges of Implementing an Open Data Initiative

Implementing an open data initiative does come with some challenges, all of which are manageable or are specifically addressed within the proposed approach. These include:

- The way in which data is used, depicted or applied is at the discretion of the user; however, this can currently be done with data that is available on the website;
- There are differing views in the open data community as to what is the most appropriate licence for the data. As a government organization, we must be cognizant of the potential liabilities and must choose the licence that is appropriate for a municipal environment, and this may result in criticism;
- Not all areas of the organization are as receptive as others to disclosing data, and sensitivity tolerances vary. Releasing data openly will be a bit of a culture change for some;
- Currently the Region has a varied and inconsistent approach to releasing data/information routinely.

The project team does not see any of these challenges as major impediments to moving forward with an open data initiative.

CORPORATE STRATEGIC PLAN:

The 2011-2014 Corporate Strategic Plan approved by Council on August 25, 2011 includes a Service Excellence Focus Area and a number of objectives that relate to the proposed open data initiative and involving: improving accessibility to Region programs and services; improving public satisfaction; ensuring service efficiency and effectiveness; and, demonstrating accountability to the public. The release of data through the recommended Open Data Model is consistent with the intent of this Focus Area and its objectives.

FINANCIAL IMPLICATIONS:

Revenue Impact/Resource Requirements

The Region does not currently charge for data that is available through the website but there is a charge for data that is not hosted in this manner. There would be a loss of revenue for data that is currently sold if it was then made available through the Open Data catalogue. However, these lost revenues are minimal and have been declining steadily over the last 10 years.

This initiative will not require initial capital or ongoing operating funds or any new staff. The staffing commitment required to implement and maintain the Open Data program is not significant and will use existing staff in Information Technology Services, Information Management and Archives and Corporate Communications along with minor changes to current processes in other departments.

OTHER DEPARTMENT CONSULTATIONS/CONCURRENCE:

The project team, led by Oriana Sharp, included representatives from several Region departments as follows: Ann Derry, *Citizen Service, Corporate Resources*, Gethyn Beniston, *Transportation Planning, Planning, Housing and Community Services*, Jeff Schelling, *Legal Services, Corporate Resources*, Margaret Parkin, *Planning, Information and Research, Planning, Housing and Community Services*, Shannon McBride, *Corporate Communications, Chief Administrator's Office* and Tim Walden, *Information Technology Services, Corporate Resources*.

In addition, staff of Region Departments and Area Municipalities was invited to attend an Open Data Panel Discussion held on April 29, 2011, to learn more about the initiative and how it might impact them and to begin to determine if there are collaborative opportunities. Attendees included staff from nearly all Region Departments as well as representatives from the Cities of Cambridge, Kitchener and Waterloo, the Townships of Wellesley, North Dumfries and Woolwich, the Regions of Peel, York and Halton and several members of Open Data Waterloo Region, a local advocacy group. Discussions with other Regional municipalities are ongoing. A subsequent presentation of the proposed approach was made to the Area Municipalities.

The project team also consulted with members of the internal Data Networking Group (DNWG), with representatives from five Region Departments. Data custodians from several Region Departments were consulted to establish the list of initial datasets for release.

ATTACHMENTS: Nil

PREPARED BY: *Oriana Sharp*, Manager, Information Management and Archives on behalf of the Data Project Team

APPROVED BY: *Gary Sosnoski*, Commissioner, Corporate Resources.



REGION OF WATERLOO
FINANCE DEPARTMENT
Financial Services Division

Report: F-11-062

TO: Chair T. Galloway and Members of the Administration and Finance Committee

DATE: September 27, 2011 **FILE CODE:** F11-30

SUBJECT: PERIODIC FINANCIAL REPORTING JANUARY – AUGUST 2011

RECOMMENDATION:

For information

SUMMARY: Nil

REPORT:

Regional Council has passed the Financial Management By-law (By-law 05-008) to establish the financial management framework for the Region. The by-law requires that a report to Administration and Finance Committee be prepared periodically on the Budget to Actual variance in appropriations under the Operating and Capital Budgets. This report covers the eight months ended August 31, 2011.

For the first eight months of the year, the Region is reporting a surplus on operations of \$1.78 million compared to a year-to-date budget of \$254 million, or 0.69%. The Region has essentially operated on a break even position for the first eight months of the year. This current position assumes the over expenditure in Income Support programs and is funded by a \$3.0 million transfer from the Tax Stabilization Reserve Fund (TSRF). The TSRF balance equals \$10.0 million prior to any transfer to Income Support.

Explanations of all significant variances are provided in the notes below. The variances in all other programs are not significant and result mostly from timing differences experienced between budgeted and actual expenditures.

Staff will continue to monitor actual vs. budget expenditures and estimated revenues during the remainder of the year. Where any predicted over expenditures cannot be accommodated within the property tax budget, staff will report to Council recommending appropriate strategies to mitigate the situation. It is noted that, for the past several years, the Region operated on a breakeven basis on operations and the Regional surplus is generated almost entirely from supplementary taxes.

Operating Budget

Appendix 1 provides the net budget, net actual and dollar and percentage variance information for the 2011 Operating Budget appropriations. The budget for the period January – August 2011 has been calculated at 8/12 of the operating budget for the appropriation for the year. In some instances where the program operation has a pronounced seasonality to the expenditure stream adjustments have been made to the net budget amount. The net of all operating budget appropriations is the tax levy and this is set for the reporting period at the amount to balance the budget.

In reporting actual expenditures and revenues, adjustments have been made to the accounts to reflect expected revenues and expenditures of a material nature which have not been recorded in the general ledger to August 31.

Further detail is provided in the following notes:

Note 1 – Corporate Resources

Under spending of \$244,638 is related to staff savings.

Note 2 – POA and Prosecution

For the first eight months of the year, POA revenues exceed the budget by approximately \$208,656. This is the result of Collection Revenue of \$155,941 and Red Light Camera of \$202,017 higher than the budget, partially offset by General Revenues of \$149,302 lower than budget.

Note 3 - Planning & Community Services

The favourable variance of \$165,721 results from a number of factors, including the receipt of an EcoMobility grant, temporary vacancies and lower than expected expenditures for other purchased services. Other costs remain weighted towards year end.

Note 4 – Waste Management

The commercial landfill tipping fee revenue is currently running approximately \$150,000 per month below budget, which will be largely offset by revenue from the sale of recyclables and WDO funding for the Blue Box and Household Hazardous Waste Programs. Presently, operating and capital expenditures are on target.

Note 5 - Transit

A number of factors have contributed to the YTD surplus of \$831,191. Ridership revenue is trending approximately 3.2% over budgeted amounts YTD, however, seasonal impacts on ridership make it difficult to project this trend to year end. Savings have been realized in staffing costs as a result of improved staff utilization in transit operations and fleet along with some gapping savings across a number of other cost centres. Vehicle maintenance costs YTD are trending slightly under budget while vehicle fuel costs YTD are approximately 8.7% overspent due almost entirely to the unit cost per litre of fuel. The YTD average cost per litre is \$1.0306 versus the council approved budgeted cost of \$0.95 per litre.

Note 6 – Transportation

The year to date over expenditure of \$293,942 is a result of higher than expected winter maintenance costs from the Cities of Cambridge, Kitchener and Waterloo. These costs have been offset by savings in other Transportation programs.

Note 7 – Income Support Programs

The current economic conditions continue to impact the Ontario Works caseload. At the end of August, caseload was 8,775 cases. During the 2011 budget process, the realistic caseload illustration projected an average caseload of 8,551 cases and required a contribution of \$4.3 million from the Tax Stabilization Reserve Fund. To-date, the Region's share of OW expenditures totaled \$9.7 million of which \$3.0 million will be funded by the TSRF. The year to date requirement from the

TSRF is \$107,700 greater than projected by the realistic scenario. Expenditures for Income Support programs are dependant on a number of variables, including caseload composition and timing of expenditures.

Note 8 – Other Financial

Net interest income is less than budget due to continued low interest rates and higher expenditures in the first half of the year. Staff is reviewing the timing of debenture issues and the financing of capital projects to assist with cash flow. Overall, other financial is \$200,000 over budget.

Note 9 – Supplementary Taxes

Three (3) supplementary tax runs are scheduled for 2011. The first run and second runs were completed in May and August while the third and final supplementary tax run is scheduled for October. While the Region must wait for the Area Municipalities to issue the supplementary tax bills and inform the Region of its share, preliminary information indicates a small surplus of approximately \$1.2 million for 2011. Two-thirds of this amount is recognized at August 31st. Staff will monitor the net supplementary tax position over the balance of the year as information from the Area Municipalities becomes available.

Note 10 – Police Services

The net actual expenditure for Police Services are reported as equal to budget as the Police Services Board reviews the Police Services budget and actual financial information independently.

User Rates

Appendix 1 also includes the results of operations for the user rate budgets for the eight months ending August 31, 2011. User rate budgets which are set during the budget process include estimated revenues from user rates and budgeted expenditures. The balancing figure (expected revenues less budgeted expenditures) is the transfer to/from the specific user rate reserve fund.

Note 11 – Water Supply

The water supply revenue is \$389,696 lower than anticipated due to overall decreased consumption. The under expenditure of \$1,065,765 in water supply expenditures is a result of temporary vacancies and timing of expenditures.

Note 12 – Wastewater Treatment

The wastewater treatment revenue is \$389,649 under budget due to drier winter conditions. Wastewater expenditures are \$680,176 under budget due to vacancies and the timing of expenditures.

Capital Budget

All capital projects are expected to be completed within budget and any capital projects which required approval for increases in funding were reported to Council at the time of tender approval. It is expected that the capital budget will be under spent at year end, but no projections of that under spending have been prepared at this time. Capital projects begin later in the year and do not have a straight line expenditure pattern similar to operating expenditures. The payment and recording of these expenditures often occurs up to 60 days after the expenditure is incurred as a result of the inspection of capital work performed and approvals required within departments.

Rapid Transit Project

This is the first periodic financial report on the RT Project, which was approved by Council on June 15, 2011. As part of the approval of the RT project, Council directed that staff report periodically on the project-related expenditure. Expenditures since the commencement of the project are outlined below (net of expenditures for the EA which were previously financed by the federal and provincial governments and the Region):

RT Project Development Expenditures Prior to June 15 th Not Included in the RT Budget	\$5.2 million (1)
RT Project (\$818 million budget) – Post June 15 th Multi-Modal Hub Land Acquisition	\$0.3 million (2) \$6.8 million (3)

- (1) These costs were not included within the \$818 million budget. These expenditures were funded from the \$25.0 million RT capital budget previously approved by Council. It is anticipated that these costs will total \$6.7 million at completion of the projects. This line item will fund the EA Transit Project Assessment, transit signal priority, ongoing development of the hub proposal, project office, communications, and transit corridor development. The model which generated the property tax commitment of 1.5% per year (net 1.0%) included these costs within the funding envelope.
- (2) Expenditures for the RT project (\$818 million budget) are minimal to date and include costs for the project office and consulting. This line will be the focus of future PFR reporting.
- (3) Originally funded from the \$25 million capital. The ongoing development of the hub proposal is included in the line above. Once the hub strategy is finalized and approved by Council the land purchase costs will be transferred to that project budget.

CORPORATE STRATEGIC PLAN:

To ensure Regional programs and services are efficient and effective and demonstrate accountability to the public.

FINANCIAL IMPLICATIONS:

Staff will continue to monitor the budget to actual results on a month by month basis and report to Council on any predicted over expenditures during the coming months. As per Regional policy, the tax supported annual operating surplus is transferred to the Operating Budget (\$600,000), Roads Rehabilitation Reserve Fund (\$500,000) and the balance to the Tax Stabilization Reserve Fund.

OTHER DEPARTMENT CONSULTATIONS/CONCURRENCE:

All departments reviewed the financial information for the reporting period and provided input to Finance for inclusion in this report.

ATTACHMENTS:

Appendix One – Operating Budget – Program Appropriations and User Rates Operating Results

PREPARED BY: *L. Parent*, Manager of Financial Services
C. Barrett, Director of Financial Services and Development Financing

APPROVED BY: *L. Ryan*, Chief Financial Officer

	Y-T-D Budget	Y-T-D Actual	Variance	% Variance	Note
Property Tax Supported Budgets					
Elected Offices	\$1,038,160	\$1,008,632	\$29,528	2.84%	
General Support					
Chief Administrative Officer	1,075,456	1,024,693	50,763	4.72%	
Finance	3,947,912	3,934,438	13,474	0.34%	
Human Resources	2,771,168	2,779,881	(8,713)	(0.31%)	
Corporate Resources	12,394,768	12,150,130	244,638	1.97%	1
POA and Prosecution	(2,971,152)	(3,122,021)	150,869	(5.08%)	2
Total Corporate Resources	\$9,423,616	\$9,028,109	\$395,507	4.20%	
Total General Support	\$17,218,152	\$16,767,121	\$451,031	2.62%	
Planning and Community Services					
Planning & Community Services	3,572,136	3,406,385	165,751	4.64%	3
Housing	21,351,496	21,351,496	0	0.00%	
Heritage Services	4,798,120	4,791,050	7,070	0.15%	
Total Planning, Housing and Community Services	\$29,721,752	\$29,548,931	\$172,821	0.58%	
Transportation and Environmental Services					
Design and Construction	2	8,465	(8,463)	0.00%	
Waste Management	16,553,296	16,690,228	(136,932)	(0.83%)	4
Transit	33,877,048	33,045,857	831,191	2.45%	5
Engineering / Planning Admin and Construction	14,876,433	14,854,807	21,626	0.15%	
Transportation	12,487,135	12,781,077	(293,942)	(2.35%)	6
Airport	4,397,616	4,351,193	46,423	1.06%	
Total Transportation and Environmental Services	\$82,191,530	\$81,731,627	\$459,903	0.56%	
Social Services					
Social Planning	2,570,528	2,498,238	72,290	2.81%	
Seniors' Services	5,068,640	5,067,855	785	0.02%	
Children's Services	5,723,632	5,812,128	(88,496)	(1.55%)	
Ontario Works Administration	6,856,688	6,823,618	33,070	0.48%	
Income Support Programs	8,862,792	8,987,814	(125,022)	(1.41%)	7
Benefits and Social Assistance	1,397,000	1,401,339	(4,339)	(0.31%)	7
Transfer from Tax Stabilization Reserve Fund	(2,849,256)	(2,956,956)	107,700	(3.78%)	7
Total Social Services	\$27,630,024	\$27,634,036	-\$4,012	(0.01%)	
Public Health					
Public Health	4,797,912	4,750,555	47,357	0.99%	
Emergency Medical Services	6,208,128	6,205,803	2,325	0.04%	
Total Public Health	\$11,006,040	\$10,956,358	\$49,682	0.45%	
Other Financial					
Supplementary Taxes	2,596,288	2,796,288	(200,000)	(7.70%)	8
Gapping	(1,333,336)	(2,133,336)	800,000	60.00%	9
Crime Prevention Council	(1,142,000)	(1,142,000)	0	0.00%	
Grants to Arts and Culture and Community Organizations	424,496	426,134	(1,638)	(0.39%)	
Associated Agencies	796,000	796,000	0	0.00%	
	5,149,776	5,149,776	0	0.00%	
Total Direct Regional	\$175,296,882	\$173,539,567	\$1,757,315	1.00%	
Police	79,130,072	79,130,072	0	0.00%	10
Net Before Levy	\$254,426,954	\$252,669,639	\$1,757,315	0.69%	
Tax Revenue					
Tax Revenue	251,168,082	251,168,082	0	0.00%	
Appropriations From Reserves and Reserve Funds	400,000	400,000	0	0.00%	
Payments in Lieu	2,858,872	2,858,872	0	0.00%	

The Regional Municipality of Waterloo
 Periodic Financial Report
 As of August 31, 2011

Appendix One

	Y-T-D Budget	Y-T-D Actual	Variance	% Variance	Note
Total Tax Revenue	\$254,426,954	\$254,426,954	\$0	0.00%	
Net Regional Levy	\$0	\$1,757,315	\$1,757,315	0.69%	

	Y-T-D Budget	Y-T-D Actual	Variance	% Variance	Note
USER RATE BUDGETS					
Water Services					
Expenses	\$22,242,648	\$21,176,883	\$1,065,765	4.79%	11
Revenues	28,848,693	28,089,480	(759,213)	(2.63%)	11
Contribution to Capital	6,236,528	6,236,528	0	0.00%	11
Total	-\$369,517	-\$676,069	\$306,552	1.06%	
Waste Water					
Expenses	\$19,156,752	\$18,476,576	\$680,176	3.55%	12
Revenues	31,721,992	31,332,343	(389,649)	(1.23%)	12
Contribution to Capital	12,565,240	12,565,240	0	0.00%	12
Total	\$0	-\$290,527	\$290,527	0.92%	



REGION OF WATERLOO

FINANCE DEPARTMENT Administration Division

Report: F-11-063

TO: Chair T. Galloway and Members of the Administration and Finance Committee

DATE: September 27, 2011 **FILE CODE:** F20-20

SUBJECT: RESERVE AND RESERVE FUNDS REVIEW

RECOMMENDATION:

THAT the Regional Municipality of Waterloo take the following action related to its Reserves and Reserve Funds:

1. Eliminate the Environmental Insurance Reserve Fund and transfer the balance in the following manner: Brownfield Incentive Program (\$2.5 million), the Capital Levy Reserve Fund (\$3.0 million) and the remainder to the Insurance Reserve Fund (\$500,000);
2. Eliminate the Land Servicing Reserve Fund (\$34,788), the Highway Servicing Reserve Fund (\$10,316) and the Cycling Path Reserve Fund (\$667,603) and transfer the balances to the Roads Rehabilitation Capital Reserve Fund;
3. Eliminate the Pay Equity Reserve and transfer the funds to the following existing Human Resources capital projects: Attracting and Retaining Employees (\$47,000), Recruitment and Retention Strategy (\$207,937) and Strategy for Employee Engagement (\$223,530);
4. Eliminate the GIS Maintenance Reserve Fund (\$77,502) and transfer the balance to the Computer Reserve to be used to offset one-time costs from the Information Technology Program Review.

SUMMARY:

The Reserve and Reserve Fund balances are reviewed on a periodic basis to ensure they remain a relevant form of funding for prescribed municipal programs/purposes. These balances were reviewed during the 2010 budget process and it was directed that certain Reserves and Reserve Funds be further discussed at Administration and Finance Committee. In addition, it was requested that municipal comparators and measures be provided as well. When compared to 83 Ontario municipalities included in the BMA study, the Region of Waterloo has low reserve and reserve fund levels. Although Reserve and Reserve Fund levels are relatively low, they remain in an acceptable range.

Based on the staff review, there are a number of proposed actions. The recommendations include both simple housekeeping changes as well as more substantive actions. The key recommended change deals with the Environmental Insurance Reserve Fund. The Region has historically self insured for Environmental Insurance since the insurance previously available was both costly and limited in coverage. The Region, through the Insurance Pool, has secured Environmental Insurance for a three year period that is both cost effective and includes comprehensive coverage. Therefore, it is recommended that the Environmental Insurance Reserve Fund be eliminated (\$6.0 million). It is also recommended that these funds be allocated to the following areas: Brownfield Incentive Program (\$2.5 million), the Capital Levy Reserve Fund (\$3.0 million) and \$500,000 to the Insurance Reserve Fund. The Brownfield funding will assist with funding commitments of previously approved

Brownfield rehabilitation projects and Tax Increment Grants. The \$500,000 allocation to the Insurance Reserve Fund will be utilized to fund the deductible on existing and future environmental insurance claims and uninsured losses. Finally, the balance of the funds (\$3.0 million) will be utilized to fund existing approved capital projects that are currently scheduled to be debentured. This cash funding will reduce debt charges in the 2012 base budget by \$360,000 or 0.10% reduction in the tax levy.

REPORT:

Purpose of Reserves and Reserve Funds

Reserves and Reserve Funds are an essential component of long term financial planning. Over the past 10 years, Reserve Funds have played a critical role in funding strategies for hospital capital, Sunnyside Home replacement, user rate models and the Tax Rate Stabilization Reserve Fund to offset OW caseload over expenditures. In addition, a Reserve Fund has been established for the RT capital project. In all cases noted above, these funds have smoothed out user rate and tax rate impacts which have benefitted all property tax and rate payers across Waterloo Region.

Comparison of Reserve and Reserve Fund Levels

A Reserve and Reserve Fund Review was last undertaken in 2009 for the 2010 budget. At the time, a number of reserves were flagged for additional follow-up. In addition, Budget Committee requested that municipal comparators be provided to assess the overall level and adequacy of Reserves and Reserve Funds. The 2010 BMA Study provides a valuable resource when comparing municipalities. This study compares 83 municipalities across Ontario including our Regional comparators. There are two measures that provide good comparators for Reserves and Reserve Funds.

1) Discretionary Reserves as a % of Own Source Revenues

	Average	Minimum	Maximum	Region of Waterloo
Regions	65.5%	37.1%	99.4%	37.1%

The first measure compares reserve and reserve fund levels to all own source revenues (basically taxes and user fees and including water and wastewater). The Region of Waterloo is at the lowest level (37.1%) when compared to the other Regions.

2) Tax Discretionary Reserves as a % of Taxation

	Average	Minimum	Maximum	Region of Waterloo
Regions	81.3%	36.2%	117.4%	36.2%

The second measure compares reserve and reserve fund levels to total taxation. The measure is defined as tax discretionary reserves and reserve funds (excludes water and wastewater) as a percentage of taxation. In 2009, the range for Regional municipalities was 36.2% to 117.4%. The average for Regions was 81.3%. The Region of Waterloo has the lowest level of reserves and reserve funds compared to taxation among the other Regions at 36.2%.

It is important to note that Regions typically have higher levels of Reserves and Reserve Funds due to the higher proportion of large infrastructure required to be financed (arterial roads, water plants and wastewater plants).

Overall, the Region of Waterloo has low reserve and reserve fund levels when compared to Ontario municipalities. Although Regional Reserve Fund levels are at the low end, overall balances are within an acceptable range. In terms of long term financial planning, the key to financial sustainability is how much funding is provided in the operating budgets for capital replacement. There are two areas that require future funding consideration. During past budgets, staff has attempted to increase the annual provision for the capital levy. The capital levy funds small capital projects and other projects that are typically more operating in nature (usually not eligible for debenture financing). Increasing the provision for the capital levy will provide for a smoother transition to full accrual accounting. This area is underfunded by \$1.5 million annually and requires budget increases to bring the funding to an acceptable level. Another area that warrants additional funding is the establishment of a capital levy provision for the replacement of aging infrastructure within the Region's facilities. Many of the Region's facilities were constructed in the early 90's and require updates/replacements (HVAC, roofs, parking lot repairs, windows etc.). The Regional accommodation capital budget equals \$106 million over the next ten years. The vast majority of funding, \$100 million, is debenture financing while the next largest source is RDC funding at \$5.0 million. There is basically no capital levy funding for the Regional Accommodation Capital Program. The right balance of capital levy and debenture funding must be established in order to fund this program on a sustainable basis.

Attached as Appendix 1 is a summary of the Region's Reserves and Reserve Fund balances as of December 31, 2010. The total Reserves and Reserve Funds for 2010 equaled \$226 million. It is important to note that 81% of these funds are earmarked for capital purposes.

Projection of Region's Reserves and Reserve Funds

The summary of the Region's Reserves and Reserve Funds (Appendix 1) also includes a projection of balances to 2013. In addition, Appendix 2 includes a detailed explanation of the purpose of the fund and future utilization. Tabled below is a summary of Reserves and Reserve Fund balances from 2010 to 2013.

	Actual (\$ millions)	Projected (\$ millions)		
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Reserve & Reserve Fund Balance December 31 st	<u>\$222</u>	<u>\$145</u>	<u>\$135</u>	<u>\$127</u>

Clearly, the trend is for Reserves and Reserve Funds to decline over the next 3 years. The Region has entered into a capital expansion phase. The consolidated 2010 Ten Year Capital Program equaled \$2.9 billion (excludes RT) which is four times the size of the 2000 Ten Year Capital Program totaling \$727 million. A number of capital reserve funds will decline over the next few years to assist with funding this expanded capital program. Reserves and Reserve Funds are projected to decline by 40% (\$98 million) over the next 2 years. The Wastewater Reserve Fund will decline by \$28.0 million over this period as the wastewater treatment projects are initiated. In addition, there are a number of roads related capital reserve funds that will decline by \$25.1 million (including \$9.8 million for stimulus funding projects) as various roads capital projects are completed. Finally, the Hospital Capital Reserve Fund remains in tact for the Cambridge Hospital expansion. For forecasting purposes, the Hospital Reserve Fund has been drawn down in 2013. The timing of the project however, is within the purview of the Province.

Results of the Reserve and Reserve Fund Review

As noted earlier, the majority of Reserves and Reserve Funds are for capital purposes (81%). These funds are a critical funding component regarding the replacement and expansion of the Region's infrastructure. The balance of the funds (19% or \$41.7 million), are utilized to assist the property tax operating budget in smoothing out impacts of operating expense fluctuations or provide additional revenues. For example, the Tax Stabilization Reserve Fund (\$10,000,000) funds the Ontario Works caseload over expenditure which results in not increasing taxes for this additional expenditure. The Working Funds Reserve provides cash flow for the Region in the first 3 months of the year prior to property taxes being forwarded to the Region by the Area municipalities. Since the fund is capped at \$10.0 million, the interest income earned on this fund is transferred to the property tax base budget. There are Insurance Reserve Funds which equate to \$10.6 million in total which are discussed further in the report. Finally, the WSIB Reserve Fund is required to fund claims liability and this fund represents 100% of the future WSIB liability. The four Reserves/Reserve Funds noted above make up the vast majority of the non Capital Reserve and Reserve Funds. As demonstrated above, these funds play a critical role in minimizing future tax increases.

Although, the vast majority of Reserves and Reserve Funds continue to be required for the original purposes, there are some recommended changes based on the review as described below.

Environmental Insurance Reserve Fund

The Region has historically self insured for Environmental Liability. Limited availability, costly premiums and inadequate coverage were the key factors driving the preference for self insurance. Recent developments however, have resulted in viable options for the procurement of environmental insurance. In June 2010, the Insurance Pool secured Environmental Insurance for a 3 year period at a price of \$45,000 per year for the Region. This insurance has a \$100,000 deductible (Regions typically have a \$250,000 deductible) with the following key coverage components:

- Up to \$25 million in coverage for each incident
- Includes coverage for first party clean up on site for environmental damages
- Includes coverage for third party legal liability for pollution conditions

Based on the strength of the environmental insurance secured, staff is recommending that the Environmental Insurance Reserve Fund be eliminated. The balance of the Reserve Fund at December 31, 2010 equaled \$6.0 million. It is recommended that \$500,000 be transferred to the "regular" Insurance Reserve Fund to cover deductibles on future environmental claims and provide funding for existing claims that continue to be under litigation/review.

It is also recommended that a significant portion of the balance be utilized for environmental initiatives. The Brownfield Incentive Program was originally allocated \$2.5 million of funding for the pilot program. The pilot program has been very successful and the full amount of funding has been allocated to-date, primarily for Tax Increment Grant funding (TIG). Currently, there is an outstanding Regional commitment that requires funding. The Waterscape TIG has an unfunded commitment of approximately \$2.0 million (net present value). In addition, there are several other potential outstanding TIG requests that may require Regional assistance. It is recommended that \$2.5 million be transferred to the Brownfield Incentive Program. Providing an additional amount of \$500,000 does not commit the Region to funding any specific request but rather provides the flexibility to deal with some requests in a limited but timely manner. This additional funding provides a short term funding plan until a long term funding strategy is developed. It is intended to develop a long term funding plan for TIGs during the Regional Development Charge Review scheduled for 2012.

Finally, it is recommended that the balance of the funds be allocated to an existing approved capital project that is scheduled for debenture financing this fall. The plan is to debenture \$3.586 million for the Waterloo Region Museum. It is recommended that this amount be reduced by \$3.0 million which will eliminate \$360,000 in debt charges in the 2012 base budget (which equals a property tax reduction of 0.10%).

Transportation Reserve Funds

The Region has established a number of Transportation Capital Reserve Funds in the past. These funds were established for a special purpose typically for roads projects. There are two instances in which the capital projects are complete and the remaining funds have immaterial residual balances. It is recommended that the Land Servicing Reserve Fund (\$34,788) and the Highway Servicing Reserve Fund (\$10,316) be transferred to the Roads Rehabilitation Reserve Fund.

In addition, it is recommended that the Cycling Path Reserve Fund (\$667,603) be consolidated with the Roads Rehabilitation Capital Reserve Fund. Essentially, cycling paths are simply a component of a road project (like sidewalks) and therefore should be combined with the Roads Rehabilitation Capital Reserve Fund.

Pay Equity Reserve

The Pay Equity Reserve was established in the early 1990's to provide for a potential pay equity claim. It is recommended that this Reserve be eliminated (\$478,467). If we face any future liability, it will be dealt with as an in-year additional charge to operations and budgeted accordingly in the following budget year.

It is recommended that these funds be transferred to existing HR capital projects scheduled for debenture this fall. Capital projects such as Attracting and Retaining Employees, Recruitment and Retention Strategy and Strategy for Employee Engagement will be funded by this transfer. Applying these funds to these existing projects will reduce debt charges by \$80,000 in the 2012 base budget.

G.I.S. Maintenance Reserve Fund

The G.I.S. (Geographical Information System) Maintenance Reserve Fund (\$77,502) was established in 1994. Revenue from the sale of G.I.S. data is transferred to the Reserve Fund annually and then used to offset the cost of maintaining the G.I.S. Given the limited annual contributions and the planned transition to the open data concept, it is recommended that the balance in this Reserve Fund be transferred to the Computer Reserve to offset one-time G.I.S. and other expenditures associated with the Information Technology Program Review.

CORPORATE STRATEGIC PLAN:

The actions taken as outlined in this report align with Focus Area 5 of the Corporate Strategic Plan (Service Excellence) and the objective to ensure Regional programs and services are efficient and effective and demonstrate accountability to the public.

FINANCIAL IMPLICATIONS:

Based on a detailed review of Regional Reserves and Reserve Funds, it is recommended that the Environmental Insurance Reserve Fund be eliminated and transferred in the following manner: Brownfield Incentive Program (\$2.5 million), the Capital Levy Reserve Fund (\$3.0 million) and \$500,000 to the Insurance Reserve Fund. The \$2.5 million recommended to be transferred to the

Brownfield Incentive Program and interest earned on this fund will be utilized to fund existing commitments and provide \$500,000 of additional funding to address funding future requests that may be forwarded to Committee in the near term. The \$500,000 amount transferred to the Insurance Reserve Fund will be utilized to fund deductibles on existing claims and future environmental claims as well as uninsured losses. In addition, it is also recommended that the Pay Equity Reserve be eliminated and transferred to existing HR capital projects scheduled for debenture financing this fall and that the G.I.S. Reserve Fund be eliminated and the balance transferred to the Computer Reserve to fund one-time costs associated with the IT Program Review. In total, \$3.5 million of funding will be transferred to existing capital projects that are scheduled to be debentured this fall. Utilizing this one-time cash funding source will result in less debt issued and eliminating \$600,000 in debt charges from the 2012 base budget, with a corresponding reduction in the projected 2012 tax rate.

OTHER DEPARTMENT CONSULTATIONS/CONCURRENCE:

Various staff from Transportation and Environmental Services, Planning, Housing and Community Services, Human Resources and Corporate Resources has been consulted with regarding the development of this report. Staff from Council and Administrative Services will be assisting in incorporating the recommended changes into a Consolidated Reserve and Reserve Fund by-law.

ATTACHMENTS:

Appendix 1 – Summary of Reserves and Reserve Funds

Appendix 2 – Definition and Uses of Reserves and Reserve Funds

PREPARED BY: *A. Hinchberger*, Director, Financial Services, Treasury & Tax Policy
C. Barrett, Director, Financial Services, Development Financing

APPROVED BY: *M. Murray*, Chief Administrative Officer

**THE REGIONAL MUNICIPALITY OF WATERLOO
SUMMARY OF RESERVES AND RESERVE FUNDS**

**Appendix 1
F-11-063**

	DEC. 31/10	DEC. 31/11 (projected)	DEC. 31/12 (projected)	DEC. 31/13 (projected)
RESERVES:				
Equipment Replacement	\$13,517,534	\$12,379,000	\$10,039,000	\$7,116,000
Working Funds	10,000,000	10,000,000	10,000,000	10,000,000
Police Capital & Equipment	4,807,655	3,742,000	3,576,000	3,010,000
Pay Equity	478,467	0	0	0
Other	1,535	0	0	0
TOTAL RESERVES	\$28,805,191	\$26,121,000	\$23,615,000	\$20,126,000
RESERVE FUNDS:				
Future Capital Expenditures				
Wastewater Treatment Capital	\$41,817,346	\$13,848,000	\$14,076,000	\$13,750,000
Wastewater Collection Capital	1,869,914	1,761,000	1,823,000	1,812,000
Water Supply Capital	7,616,601	6,211,000	6,371,000	6,821,000
Water Distribution Capital	427,138	226,000	116,000	122,000
Housing	46,134,902	45,593,000	45,151,000	44,409,000
Hospital Capital	15,207,112	13,223,000	9,183,000	6,400,000
Roads Rehabilitation Capital	13,435,231	6,027,000	6,461,000	6,090,000
Land Servicing	34,788	0	0	0
Highway Servicing	10,316	0	0	0
Cycling Paths	667,803	0	0	0
Airport	4,240,076	2,486,000	2,321,000	2,218,000
Roads Capital Levy	3,476,213	0	1,069,000	1,908,000
Grand River Transit	2,955,706	503,000	360,000	0
Capital Levy	2,915,405	1,967,000	1,291,000	894,000
Building	1,549,455	1,476,000	1,640,000	1,809,000
Federal Gas Tax	7,377,393	2,463,000	0	0
Public Art	530,614	300,000	211,000	176,000
Noise Barriers	1,036,799	513,000	530,000	547,000
Infrastructure Stimulus Funding	9,775,768	0	0	0
Other	425,028	0	0	0
Library Capital	178,549	121,000	130,000	139,000
Heritage Resources	241,068	152,000	150,000	147,000
RTMP	0	1,720,000	844,000	3,576,000
Insurance - General	4,634,336	4,337,000	4,073,000	3,846,000
- Environmental	5,985,971	0	0	0
- W.S.I.B.	8,956,799	9,669,000	10,417,000	11,200,000
Tax Stabilization	10,000,000	7,455,000	5,146,000	3,655,000
Sick Leave	1,178,476	0	0	0
Winter Maintenance	712,975	737,000	763,000	790,000
GIS Maintenance	77,502	0	0	0
TOTAL RESERVE FUNDS	\$193,469,284	\$120,788,000	\$112,126,000	\$110,309,000
TOTAL RESERVES AND RESERVE FUNDS	\$222,274,475	\$146,909,000	\$135,741,000	\$130,435,000

APPENDIX 2

Definitions

A reserve is an appropriation from net revenue after the provision for all known expenditures. It has no reference to any specific asset and does not require the physical segregation of money or assets as in the case of a Reserve Fund. While interest earned by the investments of a reserve may be allocated to that reserve, the general practice, including that used by the Region, is to treat the interest earned on reserve as revenue in the property tax budget.

A Reserve Fund differs from a reserve in that the Reserve Fund assets are segregated and restricted to meet the purpose of the Reserve Fund. Reserve Fund monies can only be invested in securities as prescribed by the Municipal Act and any interest earned by the assets of a Reserve Fund accrued to that Reserve Fund, rather than to general revenues.

Uses of Reserve and Reserve Funds

Reserve funds are established for specific purposes. Some reserve funds may serve, in part, a “contingency” purpose, that is, as a source of funds for future events, the timing and/or magnitude of which is uncertain. However, most Regional reserves and reserve funds are earmarked for specific purposes over the near term, as discussed in the individual reserve fund description below. Hence reserve fund assets must be invested such that they are available for their intended use when required.

From time to time, the issue of using reserve or reserve fund balances to address budgetary pressures in a particular year arises. In considering such options, the following factors are relevant:

1. The use of reserve fund monies for such purpose would mean that such funds would not be available to fund the expenditures for which they were originally earmarked, with the result that future expenditures may need to be reduced or replacement revenues generated from future tax or user rates;
2. If budgetary pressures arise from one-time expenditure needs, such as a unique capital or emergency requirement, one-time funding from a reserve may be a viable option, provided that such reserve monies are not earmarked for other future uses. However, for expenditures which will need to be funded on an ongoing basis, special funding from a reserve or reserve fund serves only to defer the funding problem to the following year. That is, one-time draw downs on reserves and reserve funds do not represent an available source of funding on an ongoing basis.

The report contains a brief explanation of the purpose of each reserve or reserve fund, the balance of the reserve or reserve fund at December 31, 2010, the projected balance of the reserve or reserve fund at December 31, 2011, December 31, 2012 and December 31, 2013 including a summary of future commitments of the reserve or reserve fund.

RESERVES

1. Reserve for Equipment Replacement

The reserve was established for the replacement of vehicles and heavy equipment and other equipment, with the exception of police vehicles. The contributions to the reserve are based on annual usage and the anticipated life of the vehicles. The actual net contribution to the reserve each year is a function of the contribution less all operating costs. At best, this reserve should be adequate to replace the entire Regional fleet once on a pro-rata basis and at worst, to meet the annual replacement program.

Balance, December 31, 2010	<u>\$ 13,517,534</u>
Projected Balance, December 31, 2011	<u>\$ 12,379,000</u>
Projected Balance, December 31, 2012	<u>\$ 10,039,000</u>
Projected Balance, December 31, 2013	<u>\$ 7,116,000</u>

Committed Applications:

Budgeted Expenditures for Vehicle and Equipment Replacements for the next three years	<u>\$ 23,201,000</u>
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2. Working Funds Reserve

The Working Funds Reserve was primarily established to provide a source of working funds during the year in order to reduce or eliminate interest costs on temporary borrowing pending the receipt of revenues such as taxes (first payment received April 1st of each year) and grants. Interest earned on this fund (approximately \$450,000/year) is transferred to the operating budget annually.

It was Council's policy to transfer one-half of the year-end surplus to the Working Funds Reserve up to the cap of \$10.0 million.

Balance, December 31, 2010	<u>\$10,000,000</u>
Projected Balance, December 31, 2011	<u>\$10,000,000</u>
Projected Balance, December 31, 2012	<u>\$10,000,000</u>
Projected Balance, December 31, 2013	<u>\$10,000,000</u>

Committed Applications:

Appropriation to Property Tax Levy	<u>\$ 0</u>
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3. Police Capital and Equipment Reserve

The reserve was established to finance the replacement of police equipment and facilities without adversely affecting the property tax rate. The initial source of funds for this reserve was a portion of the employer's (Police) savings resulting from the OMERS contribution holiday. The reserve is now funded by contributions or transfers approved by the Waterloo Regional Police Services Board (WRPSB).

Balance, December 31, 2010	<u>\$4,807,655</u>
Projected Balance, December 31, 2011	<u>\$3,742,000*</u>
Projected Balance, December 31, 2012	<u>\$3,576,000*</u>
Projected Balance, December 31, 2013	<u>\$3,010,000*</u>

* Balance will depend on WRPSB contributions or transfers and capital projects financed during the year.

Committed Applications:

The reserve is committed to finance future police capital expenditures.

4. Reserve for Pay Equity

The reserve was established by Council to provide funding for the Region's share of retroactive awards under the Pay Equity Act.

Balance, December 31, 2010	<u>\$ 478,467</u>
Projected Balance, December 31, 2011	<u>\$ 0</u>
Projected Balance, December 31, 2012	<u>\$ 0</u>
Projected Balance, December 31, 2013	<u>\$ 0</u>

Committed Applications:

The Region has negotiated pay equity plans with all employee groups.

It is recommended that this reserve be eliminated and the funds used to finance Human Resources capital projects that would otherwise be debentured.

RESERVE FUNDS

User Rate Capital Reserve Funds

The water and wastewater capital reserve funds serve essentially three purposes:

- Financing of future capital projects;
- Stabilization of the user rate, allowing rate changes to be smoothed or minimized while underlying spending requirements vary from year to year. Differences between the total revenue received and operating expenditures are contributed to (or taken from) the reserve fund in any given year;
- A source of funding for unforeseen or emergency expenditures.

The reserve fund balance for a particular user rate area is one factor incorporated into the rate model used to develop recommendations for the particular user rate. The model also takes into account future operating and capital expenditures, future revenues and other sources of funding such as grants, development charges and debentures. Risks and uncertainties (including those associated with unforeseen operational requirements and provincial legislation) are also considered.

The appropriate balance in the user rate reserve funds depends on many factors. As outlined above, there are many factors and uncertainties (including those associated with unforeseen operational requirements and provincial legislation) affecting user rates and User Rate Capital Reserve Fund balances.

1a) Wastewater Capital Reserve Fund (wholesale)

Balance, December 31, 2010	<u>\$41,817,346</u>
Projected Balance, December 31, 2011	<u>\$13,848,000</u>
Projected Balance, December 31, 2012	<u>\$14,076,000</u>
Projected Balance, December 31, 2013	<u>\$13,750,000</u>

Committed Applications:

The 2011-2020 forecast of the reserve fund balance is included in the 2011 budget book. Balances will be utilized for future wastewater expenditures. The two major wastewater treatment plant upgrade projects, at Waterloo and at Kitchener, are both proceeding well. The 2011 Capital Program reflects the implementation of the 2007 Wastewater Treatment Master Plan. The Biosolids Master Plan should be completed in 2011 and will define the biosolids strategy for the next 30 years. This will be reflected in the 2012–2021 Capital Program.

1b) Wastewater Collection (retail)

Balance, December 31, 2010	<u>\$ 1,869,914</u>
Projected Balance, December 31, 2011	<u>\$ 1,761,000</u>
Projected Balance, December 31, 2012	<u>\$ 1,823,000</u>
Projected Balance, December 31, 2013	<u>\$ 1,812,000</u>

Committed Applications:

The 2011-2020 forecast of the reserve fund balance is included in the 2011 budget book. This balance will be utilized for future wastewater collection capital works in the Townships of Wellesley and North Dumfries.

2a) Water Capital Reserve Fund (wholesale)

Balance, December 31, 2010	<u>\$7,616,601</u>
Projected Balance, December 31, 2011	<u>\$6,211,000</u>
Projected Balance, December 31, 2012	<u>\$6,371,000</u>
Projected Balance, December 31, 2013	<u>\$6,821,000</u>

Committed Applications:

The 2011-2020 forecast of the reserve fund balance is included in the 2011 budget book. Balances will be utilized for future water expenditures. Due to decreasing water demand trends, a number of growth and expansion related projects have been deferred to the latter part of the 10-year planning horizon. This has resulted in a capital reduction of \$18 million in 2011, \$14 million in 2012, \$27.9 million in 2013 and \$8 million in 2014. After years of significant growth, the capital forecast is now stable and the water demand trends along with the growth and expansion related projects will be analyzed further in 2011 and will be taken into consideration in the 2012-2021 capital program.

2b) Water Distribution (retail)

Balance, December 31, 2010	<u>\$ 427,138</u>
Projected Balance, December 31, 2011	<u>\$ 226,000</u>
Projected Balance, December 31, 2012	<u>\$ 116,000</u>
Projected Balance, December 31, 2013	<u>\$ 122,000</u>

Committed Applications:

The 2011-2020 forecast of the reserve fund balance is included in the 2011 budget book. This balance will be utilized for future water distribution capital works in the Townships of Wellesley and North Dumfries.

3. Housing Reserve Fund

The Housing Reserve Fund was established in 1999. The reserve fund is funded from contributions from the Community Housing operating budget, and is to be used for the maintenance of the existing stock, replacement of any existing community housing facilities and the expansion of the number of community housing units in the Region.

Balance, December 31, 2010	<u>\$ 46,134,902</u>
Projected Balance, December 31, 2011	<u>\$ 45,593,000</u>
Projected Balance, December 31, 2012	<u>\$ 45,151,000</u>
Projected Balance, December 31, 2013	<u>\$ 44,409,000</u>

Committed Applications:

Preliminary estimates for the 2012 capital budget and 10 year forecast show a need for \$46 million from the Housing Reserve Fund to finance capital expenditures for Waterloo Region Housing (WRH) over that time. The TCA value of the WRH stock at year end 2010 was \$96.2 million excluding land values while the replacement value is \$262 million excluding land. Decisions to replace rather than repair aging housing stock would require significant funding beyond the current balance in the Reserve Fund. In addition, the current identified need for Community Housing Providers to meet their reserve fund shortfalls for the next fifteen years is approximately \$44.1 million as identified in a recent Committee report issued in April 2011. Finally, programs to expand the supply of affordable housing in order to meet the targeted number of units along with other housing requirements as introduced with the Housing Services Act will likely require funding from the Housing Reserve Fund.

4. Hospital Capital Reserve Fund

In 1985, Council established the reserve fund in anticipation of Regional involvement in future hospital capital expenditures. Annual contributions were determined as part of the budget process and savings from the employer portion of the OMERS contribution holiday through 2001 were transferred to the reserve fund. Regional Council approved an additional annual contribution of \$4,040,000 beginning in 2000, and continuing for six years to fund HSRC and Cardiac Care projects. Due to delays in the timing of payment of the Region's grants, the balance in the Reserve Fund had increased such that the Region was able to meet its commitments with a lower annual contribution. As part of the 2003 budget process, Regional Council approved a \$1.0 million reduction in the additional annual contribution for the years 2003 through 2005. As part of the 2004 base budget review, it was determined that the contribution could be reduced by a further \$1.0 million for 2004 and 2005 without impacting the Region's \$37.3 million commitment to the HSRC and cardiac care projects. The annual contribution reverted to \$875,000 in 2006 and that level of contribution has continued through 2010.

The annual contribution was committed to the satellite medical school (University of Waterloo Health Sciences Campus) for the years 2007 to 2016. Additional interest earned on the Hospital Capital Reserve fund due delays in payments of Regional grants since 2005 will be

used to fund a portion of the Region's contribution to the Conestoga College School of Health Sciences expansion.

Balance, December 31, 2010	<u>\$15,207,112</u>
Projected Balance, December 31, 2011	<u>\$13,223,000*</u>
Projected Balance, December 31, 2012	<u>\$ 9,183,000*</u>
Projected Balance, December 31, 2013	<u>\$ 6,400,000*</u>

* Balance will depend on the timing of payment of the Region's remaining grants for HSRC projects (GRH and CMH) and the Conestoga College project.

Committed Applications:

Regional Council has approved \$37.3 million for HSRC/Cardiac Care projects over the years. Of this amount, \$27.1 million had been paid at December 31, 2010. Council also committed \$15 million (\$11.2 million from the Hospital Capital Reserve Fund) to the McMaster Satellite Medical School located on the University of Waterloo Campus in Kitchener. In addition, \$2.35 million has been committed from the Reserve Fund for the Conestoga College expansion project.

5. Roads Rehabilitation Capital Reserve Fund

As part of the 2001 budget process, Regional Council approved the creation of the Roads Rehabilitation Capital Reserve Fund to receive annual property tax contributions. The reserve fund will be used to finance Roads and Traffic construction projects in the Region's annual Transportation Capital Base Budget program.

The following three funds are being recommended to be consolidated into this reserve fund:

Cycling Paths Capital Reserve Fund – As part of the 2001 budget process, Regional Council approved the creation of this reserve fund which is financed through contributions from the Transportation property tax budget. The reserve fund will be used to finance cycling paths projects in the Roads Capital Budget.

Land Servicing – In accordance with the Agreement with the Province, the remaining funds from the Ontario Land Corporation development project have been set aside to finance Phase II costs of O.L.C. land development, in particular, the widening of Maple Grove Road.

Highway Servicing Reserve Fund – In 1997 and 1998 the Province transferred responsibility for certain provincial highways to the Region (Hwy 8 in 1997, Hwys 24 and 86 in 1998). Associated with these transfers was one-time provincial funding to cover at least a portion of the associated capital and operating costs.

Balance, December 31, 2010	
Roads Rehabilitation Capital Reserve Fund	\$13,435,231
Cycling Paths Reserve Fund	\$ 667,803
Land Servicing	\$ 34,788
Highway Servicing Reserve Fund	<u>\$ 10,316</u>
Total	<u>\$14,148,138</u>
Projected Balance, December 31, 2011	<u>\$ 6,027,000</u>
Projected Balance, December 31, 2012	<u>\$ 6,461,000</u>

Projected Balance, December 31, 2013 \$ 6,090,000

Committed Applications:

Future balances have been earmarked to fund Roads and Traffic base program capital expenditures.

6. Airport Capital Reserve Fund

As part of the 2001 budget process, Regional Council approved the creation of the Airport Capital Reserve Fund. The reserve fund is financed through contributions from the Regional Airport budget. The reserve fund will be used to finance capital projects approved as part of the Regional Airport Capital Budget.

Balance, December 31, 2010	<u>\$4,240,076</u>
Projected Balance, December 31, 2011	<u>\$2,486,000</u>
Projected Balance, December 31, 2012	<u>\$2,321,000</u>
Projected Balance, December 31, 2013	<u>\$2,218,000</u>

Committed Applications:

Future balances have been committed to fund Regional Airport capital expenditures: Noise Monitoring System, Pavement Crack Sealing, Airport Marketing Program, Minor Building Maintenance, Minor Airside Construction Projects, Parking Lot Resurfacing, and Airport Business Plan Program Review.

7. Roads Capital Levy Reserve Fund

In 1993, Council approved the creation of a Roads Capital Levy to be included in the Regional Property Tax budget, with the proceeds to be used to fund the portion of the Roads expansion program not funded by Regional Development Charges (RDC).

Balance, December 31, 2010	<u>\$3,476,213</u>
Projected Balance, December 31, 2011	<u>\$ 0</u>
Projected Balance, December 31, 2012	<u>\$1,069,000</u>
Projected Balance, December 31, 2013	<u>\$1,908,000</u>

Committed Applications:

Future balances have been earmarked to fund Roads expansion capital projects and related debt service.

8. Grand River Transit Reserve Fund

The Grand River Transit Reserve Fund was established in 2000 to finance expenditures associated with Transit facilities and equipment. The reserve fund is financed through contributions from the annual operating budget.

Balance, December 31, 2010	<u>\$ 2,955,706</u>
Projected Balance, December 31, 2011	<u>\$ 503,000</u>
Projected Balance, December 31, 2012	<u>\$ 360,000</u>
Projected Balance, December 31, 2013	<u>\$ 0</u>

Committed Applications:

All of these funds are committed to funding future Transit Capital expenditures.

9. Capital Levy Reserve Fund

Starting in 1986, an annual amount of 2% of the previous year's net Regional Levy was set aside to finance capital expenditures which would otherwise be debentured as a component in a plan that would allow the Region to move toward a pay-as-you-go capital financing policy. The outstanding balance each year was used to finance capital works which would otherwise have been debentured. With the completion of the two headquarters buildings, most of the annual contribution to the Capital Levy Reserve Fund had been replaced by the ongoing financing costs of the new headquarters. A small contribution continued annually through 1996.

As part of the 2002 year end process, Council approved the transfer of the uncommitted operating budget surplus to the reserve fund to finance future capital expenditures for the "non-engineering" program areas that would otherwise have to be debentured. There was essentially no surplus transfer for 2008 and 2009. The 2010 transfer was \$2,684,528. As part of the 2007 budget process, Council approved the reinstatement of a \$250,000 annual contribution. The annual contribution increased to \$440,000 in 2010 and to \$540,000 in the 2011 budget.

Balance, December 31, 2010	<u>\$2,915,405</u>
Projected Balance, December 31, 2011	<u>\$1,967,000</u> *
Projected Balance, December 31, 2012	<u>\$1,291,000</u> *
Projected Balance, December 31, 2013	<u>\$ 894,000</u> *

* Balance will depend on the uncommitted future surpluses and approved expenditures.

Committed Applications:

Funds to be used for one-time initiatives, smaller non-engineering capital projects and other capital projects which would otherwise be financed from debentures.

10. Building Reserve Fund

In 1979, Council adopted a policy of transferring lease revenues from the Courthouse to this fund with the intent of accumulating funds to assist in financing the cost of Regional accommodation. This practice was discontinued in 1992 with all new revenue of the Courthouse being applied against the tax levy. In prior years, annual charges of \$150,000 from the Administration and CH&SS Buildings were contributed to this reserve fund. Budget reductions in 1996 and 1997 eliminated these contributions. In 2003, Council authorized the allocation of any year end surpluses resulting from operations at 150 Main Street, Cambridge to this reserve fund. In 2004, Council authorized the transfer of all direct rental revenue from the WRESTRC facility to the Building Reserve Fund for capital upgrades to that facility.

To the extent possible, the fund will be used to repair or replace major components in the buildings, and to fund necessary renovations and leasehold improvements. For 150 Main Street, the fund will be used to offset any year end operating deficits, so there is no adverse impact on the property tax levy.

Balance, December 31, 2010	<u>\$1,549,455</u>
Projected Balance, December 31, 2011	<u>\$1,476,000</u>
Projected Balance, December 31, 2012	<u>\$1,640,000</u>

Projected Balance, December 31, 2013 \$1,809,000

Committed Applications:

Repair and replacement of major components, renovations and leasehold improvements of the Administration, CH&SS, 150 Main Street and WRESTRC buildings.

11. Gas Tax Reserve Funds

The Gas Tax Reserve Fund was established in 2005 to hold gas tax funds received from the federal government until eligible capital projects are financed. The Gas Tax funds finance eligible Roads and Transit capital projects.

Balance, December 31, 2010	<u>\$ 7,377,393</u>
Projected Balance, December 31, 2011	<u>\$ 2,463,000</u>
Projected Balance, December 31, 2012	<u>\$ 0</u>
Projected Balance, December 31, 2013	<u>\$ 0</u>

Committed Applications:

Future balances have been committed to fund eligible capital projects approved for Gas Tax financing.

12. Public Art Reserve Fund

In 2002, Council approved the establishment of a Public Art Reserve Fund. The purpose of this reserve fund is to fund costs associated with the acquisition, de-accessing, restoration or refurbishment of public art. The reserve fund was initially established with \$50,000 from 2001 unallocated surplus. As part of the 2003 budget process, Council approved annual contributions of \$50,000 for the acquisition of public art and \$5,000 for the periodic restoration or refurbishment of current and future purchases. The annual contribution was increased to \$65,000 in 2008. The reserve fund is also supplemented by a \$30,000 (increased from \$25,000 in 2007) flat sum contribution being applied to capital budgets of the projects where public art would be displayed.

Balance, December 31, 2010	<u>\$ 530,614</u>
Projected Balance, December 31, 2011	<u>\$ 300,000</u>
Projected Balance, December 31, 2012	<u>\$ 211,000</u>
Projected Balance, December 31, 2013	<u>\$ 176,000</u>

Committed Applications:

Current commitments include the completion or new installation of public art at the Region of Waterloo Museum, the Public Health & Social Services Building, the Christopher Children's Centre, Sunnyside Campus and the Waterloo Regional Police Services North Division. There are also acquisitions anticipated for the Airport and GRT Strasburg facility.

13. Noise Barriers Reserve Fund

In 1999, Regional Council approved the creation of the Noise Barriers Reserve Fund to receive funds from developers related to noise barriers constructed on Regional property. The reserve fund will be used to finance replacement of noise walls.

Balance, December 31, 2010 \$1,036,799

Projected Balance, December 31, 2011	<u>\$ 513,000</u>
Projected Balance, December 31, 2012	<u>\$ 530,000</u>
Projected Balance, December 31, 2013	<u>\$ 547,000</u>

Committed Applications:

Future balances have been committed to fund replacement of noise walls.

14. Infrastructure Stimulus Reserve (ISF) Fund

The Infrastructure Stimulus Reserve Fund was established in 2009 to hold ISF funds received from the federal and provincial government until eligible capital projects are financed. The ISF Reserve funds 14 specific construction project expenditures approved in the ISF funding agreement.

Balance, December 31, 2010	<u>\$9,775,768</u>
Projected Balance, December 31, 2011	<u>\$ 0</u>
Projected Balance, December 31, 2012	<u>\$ 0</u>
Projected Balance, December 31, 2013	<u>\$ 0</u>

Committed Applications:

Future balances have been committed to fund eligible capital projects approved for ISF financing. Project expenditures are to be finalized by October 31, 2011.

15. Library Capital Reserve Fund

The reserve fund was established in 1987 by Regional Council to receive annual contributions for the purpose of providing sufficient funds for automating library functions, and to finance other Library capital projects.

Balance, December 31, 2010	<u>\$178,549</u>
Projected Balance, December 31, 2011	<u>\$121,000</u>
Projected Balance, December 31, 2012	<u>\$130,000</u>
Projected Balance, December 31, 2013	<u>\$139,000</u>

Committed Applications:

Ongoing automation implementation, wireless network upgrade, branch development, branch preventative maintenance and furnishing of branches will be financed. Exact amounts will be determined when the projects are undertaken.

16. Heritage Resources Reserve Fund

In 1983, Council established the reserve fund for the purpose of financing artifacts and projects at Doon Heritage Crossroads and Joseph Schneider Haus. The reserve fund is also used as a holding account for any public donations received until expenditures are made.

Balance, December 31, 2010	<u>\$241,067</u>
Projected Balance, December 31, 2011	<u>\$152,000</u>
Projected Balance, December 31, 2012	<u>\$150,000</u>
Projected Balance, December 31, 2013	<u>\$147,000</u>

Committed Applications:

Purchase of Artifacts for Doon Heritage Crossroads and Joseph Schneider Haus as needed. The 2011 projected balance will depend on acquisition decisions made in 2011. In addition, approximately \$90k in donations for the Museum was received in 2010 with a further \$350k to be received between 2011 and 2014. These donations will be drawn down on a yearly basis to help reduce the debenture costs of the Museum project.

17. RTMP (Regional Transportation Master Plan) Reserve Fund

The RTMP Reserve Fund was established in 2010 to hold funds raised through the operating budget for transit service expansion and the rapid transit project approved by Council on June 15, 2011.

Balance, December 31, 2010	\$ <u>0</u>
Projected Balance, December 31, 2011	\$ <u>1,720,000</u>
Projected Balance, December 31, 2012	\$ <u>844,000</u>
Projected Balance, December 31, 2013	\$ <u>3,576,000</u>

Committed Applications:

Future balances have been committed to fund transit service expansion and the rapid transit project.

18a) General Insurance Reserve Fund

The reserve fund was established in order to finance the deductibles (\$250,000) on the Region's insurance policies. Over the past five years, the Pool has enjoyed very favourable insurance premiums. The current insurance market is stable and premium increases are not anticipated. In 2009, the Region's premium levy was \$1,704,123 and in 2010 the levy was \$1,768,808.

Balance, December 31, 2010	\$ <u>4,634,336</u>
Projected Balance, December 31, 2011	\$ <u>4,337,000</u>
Projected Balance, December 31, 2012	\$ <u>4,073,000</u>
Projected Balance, December 31, 2013	\$ <u>3,846,000</u>

Committed Applications:

To finance deductibles on the Region's insurance policies and self-insured risks. Amounts vary from year to year dependent on claim settlements. Presently, \$1,500,000 in potential payments is outstanding on claims in litigation. In 2010, \$836,438 was paid out for claims.

18b) Environmental Insurance Reserve Fund

This is the portion of the insurance reserve fund relating to environmental liability exposures. In June of 2010, the Waterloo Region Municipalities Insurance Pool purchased on behalf of all eight of the municipalities in Waterloo Region, a \$25,000,000 Environmental Liability insurance policy which has a \$100,000 deductible per claim.

Balance, December 31, 2010	\$ <u>5,985,971</u>
Projected Balance, December 31, 2011	\$ <u>0</u>

Projected Balance, December 31, 2012	<u>\$ 0</u>
Projected Balance, December 31, 2013	<u>\$ 0</u>

Committed Applications:

To cover potential environmental liability claims. Presently, \$200,000 in potential claims is outstanding. The Region is now insured under this policy and only requires a small portion of this Reserve Fund to fund future environmental claim deductibles and any uninsured claims against the Region. Please see the report for the recommended utilization of this Reserve Fund.

18c) Workplace Safety & Insurance Board Reserve Fund

In 1991, Council approved the transfer from Schedule I to Schedule II status with the Workplace Safety & Insurance Board. The transfer involved the one-time funding of the liability for the outstanding claims and the responsibility for future claims. The Region has benefited substantially from Schedule II status. The intention is to maintain the fund in order to provide for full self insurance on Workplace Safety & Insurance Board related claims, rehabilitation costs, and future liabilities.

Balance, December 31, 2010	<u>\$ 8,956,799</u>
Projected Balance, December 31, 2011	<u>\$ 9,669,000</u>
Projected Balance, December 31, 2012	<u>\$10,417,000</u>
Projected Balance, December 31, 2013	<u>\$11,200,000</u>

Committed Application:

All present, future and ongoing Workplace Safety & Insurance Board claims, including those related to new services such as Transit and Emergency Medical Services, and other program costs such as Wellness, Rehabilitation/Return to Work and Health and Safety are funded from the reserve fund. Staff decreased WSIB Reserve Fund rates in 2002 which reduced the costs in the 2002 operating budgets.

WSIB liabilities equaled \$9.0 million in 2008 and \$9.6 million in 2009. Liabilities at the end of 2010 are \$10.1 million, which exceed the balance in the reserve fund by \$1.1 million. This liability has increased significantly over the past few years as new services have been assumed by the Region.

19. Tax Stabilization Reserve Fund

In 1998, Council approved the creation of the Tax Stabilization Reserve Fund. The fund is to be used to smooth tax rate increases by funding expenditures that would otherwise be financed from the tax levy. The fund may also be used to finance one-time capital expenditures or other non-recurring expenditures. Annual surpluses are the source of funding. It was Council's policy to transfer one half of the year end surplus to the Tax Stabilization Reserve Fund up to a \$10.0 million cap. The \$10 million cap was reached in 2001. There is no further contribution to this fund, other than interest earned. As part of the annual budget, Council approved the transfer of interest earned by this fund to reduce the tax levy.

In 2010, the Tax Stabilization Reserve Fund was used as interim funding for the Long Term Budget Strategy relative to Arts and Culture, the Waterloo Region History Museum and the Green Bin Program. Since 2009, the Tax Stabilization Reserve Fund has been utilized to fund the difference between actual expenditures for Ontario Works and the budgeted amount based on 6,400 cases. Based on the realistic illustration of Ontario Works caseload for 2011–2013, it

is anticipated that the balance in the Tax Stabilization Reserve Fund will be sufficient to cover additional caseload costs.

Balance, December 31, 2010	<u>\$10,000,000</u>
Projected Balance, December 31, 2011	<u>\$ 7,455,000*</u>
Projected Balance, December 31, 2012	<u>\$ 5,146,000*</u>
Projected Balance, December 31, 2013	<u>\$ 3,655,000*</u>

* Balance will depend on actual caseload and the availability of year-end surplus to replenish the Reserve Fund.

Committed Applications:

The reserve fund is committed to smoothing the tax rate increases and funding expenditures that would otherwise be funded from the tax levy as approved by Council.

20. Sick Leave Liability Reserve Fund

The purpose of this fund is to offset some of the unfunded liability for sick leave payouts which are currently reported in the Region's financial statements.

Regional Council has approved the financing of all future payouts from the reserve fund while assessing a minimal payroll charge to budget areas.

In 1997, Regional Council amended its Sick Leave Policy to remove payout of sick leave banks upon termination of Management/Management Support employees hired on or after July 1, 1997. Since 2002, Regional Council amended its policy to remove the payout of sick banks upon termination for employees of a number of union locals hired on or after dates established in their respective collective agreements.

Balance, December 31, 2010	<u>\$1,178,476</u>
Projected Balance, December 31, 2011	<u>\$ 0</u>
Projected Balance, December 31, 2012	<u>\$ 0</u>
Projected Balance, December 31, 2013	<u>\$ 0</u>

Committed Applications:

Anticipated Payments to Eligible Employees for the next three years	<u>\$6,897,540</u>
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The total actuarial liability at December 31, 2010 for vested sick leave credits for the Region was \$29,110,893. The balance on hand in the Sick Leave Reserve Fund represented only 4% of the outstanding liability. Once the Reserve Fund is depleted the operating budgets will need to be increased to absorb these additional costs.

Over time, the unfunded liability should decrease as the number of existing employees eligible for payout decreases.

21. Winter Maintenance Reserve Fund

In 1994, Regional Council approved the establishment of a reserve fund to be used to smooth the impacts of annual surpluses and deficits which occur due to the normal unpredictability of

winter maintenance expenditures. An initial allocation of \$600,000 was made to the Fund from the 1993 Regional surplus.

Balance, December 31, 2010	<u>\$ 712,975</u>
Projected Balance, December 31, 2011	<u>\$ 737,000</u>
Projected Balance, December 31, 2012	<u>\$ 763,000</u>
Projected Balance, December 31, 2013	<u>\$ 790,000</u>

Committed Applications:

Future balances will depend on the weather and the extent of winter maintenance activities required in 2011 and beyond. The sole funding source for this Reserve Fund is limited to winter maintenance savings in any fiscal period.

22. G.I.S. Maintenance Reserve Fund

In August of 1994, Council adopted a policy of transferring all revenue generated from the sale of G.I.S. data including, but not limited to, base maps, parcel data, assessment data and MEIS imagery to this fund. The purpose of this fund is to help defray the cost of maintaining the G.I.S. in a current and sound operating condition as determined by the Commissioner of Corporate Resources.

Balance, December 31, 2010	<u>\$ 77,502</u>
Projected Balance, December 31, 2011	<u>\$ 0</u>
Projected Balance, December 31, 2012	<u>\$ 0</u>
Projected Balance, December 31, 2013	<u>\$ 0</u>

Committed Applications:

To maintain the G.I.S.

Given the limited annual contributions to this Reserve Fund, it is recommended that the balance in the Reserve Fund be transferred to the Computer Reserve to finance one-time G.I.S. and other costs arising from the Information Technology Program Review.

COUNCIL ENQUIRIES AND REQUESTS FOR INFORMATION**ADMINISTRATION AND FINANCE COMMITTEE**

Meeting date	Requestor	Request	Assigned Department	Anticipated Response Date
04-Mar-08	P&W	Best Value Bidding	Finance/Purchasing	Fall 2011
26-Jan-10	Committee	Report on a policy related to development charge grants, exemptions and deferral requests, to include past history/practice, implications, and options.	Finance	Fall 2011
08-Jun-10	A&F	Review current funding for the tax increment grant program, with full range of funding options.	Finance	Fall 2011
23-Nov-10	A&F	Assess the application of the prequalification guidelines (both generals and sub contractors) and report back to A & F after one years experience	Finance	Nov-2011
23-Feb-11	Budget Committee	GRCA levy and properties not receiving water/wastewater service	Finance	Fall 2011
23-Mar-11	Budget Committee	Review of and options for long-term user rate models, for 2012 Budget process	Finance	Fall 2011 / Budget 2012 process
06-Sep-11	A&F	Analysis of consulting fees on Regional capital projects	Facilities / Transportation & Environmental Services	Fall 2011
06-Sep-11	A&F	Business model and scenario analysis for Regional solar photovoltaic installations	Facilities	Fall 2011