Media Release: Friday, March 20, 2015, 4:30 p.m.

Regional Municipality of Waterloo

Administration and Finance Committee

Agenda

Tuesday, March 24, 2015

Approximately 10:45 a.m. (Immediately following Closed Committee)

Regional Council Chamber

150 Frederick Street, Kitchener

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1. **Motion to Reconvene into Open Session**

2. **Declarations of Pecuniary Interest Under The "Municipal Conflict of Interest Act"**

3. **Delegations**

4. **Presentations**

   a) Corporate Services Departmental Overview – Craig Dyer, Commissioner and Chief Financial Officer

Consent Agenda Items

Items on the Consent Agenda can be approved in one motion of Committee to save time. Prior to the motion being voted on, any member of Committee may request that one or more of the items be removed from the Consent Agenda and voted on separately.

5. **Request to Remove Items from Consent Agenda**

6. Motion to Approve Items or Receive for Information

a) COR-TRY-15-24, Investment Position at December 31, 2014 (Information) 1

b) COR-FSD-15-06, 2014 Development Charge Transaction Report (Information) 9

Regular Agenda Resumes

7. Reports – Corporate Services

a) COR-FSD-15-07, Proposed Amendments to the Development Charges Act, 1997 by Bill 73 – Smart Growth for Our Communities Act, 2015 19

b) COR-TRY-15-25, Region of Waterloo Property Tax Policy (Presentation) 42

c) COR-TRY-15-26, 2015 Tax Ratios 51

Reports – Human Resources and Citizen Service

d) HRC-CIT-15-02/COR-TRY-15-27, Management of Community Information Database P2014-59 59

Reports – Planning, Development and Legislative Services

e) PDL-CAS-15-04, Bill 31, Transportation Statute Law Amendment Act (Making Ontario's Roads Safer), 2015 and Uncollected Fines 62

8. Information/Correspondence

a) Council Enquiries and Requests for Information Tracking List 68

9. Other Business

a) Notice of Motion – S. Strickland

Take notice that I, Councillor Sean Strickland, intend to introduce the following motion at the Administration and Finance Committee Meeting to be held Tuesday March 24, 2015:

That the Region of Waterloo form an ad-hoc committee to develop a policy(ies) with respect to operating and/or capital grants for community groups and/or not for profit organizations.

10. Next Meeting – April 14, 2015

11. Adjourn

Report: COR-TRY-15-24

Region of Waterloo

Corporate Services

Treasury Services

To: Chair Sean Strickland and Members of the Administration and Finance Committee

Date: March 24, 2015 **File Code:** F12-20

Subject: Investment Position at December 31, 2014

Recommendation:

For Information

Summary:

Nil

Report:

Investing activities are governed by Section 418 of the "Municipal Act," Ontario Regulation 438/97 and by the Region's Consolidated Investment Policy. The Region's Consolidated Investment Policy states that the Investment Policy Objectives are as follows, in priority order:

A. General Portfolio Policy Objectives
1. Minimization of Credit Risk
2. Maintenance of Liquidity
3. Rate of Return

B. Sinking Fund Portfolio Policy Objectives
1. Minimization of Credit Risk
2. Rate of Return
3. Maintenance of Liquidity

The Consolidated Investment Policy also requires that reports and a summary of compliance with the policy be provided to the Administration and Finance Committee.

This report describes the Region's investment position at December 31, 2014 for the General Portfolio and Sinking Fund Portfolio. Both investment portfolios held eligible investments of various terms. Bonds were verified to comply with the Region's Consolidated Investment Policy at the time of each investment purchase. The following table summarizes the combined portfolio balance over the past five years.

Region of Waterloo 5 Year Portfolio Book Value as at December 31, 2010-2014					
	2010	**2011**	**2012**	**2013**	**2014**
General Portfolio	$329.7 m	$301.6 m	$273.7 m	$348.3 m	$419.5 m
Sinking Fund Portfolio	31.0 m	35.9 m	12.9 m	3.2 m	8.3 m
Total	**$360.7 m**	**$337.5 m**	**$286.6 m**	**$351.5 m**	**$427.8 m**

General Investment Portfolio

The Region's General Portfolio is comprised of reserves, reserve funds and operating funds. Provincial regulations establish the type of investments the Region can hold while the Region's Consolidated Investment Policy establishes limits for the allowable investments. The Region's General Portfolio is currently comprised of holdings ranging from daily money market instruments to long term bonds and debentures.

Cash is a significant portion of the General Portfolio at December 31st due to debenture issues in the spring and fall of 2013 and 2014 to take advantage of low interest rates and in anticipation of cash flow requirements for upcoming capital projects. The portfolio holdings are summarized as follows based on earliest applicable call dates:

General Portfolio as at December 31, 2014					
	Cash	**Short Term Investments (< 1 year)**	**Medium Term Investments (1 to 5 years)**	**Long Term Investments (> 5 years)**	**Total**
Book Value	$260.4 m	$41.1 m	$78.0 m	$40.0 m	$419.5 m
% of Portfolio	62.1%	9.8%	18.6%	9.5%	100.0%
Number of Securities	n/a	16	41	26	83
Investment Strategy	General cash flow requirements		Maturities planned to coincide with expected use of reserves and reserve funds		Varied
Yield Range	1.30%	0.84% - 6.7%	2.01% - 6.73%	2.55% - 5.70%	0.84% - 6.73%
Weighted Average Yield	1.30%	3.48%	4.32%	4.25%	2.64%
Total Average Annualized Yield for General Portfolio excluding cash					4.14%
Weighted Average Term to Maturity excluding cash					2.54 years

General Portfolio holdings at December 31, 2014 by issuer are shown in Appendix 1.

Additional information on the General Portfolio is shown on Appendix 2.

Sinking Fund Portfolio

The Sinking Fund Portfolio is comprised of contributions from the sinking fund participants pertaining to these specific debentures and investment income earned on the contributions.

The book balance declined significantly in 2012 and 2013 due to Sinking Fund debt retirements in 2012 and 2013 but increased in 2014 as contributions were received for Sinking Fund debentures issued in 2013. The cash balance at December 31^{st} comprises a significant portion of the Sinking Fund portfolio due to contributions from Sinking Fund participants in May and November that were not yet invested at December 31^{st}.

Due to Sinking Fund debt retirements in 2012 and 2013, some portfolio components are not in compliance with the Region's Consolidated Investment Policy as shown in Appendix 3. This is mainly due to the small investment base and opting for the investments with the best returns and ability to meet future cash flow requirements. Staff will re-balance the portfolio to comply as contributions and investments are made. The portfolio is summarized as follows based on earliest applicable call dates:

Sinking Fund Portfolio as at December 31, 2014					
	Cash	**Short Term Investments (< 1 year)**	**Medium Term Investments (1 to 5 years)**	**Long Term Investments (> 5 years)**	**Total**
Book Value	$2.6 m	$Nil	$1.5 m	$4.2 m	$8.3 m
% of Portfolio	31.5%	0%	18.5%	50.0%	100.0%
Number of Securities	n/a	0	2	2	4
Investment Strategy	n/a	Maturities are planned to coincide with sinking fund maturities			Varied
Yield Range	1.30%	n/a	5.30%-6.73%	3.30% - 5.40%	1.30% - 6.73%
Weighted Average Yield	1.30%	n/a	6.17%	3.51%	2.93%
Total Average Annualized Yield for Sinking Fund Portfolio excluding cash					5.15%
Weighted Average Term to Maturity excluding cash					12.89 years

Sinking Fund Portfolio holdings at December 31, 2014 by issuer are shown in Appendix 3. Additional information on the Sinking Fund Portfolio is shown on Appendix 4.

Investments/Disposals of Own Securities

The Region did not invest in or dispose of any of its own securities in either the General Portfolio or Sinking Fund Portfolio during 2014.

Corporate Strategic Plan:

One of the focus areas of the Corporate Strategic Plan is Service Excellence. The objective of this focus area is to ensure all Regional programs and services are efficient and effective and demonstrate accountability to the public.

Financial Implications:

On January 21st in response to the recent sharp drop in oil prices, the Bank of Canada decreased the overnight rate to 0.75% and it was maintained at this level in the most recent rate setting on March 4th. The overnight rate had remained at 1.00% since September 8, 2010. The next rate setting is scheduled for April 15th. Fluctuations in interest rates have a direct impact on the rate of return on the Region's investment portfolio. A decline in interest rates has an immediate impact on funds held in cash or short term investment funds and a delayed impact relating to bond holdings which are replaced with lower yielding investments as they mature. The Region's portfolio is comprised of bonds with laddered maturity dates.

Low interest rates and a robust capital investment program continue to impact the Region through decreased interest income attributable to reserves, reserve funds and the operating budget. Bond maturities are used for capital expenditures and funds available for reinvestment are yielding a lower rate of return. Staff monitors cash balances daily and will continue to assess cash requirements and market conditions. Staff is also developing Sinking Fund investment strategies to address the future maturities of Sinking Fund debt issued in recent years.

Other Department Consultations/Concurrence: Nil

Attachments:

Appendix 1 – General Portfolio Holdings at December 31, 2014

Appendix 2 – Additional Information on General Portfolio at December 31, 2014

Appendix 3 – Sinking Fund Portfolio Holdings at December 31, 2014

Appendix 4 – Additional Information on Sinking Funding Portfolio at December 31, 2014

Prepared By: Tricia Alpaugh, Manager, Treasury Services

Approved By: Craig Dyer, Commissioner, Corporate Services/Chief Financial Officer

Appendix 1 – General Portfolio Holdings at December 31, 2014

SECURITY DESCRIPTION	Portfolio Amount	%	Policy Limitation Per Issuers	Maximum Per Issuer	Policy Limitation Per Category	Maximum Per Category
PROVINCIAL						
Ontario	$ 28,419,552	17.9%	$ 79,376,014	50.0%	$ 79,376,014	50.0%
British Columbia	$ 4,501,562	2.8%	$ 39,688,007	25.0%	$ 39,688,007	25.0%
Alberta Capital Finance Authority	$ 3,166,768	2.0%	$ 39,688,007	25.0%	$ 39,688,007	25.0%
Other Provincials						
Nova Scotia	$ 4,118,609	2.6%	$ 15,875,203	10.0%		
Manitoba	6,076,991	3.8%	15,875,203	10.0%		
New Brunswick	7,108,054	4.5%	15,875,203	10.0%		
Total Other Provincials	$ 17,303,654	10.9%			$ 39,688,007	25.0%
SCHEDULE I BANKS						
TD/Canada Trust	$ 4,499,464	2.8%	$ 15,875,203	10.0%		
CIBC	9,340,728	5.9%	15,875,203	10.0%		
Bank of Nova Scotia	6,000,000	3.8%	15,875,203	10.0%		
Bank of Montreal (1)	18,807,825	11.8%	15,875,203	10.0%		
Royal Bank	6,411,544	4.0%	15,875,203	10.0%		
Total Schedule I Banks	$ 45,059,561	28.4%			$ 55,563,210	35.0%
MUNICIPAL						
Region of Waterloo	$ 12,122,444	7.6%	$ 79,376,014	50.0%	$ 79,376,014	50.0%
Other Municipalities						
City of Toronto	4,679,867	2.9%	15,875,203	10.0%		
City of Hamilton	1,002,346	0.6%	15,875,203	10.0%		
Region of Durham	3,043,198	1.9%	15,875,203	10.0%		
Region of Halton	1,574,906	1.0%	15,875,203	10.0%		
Region of York	14,596,784	9.2%	15,875,203	10.0%		
City of London	1,997,773	1.3%	15,875,203	10.0%		
City of Ottawa	2,530,576	1.6%	15,875,203	10.0%		
BC Mun Finance Authority	5,526,457	3.5%	15,875,203	10.0%		
Total Other Municipalities	$ 34,951,905	22.0%			$ 39,688,007	25.0%
INVESTMENT FUNDS						
One Investment Fund	$ 13,226,581	8.3%	$ 79,376,014	50.0%	$ 79,376,014	50.0%
TOTAL INVESTMENT PORTFOLIO	**$158,752,027**	100.0%				
PH&N - Community Housing Investments (2)	$ 385,278					
General Bank Funds	$260,350,776					
TOTAL PORTFOLIO	**$419,488,081**					

Notes:

(1) Some portfolio components may appear to exceed the policy limits. However, under the Region's Consolidated Investment Policy, compliance is required at the time of purchase. Each bond has been verified to comply with the Region's Consolidated Investment Policy at the time of purchase.

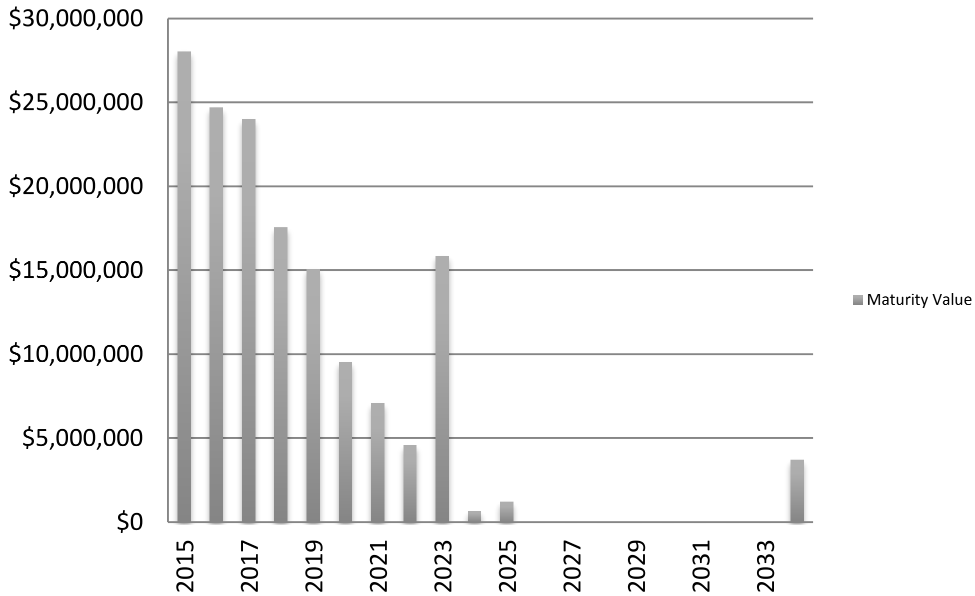
(2) Phillips Hagar &North - Community Housing Fund transferred from ROWCHI in 2012. Funds will be liquidated in 2015 to fund capital expenditures completed in 2014.

(3) Alternate formats available upon request.

Appendix 2 – Additional Information on General Portfolio at December 31, 2014

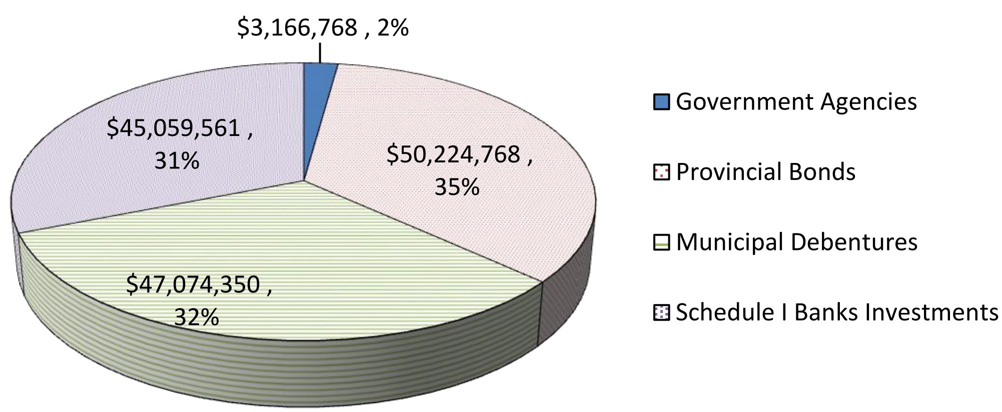
Investments by Year of Maturity based on Earliest Applicable Call Date

Bond maturities have been designed to coincide with expected use of reserves and reserve funds.



Bond Investments by Sector (Excludes One Investment Fund)

Bond investments of $145,525,447 are governed by the Region's Consolidated Investment Policy.



Note: Alternate formats available upon request.

Appendix 3 – Sinking Fund Portfolio Holdings at December 31, 2014

SECURITY DESCRIPTION	Portfolio Amount	%	Policy Limitation	Maximum	Policy Limitation	Maximum
PROVINCIAL						
Ontario	$ 3,475,128	60.8%	$ 1,591,217	50.0%	$ 1,591,217	50.0%
SCHEDULE I BANKS						
CIBC	874,488	15.3%	318,243	10.0%		
MUNICIPAL						
Region of Waterloo	$ 1,366,980	23.9%	$ 1,591,217	50.0%	$ 1,591,217	50.0%
TOTAL INVESTMENT PORTFOLIO	$ 5,716,596	100.0%				
General Bank Funds	$ 2,622,817					
TOTAL PORTFOLIO	**$ 8,339,413**					

Notes:

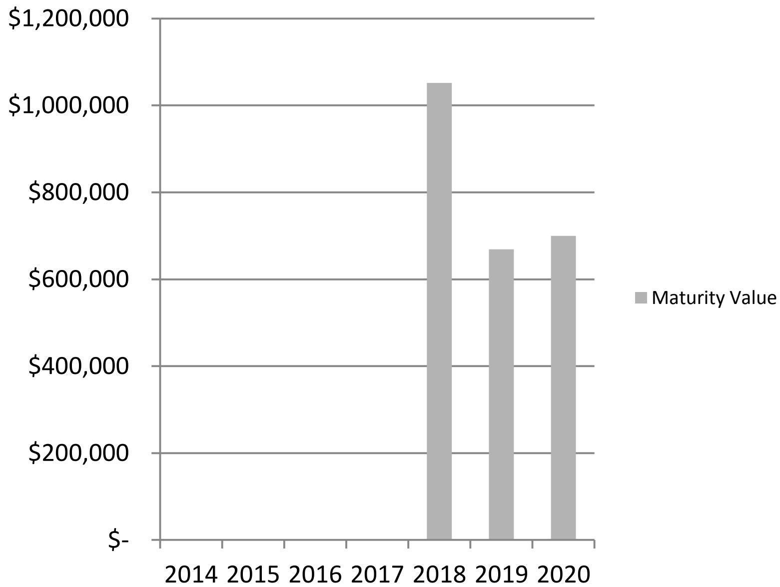
(1) The investment purchase in 2014 was not in compliance with the Region's Consolidated Investment Policy. This is mainly due to the small investment base and opting for the investments with the best returns and ability to meet future cash flow requirements. Staff will re-balance the portfolio to comply as contributions and investments are made.

(2) Alternate formats available upon request.

Appendix 4 – Additional Information on
Sinking Fund Portfolio at December 31, 2014

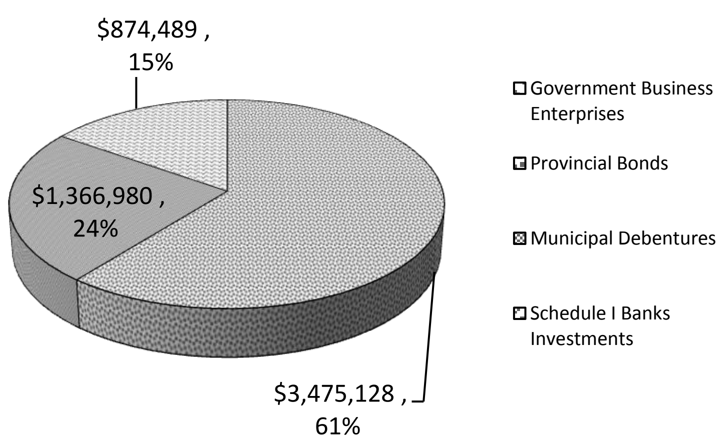
Investments by Year of Maturity based on Earliest Applicable Call Date

Bond maturities have been designed to coincide with sinking fund debenture maturities.



Bond Investments by Sector

Bond investments of $5,716,596 are governed by the Region's Consolidated Investment Policy.



Note: Alternate formats available upon request.

Report: COR-FSD-15-06

Region of Waterloo

Corporate Services

Financial Services and Development Financing

To: Chair Sean Strickland and Members of the Administration and Finance Committee

Date: March 24, 2015 **File Code:** F27-50

Subject: 2014 Development Charge Transaction Report

Recommendation:

For Information

Summary:

This report presents the annual summary of development charge transactions as required by the Development Charges Act. A copy will be provided to the Ministry of Municipal Affairs and Housing and interested stakeholders.

Report:

Background

The “Development Charges Act,” 1997 (“The Act”), enables the Council of a municipality to, by by-law, impose development charges against land to pay for increased capital costs required because of increased needs for services arising from development of the area to which the by-law applies. The collection of development charges in the Region of Waterloo is governed by the Region’s Development Charge (RDC) By-law 14-046 which came into effect on August 1, 2014 (and previously under By-law 09-024).

Development charges are collected by the area municipalities on behalf of the Region at the time of issuance of a building permit. The funds are remitted to the Region on a monthly basis and allocated to reserve funds, which in turn are used to finance approved capital expansion projects in the following areas: Transportation, Airport, Water & Wastewater, Police, General Government (including Administration and Regional Growth Management Strategy), Operations/Facilities, Library, Transit, and

Paramedic Services. There is a statutory requirement for the Treasurer to submit to Council an annual statement of development charge transactions.

Development Charge Reserve Fund Balances

The Regional Development Charge Reserve Fund (RDC Fund) started the year with a (restated) balance of $56.3 million. The 2014 opening balance was restated to reflect the issuance of RDC Debt for Kitchener & Waterloo Process Upgrade projects in 2013. The associated debt servicing costs will be funded from the Wastewater RDC reserve fund. Contributions to the RDC Fund from collections, community housing grants, interest and funded exemptions and discounts totaled $60.8 million. Appropriations for capital projects and debt service totaled $50.8 million resulting in a 2014 closing balance of $66.3 million. The continuity of each specific reserve fund is detailed in Appendix A.

2014 Development Charge Collections

Development charge collections in 2014 totaled $51.0 million, an increase of approximately 68% over 2013 collections of $30.4 million. Of the total collections, $37.8 million was attributable to residential development and $13.2 million was for non-residential development (see Appendix B). The Region's current RDC By-law came into effect on August 1, 2014. In anticipation of an RDC rate increase, a significant number of building permit applications were received in the weeks leading up to the expiry of the former DC by-law on July 31, 2014. The total value of RDC collections and funded exemptions/discounts in July 2014 alone was almost $19 million.

2014 Development Charge Capital Appropriations

In 2014, appropriations to finance growth-related capital projects and debt charges totaled $50.8 million. Of this amount, $5.3 million relates to debt servicing costs associated with Wastewater Services projects. See Appendix A for a breakdown of 2014 appropriations by service area and Appendix C for details by project.

Exemptions & Discounts

The Act requires that any shortfall in development charge revenue resulting from exemptions and discounts be funded from sources other than higher charges on other development. The following exemptions are provided in the RDC By-law:

1) Downtown core exemption: provided in any area municipality which enacts a similar exemption. Currently, full downtown core exemptions exist in Kitchener and Cambridge. All Regional downtown core exemptions will expire on February 28, 2019.

2) Remediated Brownfield Site: an RDC exemption is provided in the amount of the

eligible remediation costs to a maximum of the RDC payable.

3) Farming, community housing and public hospitals.

4) Since August 1, 2014 the Region has discounted the industrial RDC by 50%, in order to encourage new industrial development.

The total cost of development charge exemptions and discounts is financed from user rate reserve funds and property tax reserve funds/levies. Table 1 provides a summary of exemptions & discounts applied in 2014.

Table 1 - 2014 Exemptions & Discounts				
	Downtown Core Exemptions	**Brownfield Exemptions**	**Industrial Discounts**	**Total**
Residential	$4,278,532	$2,038,029	$0	$6,316,560
Non-Residential	600,964	27,849	381,000	1,009,813
Total	$4,879,496	$2,065,878	$381,000	$7,326,373

A total of $5,052,946 of the exemption and discount costs was funded from property taxes (mostly through the Roads Capital Levy Reserve), and $2,273,427 was funded from User Rate Reserve Funds.

Corporate Strategic Plan:

This report supports Focus Area 2, Growth Management and Prosperity, of the Corporate Strategic Plan and specifically strategic objective 2.2 to develop, optimize and maintain infrastructure to meet current and projected needs as development charges provide an important source of funding for infrastructure needed to accommodate planned growth.

Financial Implications:

Development charges are used to fund a portion of the cost of growth-related capital works. Existing RDC Fund balances along with future RDC revenues will be utilized to fund approved capital projects as set out in each year’s 10 year capital program.

Other Department Consultations/Concurrence:

A copy of this report will be distributed to the development industry organizations that have been involved with the Region’s development charge consultation process and in accordance with the Act to the Minister of Municipal Affairs and Housing.

Attachments:

Appendix A – Reserve Fund Transactions by Service Category

Appendix B – Summary of Reserve Fund Transactions

Appendix C – Development Charge Appropriations

Prepared By: Shane Fedy, Financial Analyst Transportation/RDC

Approved By: Craig Dyer, Commissioner, Corporate Services/Chief Financial Officer

Report: COR-FSD-15-06

APPENDIX A

The Regional Municipality of Waterloo
Regional Development Charges

Reserve Fund Transactions by Service Category

Fiscal Year 2014	Transportation	Airport	Water & Wastewater*	Police	General Government	Operations	Library	Transit	Paramedic Services	**Total Fund**
Opening Balance* 01-Jan-14	37,521,009	-2,158,475	22,814,960	-374,374	-697,047	1,900,852	75,469	-2,552,580	-205,011	**56,324,803**
Contributions										
Collections	28,763,709	879,423	17,227,723	1,242,615	239,207	450,594	41,869	1,880,407	252,068	**50,977,615**
Community Housing Grants	27,380	640	14,335	1,339	191	450		1,880	230	**46,445**
Exemptions/Discounts	4,312,378	118,521	2,273,427	201,573	31,960	71,431		280,415	36,668	**7,326,373**
Interest Earned	996,458	-45,956	1,481,298	7,831	-15,655	55,961	1,791	-76,559	-2,275	**2,402,894**
	34,099,925	952,628	20,996,783	1,453,358	255,703	578,436	43,660	2,086,143	286,691	**60,753,327**
Appropriations										
Debt Service			5,265,652							**5,265,652**
Capital Projects	33,533,253	237,720	8,076,188	990,260	804,020	42,949	60,300	1,797,886	1,114	**45,543,690**
	33,533,253	237,720	13,341,840	990,260	804,020	42,949	60,300	1,797,886	1,114	**50,809,342**
Closing Balance 31-Dec-14	38,087,681	-1,443,567	30,469,903	88,724	-1,245,364	2,436,339	58,829	-2,264,323	80,566	**66,268,788**

* Water & Wastewater opening balance restated to reflect issuance of RDC Debt for Kitchener & Waterloo Process Upgrade projects. Debt servicing costs to be funded from Regional Development Charges.

APPENDIX B

The Regional Municipality of Waterloo
Regional Development Charges

Summary of Reserve Fund Transactions

Fiscal Year 2014	Residential Collections	Residential Exemptions/ Discounts	Total	Non-Residential Collections	Non-Residential Exemptions/ Discounts	Total	Total Collections	Total Exemptions / Discounts	Total
Opening Balance*									**56,324,803**
Collections:									
January	552,991	78,585	631,576	8,227	0	8,227	561,217	78,585	**639,802**
February	1,250,673	65,023	1,315,696	189,937	0	189,937	1,440,610	65,023	**1,505,633**
March	2,899,359	65,023	2,964,382	1,856,899	0	1,856,899	4,756,258	65,023	**4,821,281**
April	1,398,330	297,248	1,695,578	905,567	0	905,567	2,303,897	297,248	**2,601,145**
May	3,958,677	78,735	4,037,412	2,993,645	0	2,993,645	6,952,322	78,735	**7,031,057**
June	3,497,942	812,702	4,310,644	2,116,237	28,123	2,144,360	5,614,179	840,825	**6,455,004**
July	12,810,780	4,617,297	17,428,078	880,046	600,689	1,480,735	13,690,826	5,217,986	**18,908,812**
August	1,503,451	134,106	1,637,557	87,122	33,895	121,017	1,590,573	168,001	**1,758,574**
September	1,036,991	0	1,036,991	345,918	55,948	401,866	1,382,909	55,948	**1,438,857**
October	2,911,319	0	2,911,319	442,116	0	442,116	3,353,435	0	**3,353,435**
November	2,167,857	53,864	2,221,721	1,552,490	63,394	1,615,884	3,720,347	117,258	**3,837,605**
December	3,742,731	113,979	3,856,710	1,868,308	227,763	2,096,071	5,611,039	341,742	**5,952,781**
	37,731,102	6,316,562	44,047,665	13,246,511	1,009,812	14,256,323	50,977,614	7,326,374	**58,303,988**
Community Housing Grants			46,445						**46,445**
Interest Earned									**2,402,894**
	37,731,102	6,316,562	44,094,110	13,246,511	1,009,812	14,256,323	50,977,614	7,326,374	**60,753,327**
Appropriations									
Debt Service									**5,265,652**
Capital Projects									**45,543,690**
									50,809,342
Closing Balance 31-Dec-14									**66,268,788**

* Water & Wastewater opening balance restated to reflect issuance of RDC Debt for Kitchener & Waterloo Process Upgrade projects.
Debt servicing costs to be funded from Regional Development Charges.

Report: COR-FSD-15-06

APPENDIX C

Regional Municipality of Waterloo
2014 Development Charge Appropriations

Transportation Capital Projects

Project #	Description	Expenditures 2014	Total RDC	Other Sources & Roads Capital Levy Reserve Fund
07101	RR8(Weber)Victoria to Guelph St	20,030,864	17,026,235	3,004,630
05549	RR36(Franklin) Myers (RR43) to Hwy 401	7,490,053	7,490,053	0
07282	RR 70 (Ira Needles) Highview to Erb	3,719,804	3,679,904	39,900
05340	RR69 Manitou Dr Bleams to Fairway	1,286,233	1,093,298	192,935
05274	RR53(Fairway) Zeller to Fountain	899,799	899,799	0
07087	Road 56 River Road Extension King to Wilson	414,929	414,929	0
07303	RR17(Fountain St)Maplegrove to Kossuth	365,547	365,547	0
07122	RR58 (Fischer Hallman) Huron to Bleams	336,957	336,957	0
05337	RR8(King) Eagle Fountain Shantz Hill	336,541	286,060	50,481
07299	East Boundary Corridor Protection Study	257,274	257,274	0
05389	RR9(Erb) Caroline to Menno	256,874	218,343	38,531
07111	RR28(homer Watson) Doon to Conestoga College Blvd	168,711	168,711	0
07180	Pre and Post Construction-Expansion	152,348	152,348	0
09645	RR86 (Line 86) at Manser Rd (RR5)	129,395	129,395	
07121	RR58(FischerHallman)Bleams to Activa	110,985	110,985	0
07259	RR57 (University) Erb to Keatsway	107,696	107,696	0
07192	S.Boundary Rd, Water to Franklin	105,616	105,616	0
07294	RR4(Ottawa St)Homer Watson to Alpine	101,768	101,768	0
05204	RR33(Townline) Avenue to Canamera Pkwy	118,140	100,444	17,695
05779	Waterloo Spur Trail	85,363	85,363	0
07257	RR22(Northfield Dr),Davenport to University	82,866	82,866	0
07074	Growth Related Transportation Study	81,238	81,238	0
07145	RR#56 (Bleams) at FischerHallman	67,244	67,244	0
07248	RR#17&26 Sawmill Rd at St. Charles St	54,447	54,447	0
05489	RR8(Weber)King to Milford	232,254	53,785	178,469
07302	Transportation & Transit Forcasting Model Development	52,893	52,893	0
07129	S.Boundary Rd,Franklin to Dundas	48,236	48,236	0
05752	RR6 (Highland)Eastforest Trail/Westheights to Trussler	47,762	47,762	0
05349	RR70(Ira Needles) Victoria to West Hill	37,283	37,283	0
07132	RR36(Franklin)Myers to Camb SE Boundary	22,099	22,099	0
05471	RR75(Spragues)Brant/Waterloo Brdy to Wrigley	96,092	21,230	74,862
07332	RR4 (Ottawa St) King St (RR15) to Charles St (RR64)	24,551	20,869	3,683
07185	RR24(Hespeler)at Queen/Beaverdale	17,535	17,535	0
05110	Victoria Street Edna to Bruce	14,345	14,345	0
09025	Growth Related Traffic Signal	12,581	12,581	0
09644	RR6 (Highland Rd) at West Ave	11,888	11,888	0
	Misc projects with RDC funding under $10,000	59,926	45,798	14,128
	Project Funding Returned to DC Funds*	<289,568>	<289,568>	0
	2014 TRANSPORTATION PROJECTS	**37,148,567**	**33,533,253**	**3,615,314**

* Final receipt of third party funding - previous RDC funding returned to reserve

APPENDIX C

Regional Municipality of Waterloo
2014 Development Charge Appropriations

Water Capital Projects

Project #	Description	Expenditures 2014	Total RDC	Other Sources incl. Water Reserve Fund
04178	Weber St - Connection Kitchener to Waterloo	942,765	942,765	0
04024	Mannheim WTP RMP Supernatant	2,226,885	558,948	1,667,937
04083	New Watermains	440,337	440,337	0
04893	Facilities Upgrades	1,506,932	391,802	1,115,130
04168	Cambridge East WTP Upgrades	1,235,166	310,027	925,140
04125	Source Protection Technical Assessment	1,069,301	278,018	791,283
04070	Glasgow & Belmont (Wells K11/K13 Gage)	965,279	242,285	722,994
04082	Watermain Upgrades	798,610	207,639	590,971
04135	Well Optimization & Upgrades	709,305	184,419	524,885
04969	SCADA Communication Upgrade	696,888	181,191	515,697
04156	Kitchener Zone(s) 2/4 Distribution Upgrades	176,216	176,216	0
04007	Long Term Water Supply Strategy-5yr. Review	120,285	120,285	0
04940	Kitchener/Waterloo Zone 6 Reservoir	111,179	111,179	0
04864	Water Efficiency - ICI Programs	190,036	95,018	95,018
04159	Asset Management	347,079	90,241	256,839
04124	Source Protection Planning & Programming	275,535	71,639	203,896
04160	William St & K41/K42 Class EA	270,896	67,995	202,901
04112	Building Upgrades	261,396	67,963	193,433
04911	Regulatory Requirements Upgrades	254,995	66,299	188,696
04943	Water Efficiency-Outdoor Water Use	119,266	59,393	59,873
04170	Monitoring System Management	208,381	54,179	154,202
04151	Mannheim Chemical Storage Building	213,132	53,496	159,636
04086	Baden New Hamburg Loops	48,833	48,833	0
04165	Clean Water Act Implementation	185,773	48,301	137,472
04930	Assessment West Montrose System	183,048	45,945	137,103
04134	Maple Grove Area Water Supply System	45,056	45,056	0
04017	Greenbrook System Upgrades	164,165	41,206	122,960
04014	Integrated Urban System Groundwater Supply	40,418	40,418	0
04173	Conestoga Plains Systems Upgrades	153,362	38,494	114,868
04904	LTWS ASR Stages 1 + 2	35,318	35,318	0
04149	GW/SW Assessments	132,095	34,345	97,750
04152	MOE Tier 3 Water Stress Assessment	232,880	33,249	199,631
04157	Water Supply Operations Master Plan	123,364	32,075	91,290
04129	Toilet Replacement Program	62,232	31,116	31,116
04161	Kitchener Zone 4 Feeder Upgrades	21,302	21,302	0
04099	Greenbrock Long Term Assessment	78,732	20,470	58,262
04018	Middleton System Upgrades	67,303	16,893	50,410
04166	Water Efficiency Master Plan	16,522	16,522	0
04167	Turnbull PS Upgrades	63,768	16,006	47,762
04039	MCC Upgrades	48,318	12,563	35,756
04920	Strange St. Upgrades	48,260	12,113	36,147
04090	W&E Research & Development Project	33,424	10,540	22,884
	Misc Projects with RDC funding under $10,000	69,715	18,249	51,466
	2014 Water Projects	**14,993,753**	**5,390,347**	**9,603,406**

APPENDIX C

Regional Municipality of Waterloo
2014 Development Charge Appropriations

Wastewater Capital Projects

Project #	Description	Expenditures 2014	Total RDC	Other Sources & Wastewater Reserve Fund
08255	Preston Biosolids Upgrades	2,851,094	621,539	2,229,556
08302	East Side Final PS & Force Main	348,460	348,460	0
08309	Rural Infrastructure Upgrades	796,856	328,305	468,551
08308	Cambridge Infrastructure Upgrades	1,187,599	296,900	890,699
08317	Baden/New Hamburg Expansion	293,203	293,203	0
08279	SCADA System	457,998	120,454	337,545
08307	Kitchener & Waterloo Infrastructure Upgrades	420,099	105,445	314,654
04864	ICI Education Development	190,036	95,018	95,018
08281	River Sampling Program	354,968	93,357	261,611
08750	Rural Water Quality Program	250,000	65,750	184,250
04943	Outdoor Water Use By Law Dev	119,266	59,393	59,873
08305	Wastewater Treatment Upgrades	180,693	47,522	133,171
08288	Other Studies	171,708	45,159	126,549
08318	Assimilative Capacity Studies	40,092	40,092	0
08270	Biosolids Masterplan Update	118,927	31,278	87,650
04129	Toilet Replacement Program	62,232	31,116	31,116
08242	Hespeler Expansion	20,713	20,713	0
08310	Sewage PSs Infrastructure Upgrades	61,413	16,152	45,261
04090	W E Testing and Research	33,424	10,540	22,884
	Misc Projects with RDC funding under $10,000	56,897	15,449	41,448
2014 WASTEWATER PROJECTS		8,015,678	**2,685,842**	5,329,836

APPENDIX C

The Regional Municipality of Waterloo
2014 Development Charge Appropriations

General Government Capital Projects				
Project #	**Description**	**Expenditures 2014**	**Total RDC**	**Other Financing**
60005	RDC By Law Review	110,715	99,644	11,071
22021	Watershed Growth Studies	35,973	32,376	3,597
22007	Regional Smart Growth Initiative	750,866	672,000	78,866
		897,554	**804,020**	**93,534**

Airport Capital Projects				
Project #	**Description**	**Expenditures 2014**	**Total RDC**	**Other Financing**
03564	Randell Drain Stormwater Upgrade	110,879	67,412	43,467
03544	Sanitary Forcemain Servicing	75,331	33,899	41,432
03574	Security Upgrades	93,346	42,006	51,340
03547	Airport Business Plan Update	104,893	94,403	10,490
		384,449	**237,720**	**146,729**

Police Capital Projects				
Project #	**Description**	**Expenditures 2014**	**Total RDC**	**Other Financing**
50000	Police vehicles - growth	143,500	143,500	
50019	ISU - Recover Excess Capacity		266,351	
50022	North Division Expansion - Recover Excess		71,407	
50022	North Division Expansion	29,771	11,908	17,863
50042	Expansion of Headquarters (ERU) garage	994,187	497,094	497,093
		1,167,458	**990,260**	**514,956**

Paramedic Services Capital Projects				
Project #	**Description**	**Expenditures 2014**	**Total RDC**	**Other Financing**
82016	EMS Station - Kitchener Downtown	617,368	1,114	616,254
		617,368	**1,114**	**616,254**

Library Capital Projects				
Project #	**Description**	**Expenditures 2014**	**Total RDC**	**Other Financing**
20002	Library holdings acquisitions	67,000	60,300	6,700
		67,000	**60,300**	**6,700**

Transit Capital Projects				
Project #	**Description**	**Expenditures 2014**	**Total RDC**	**Other Financing**
66029	Passenger Station Development	1,060,882	193,081	867,801
66059	Card Fare Payment Technology	307,510	55,967	251,543
66062	Strasburg Garage Expansion	7,790,100	1,417,798	6,372,302
66071	Transit Technology	720,000	131,040	588,960
		9,878,492	**1,797,886**	**8,080,606**

Operations/Facilties Capital Projects				
Project #	**Description**	**Expenditures 2014**	**Total RDC**	**Other Financing**
90109	Waterloo Regional Voice Radio System Upgrades	237,681	36,603	201,078
90076	Kitchener Transit Terminal Security Upgrade	40,420	6,346	34,074
		278,101	**42,949**	**235,152**

Report: COR-FSD-15-07

Region of Waterloo

Corporate Services

Financial Services & Development Financing

To: Chair Sean Strickland and Members of the Administration and Finance Committee

Date: March 24, 2015 **File Code:** F27-50

Subject: Proposed Amendments to the Development Charges Act, 1997 by Bill 73 – Smart Growth for Our Communities Act, 2015

Recommendation:

That the Regional Municipality of Waterloo request the Province of Ontario to amend Bill 73 – Smart Growth for Our Communities Act, 2015 to allow for the immediate use of a forward looking service level standard for Rapid Transit projects and to pass the amended Bill at the earliest possible opportunity.

Summary:

The imposition, collection and administration of development charges (DC) in Ontario are governed by the “Development Charges Act” (DCA) and associated regulations. Through Bill 73, the Province has introduced proposed amendments to the DCA which could have the effect of allowing a greater amount of DC’s to be collected to offset the cost of growth related capital works. The Region, together with the City of Ottawa, has been advocating for changes to the DCA since 2010 to allow for the imposition and collection of DC’s for Rapid Transit projects. While the proposed legislative amendments are a good step forward, many issues will be addressed in the regulations. One of the most important is the use of a forward looking service level for Transit Services. Under the process envisioned by the Province, which includes the creation of a Working Group, it is likely that the Region would not be able to proceed with a background study and consideration of a new bylaw to collect Rapid Transit DC’s for another year or more.

Report:

On March 5, 2015, the Minister of Municipal Affairs and Housing introduced Bill 73 –

Smart Growth for Our Communities Act, 2015. The bill has received first reading and would amend the "Development Charges Act" and the "Planning Act". The Province indicates that the bill, if passed, will "help municipalities recover more costs, enhance transparency and accountability, and support higher density development." This report provides information on the proposed changes to the DCA.

Staff previously reported on the Ministry of Municipal Affairs and Housing's consultation on the Development Charges System in Ontario in Report F-14-004 dated January 7, 2014 (attached as Appendix A to this report.) At that time, Regional Council recommended that the Province make changes to the DCA to support the Region's transition to a higher order light rail transit system, specifically by:

- Allowing the use of a 10-year forward looking level of service as the baseline for calculating development charges for transit; and
- Eliminating the 10% mandatory discount on development charges to pay for transit infrastructure.

Council passed additional recommendations regarding changes to the DCA, consistent with the principle that "growth pays for growth," specifically to:

- Include all services funded by a municipality;
- Remove the 10% discount for all services; and
- Replace the 10 year average historic service level limits with a service level that is forward looking.

Many other municipalities, including the City of Ottawa, made similar recommendations to the Province. The development community also provided feedback to the Province through the previous consultation process.

Proposed DCA Amendments

Through Bill 73, the Province has proposed the following changes to the DCA:

1. **Ineligible Services:**
    - Move the definition of Ineligible Services from the Act to the Regulations
    - This allows for easier adjustments to add or reduce ineligible services
    - The Province has indicated its intent to remove waste diversion from the list of ineligible services

2. **Area Specific Charges:**
    - New requirements which will prescribe areas and services which must be undertaken on an area-specific basis

- New powers to allow the Province to prescribe municipalities, services and criteria so that the prescribed municipality must pass more than one by-law for prescribed services and criteria
- Provisions for area-specific charges are to be set out in regulations

3. **Transit Service:**
    - The 10% mandatory deduction of growth-related costs will be removed
    - Transit services would therefore be treated in the same manner as water, wastewater, storm water, police, fire, and other "hard" services.
    - A definition of "transit services" is not included in the Bill

4. **Service Standard Calculations:**
    - The Minister may prescribe services which will not be subject to the 10-year historic average service restriction
    - Restrictions so that a planned 10-year level of service to be achieved over the 10-year forecast is not exceeded
    - Methodology for determining the planned level of service will be set out in the regulations

5. **New Development Charge Background Study requirements:**
    - An examination of the use of area-rating
    - Inclusion of an asset management plan related to new infrastructure – the requirements of the asset management plan, the information to be provided and the manner in which it is prepared will be prescribed by regulation
    - Requirement to demonstrate that all of the new infrastructure in the asset management plan is financially sustainable over their full life cycle (financially sustainable is not defined)

6. **Payment Timing for Multiple Building Permits:**
    - when multiple building permits are issued in respect of a single building, the DC is payable when the first building permit is issued

7. **Annual Report of the Treasurer:** existing reporting requirements will be continued and new requirements added to:
    - Identify all assets whose capital costs were funded by DCs and, for each asset, identify costs which were funded by other sources
    - Include a statement as to the municipality's compliance in not imposing, directly or indirectly, a charge related to a development or a requirement to construct a service related to development, except as permitted by this Act or another Act
    - Require that the report be made available to the public

- Submit the report to the Ministry of Municipal Affairs and Housing if requested by the Minister

8. **Voluntary Payments:**
   - New provisions to prohibit municipalities from imposing voluntary payments or requiring construction of a service not authorized under the DCA (note that exceptions may be made for a prescribed class of development, a prescribed class of services related to development or a prescribed Act or a prescribed provision of an act)
   - Transitional provisions will make exceptions for existing voluntary payment agreements
   - This addresses the Province's goal to curb municipal charges on new developments that fall outside what is allowed in current legislation
   - Ministry of Municipal Affairs and Housing may investigate a municipality for compliance, and the cost of all or a portion of the investigation may be imposed on the municipality

As indicated above, Bill 73 proposes that various provisions be implemented through regulation. The Ministry has proposed to establish a Development Charges Working Group to provide additional advice on the following issues:

- the use of a planned or forward looking service average for transit and potentially other services;
- potential removal of the 10% discount for services beyond transit;
- whether currently ineligible services (in addition to waste diversion) should be eligible for the collection of development charges;
- potential provincial actions to require area rating of development charges to promote intensification.

The Working Group's output would be used to inform the regulations to be considered by the Minister.

Staff Recommendation

Staff has reviewed Bill 73 and the background information and conclude that the proposed changes are generally favourable to municipalities and meet some of the recommendations proposed by the Region. That being said, many issues will be prescribed through regulation and staff are concerned about the amount of time needed to pass such a regulation.

Since 2010, the Region of Waterloo has been asking the Province to amend the DCA to allow for its Rapid Transit project to be eligible for DC funding. The Province amended the DCA in 2006 for the extension of the Spadina subway into York Region. The amendment has allowed the City of Toronto and York Region to recover development charges for the growth related portions of the capital costs of the extension based on the future service level rather than the historic service level. Waterloo Region requested similar treatment for the ION project. The City of Ottawa has made similar requests relating to its Rapid Transit project. Through Bill 73 the Province has indicated its willingness to meet such requests.

However, the number of issues to be prescribed by regulation means that the Region is likely at least 18 months away from being in a position to collect such DC's. Assuming the Working Group is able to complete its work by the end of 2015, the necessary regulations may not be in place until the early part of 2016. Consequently, Council would not be in a position to consider the passing of a by-law to impose development charges for the Rapid Transit project until mid-2016 at the earliest. Staff recommends that Regional Council request the Province to amend Bill 73 to allow for the immediate use of a forward looking service level standard for Rapid Transit projects and to pass the amended Bill at the earliest possible opportunity.

Corporate Strategic Plan:

This report supports strategic objectives found in the Corporate Strategic Plan, and particularly Focus Area 2: Growth Management and Prosperity.

Financial Implications:

Potential implications for the Region include the following:

1. Increased development charge funding for Grand River Transit fleet and facility expansion. The DC Background Study prepared last year sets out $118 million in development related capital costs, with only $24 million or 20% eligible to be funded by DCs. The elimination of the 10% deduction and the application of a forward looking service level could potentially result in $94 million in additional DC eligible costs.

2. Under the current DCA, the Region's Rapid Transit project is ineligible for DCs. Staff completed a DC Background Study for the Rapid Transit project in 2011 and determined that approximately $70 million of the $818 million in capital costs would be DC eligible through the elimination of the 10% deduction and the application of a forward looking service level standard. Staff will be updating this analysis to reflect updated project costs and the growth projections used in the 2014 Background Study. Additional analysis would then be required in order to determine the potential impact on the balance of the Regional Transportation Master Plan funding strategy.

3. The Region's recently approved 10 year Waste Management capital program

includes $10.2 million in waste diversion related capital costs, some or all of which may become eligible for DC funding.

4. Depending on the provisions of the regulation(s), additional RDC funding may be available through currently ineligible services becoming eligible, the elimination of the mandatory 10% discount for additional services and/or the use of a forward looking service level for additional services.

5. The requirement for certain services to be area-rated may impact the level of funding required for non-legislated exemptions, such as the downtown core exemption.

Other Department Consultations/Concurrence:

Input was provided by Legal Services staff.

Attachments:

Appendix A - Report F-14-004 dated January 7, 2014

Appendix B – Hemson Consulting Ltd. Letter dated March 6, 2015

Prepared By: Calvin Barrett, Director, Financial Services & Development Financing

Approved By: Craig Dyer, Commissioner, Corporate Services/Chief Financial Officer

Appendix A

Report: F-14-004

Region of Waterloo

Finance Department

Financial Services and Development Financing Division

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

Date: January 7, 2014 **File Code:** F27-50

Subject: Region of Waterloo Response to Provincial Review of Development Charges System

Recommendation:

That Report F-14-004 be forwarded to the Province of Ontario as Waterloo Regional Council's response to the Ministry of Municipal Affairs and Housing's consultation on the Development Charges System in Ontario;

And That the Province be requested to make changes to the "Development Charges Act, 1997", to support the Region's transition to higher order light rail transit system by:

- Allowing the use of a 10-year forward looking level of service as the baseline for calculating development charges for transit; and
- Eliminating the 10% mandatory discount on development charges to pay for transit infrastructure;

And That the Province be requested to make changes to the "Development Charges Act, 1997", consistent with the principle that "growth pays for growth," including the following:

- Include all services funded by a municipality;
- Remove the 10% discount for all services; and
- Replace the 10 year average historic service level limits with a service level that is forward looking;

And Further That Report F-14-004 be circulated to the Area Municipalities within Waterloo Region for information.

Summary:

Nil

Report:

1.0 Provincial Review of Development Charges

In October 2013, the Provincial government announced a review of "Development Charges in Ontario." The stated purpose of the review is to ensure that Ontario's development charges system is "predictable, transparent, cost-effective and responsive to the changing needs of communities." Comments on this review are being sought by January 10, 2014.

The current "Development Charges Act" (D.C.A. 1997), was passed in 1997. Since that time, municipalities have faced increasing pressure to fund the replacement and rehabilitation of existing aging infrastructure through the tax rate and user rates. The provisions in the D.C.A. 1997 which restrict the financing of new capital infrastructure to support growth through development charges lead to more pressure on the tax rate and user rates to fund this infrastructure.

The funding shortfalls related to the development charge legislation have been a concern to many municipalities across Ontario. The Municipal Finance Officers' Association of Ontario (MFOA) has released a policy paper which is being submitted as a response to the provincial consultation, titled "Frozen in time: Development charges legislation underfunding infrastructure 16 years and counting," in which it outlines that it is counterproductive to limit municipalities' ability to invest in infrastructure by limiting their ability to recover capital costs through development charges at a time when governments are focused on shrinking the infrastructure deficit and stimulating economic recovery through infrastructure investment.

The Region's discussion and response to the consultation document follows.

2.0 Development Charge Methodology and Eligible Services

Prior to 1989, a municipality's ability to recover growth related costs was through the collection of lot levies under the Planning Act. The first D.C. legislation, the "Development Charges Act 1989" (D.C.A. 1989) brought forward many of the practices in calculating charges to recover the cost of growth to ensure growth pays for growth, allowed the municipality to govern its affairs and make the appropriate decisions on providing services and recovering the cost of growth as communities grew. In 1997, the implementation of the D.C.A. 1997 removed the municipality's ability to make these decisions as the recovery of growth related costs are now limited through the exclusion of ineligible services, limits on cost recovery, service level caps and mandated exemptions.

In the D.C.A. 1997, only the capital costs for water, wastewater, and roads are 100% eligible to be recovered from growth provided that historical service levels are not exceeded. Services such as Police, E.M.S., Airport and Transit have a limit on recovery through the 10% deduction and the 10 year service level cap. Services such as waste management, hospital, acquisition of parkland, municipal administration building and computer equipment are ineligible, despite that demand for these services is directly related to the level of growth. The result of all of these restrictions is that the related capital costs are required to be paid by the current taxpayer, further diluting the "growth pays for growth" principle.

The Province has requested input on whether the current development charge methodology supports the right level of investment in growth related infrastructure and specifically, if:

- The 10% statutory discount for soft services should be re-examined;
- The current list of ineligible services is appropriate; and
- The amendment to the D.C.A. 1997 provided to the City of Toronto and York Region which exempted the application of the 10-year historical service level average and the 10% discount for growth-related costs for the Toronto-York subway extension, should be enacted for all transit projects in Ontario or only for high order transit projects (i.e. subways and light rail).

The Region has focused its discussions with provincial officials over the past few years in relation to development charges to the challenge of funding for the major transit expansion and implementation of L.R.T. in the Region. In June 2013, the Regional Chair and the Mayor of the City of Ottawa sent a letter and Policy Brief to the Minister of Finance and the Minister of Municipal Affairs and Housing requesting that the amendment to the D.C.A. 1997 provided to Toronto and York Region be enacted for the higher order transit projects in Ottawa and the Region which are currently underway. A copy of the letter and Policy Brief are attached to this report.

The Region supports the extension of this approach to all transit projects in Ontario as the increase in transit services support policies in the Provincial Places to Grow plan for intensification of urban centres and corridors. Improvements in transit services also help to meet the need for alternatives to additional road infrastructure over the long term, and should be considered for development charge recovery on the same basis as improvements to road infrastructure.

Also, the Metrolinx Investment Strategy has advocated for amendments to the D.C.A. 1997 to remove the 10-year historical service level restriction and mandatory 10% statutory reduction for transit service.

The Region supports the "growth pays for growth" principle and recommends that all services funded by a municipality should be eligible for development charge recovery and the mandatory 10% deduction should be eliminated.

3.0 Reserve Funds

The Province has requested input on whether the current system of reporting D.C.

reserve funds is sufficient and if sufficient information is available to the public or should it be more prescriptive.

The Region currently publishes its annual D.C. reserve fund report on the Regional website and the report provides specifics on revenue by type and exemptions, and project-by-project D.C. capital funding. The Region suggests that the current reporting requirements for the annual reserve fund statement are sufficient.

4.0 High Density Growth Objectives

The Province has requested input on how development charge legislation could better support enhanced intensification and increased densities, how prescriptive should the framework be in mandating tools like area-rating and marginal cost pricing, and what is the best way to offset development charge incentives related to densities.

Over the last decade, two provincial plans have been released that promote the importance of incorporating intensification in growth planning. Both of these plans seek to promote the efficient use of land and infrastructure, the protection of agricultural land and natural areas, seek to focus growth within intensification areas including infill, redevelopment and conversion of existing buildings.

The Region is responsible for the network of water, wastewater, roads, transit, police and other services which is not as dependant on location of services or infill or greenfield development. Therefore, the practice of using average costs of development to calculate development charges may be most appropriate unless there is a justification based on cost difference or policy choice (i.e. transit D.C. only applicable to the cities).

The D.C. framework should remain fundamentally a cost recovery mechanism and flexibility should remain for municipalities which wish to use development charges to promote a certain type or area of development as a result of local circumstances.

5.0 Growth and Housing Affordability

The Province is asking how the impacts of residential development charges on housing affordability can be mitigated in the future, and how development charges can better support economic growth and job creation in Ontario.

The Province has indicated that development charges have been rising steadily since D.C.A. 1997 was passed, leading some people to suggest development charges are having a direct impact on rising housing prices. However, development charges as a percentage of the cost of a new home have remained somewhat stable, at 5 to 9 percent since 1997. Some municipalities also discount non-residential development charges to act as a lever in the attraction of industrial, commercial and institutional development.

As described above, development charges are a cost recovery mechanism and if development charges are discounted, it means that these costs will be recovered from the existing and future taxpayers through higher taxes and user rates. There is also no guarantee that a discount in development charges would be reflected in lower housing prices.

While the Province notes that non-residential development charges may play a role in the attraction of industrial, commercial and institutional development which promotes job creation and growth, in fact, development charges are often rated as being less critical in the overall industrial site selection. Other criteria that influence commercial and industrial site selection decisions include access to transportation, access to skilled labour force, utility rates, property taxes, land prices and availability of serviced lands.

The decision to discount residential or non-residential development charges to promote a certain type of development should be left with the municipality.

6.0 Conclusion

Region staff have participated in the Province's consultation process through discussion with provincial staff at their consultation session hosted by the Region on November 18, 2013 and also through the Regional and Single Tier Treasurers Group. The Region continues to encourage the Province to maintain the flexibility that currently exists in the D.C.A. for a municipality to determine which of the eligible services on which to charge development charges, allowing the municipality to determine whether or not to charge full calculated development charge rates and any appropriate phase-in periods to implement development charge increases.

The Region supports changes to the D.C.A. 1997 which would provide greater flexibility to municipalities and allow for the recovery of growth-related capital costs for all services and particularly, the implementation of the Region's ION L.R.T. system.

Corporate Strategic Plan:

This report supports strategic objectives found in the Corporate Strategic Plan, and particularly Focus Area 2: Growth Management and Prosperity.

Financial Implications:

Development charges provide a key funding source for capital projects required as a result of development within the Region. Without the requested amendment to the "Development Charges Act, 1997", it is expected that the development charges available for the construction of the ION project will be zero as the new L.R.T. service will exceed the average service level for transit services. With amendments to the Act to remove the 10% discount and the 10-year historical service levels, it is estimated that up to $70 million in development charges could be collected to support the construction costs of the L.R.T.

Other Department Consultations/Concurrence: Nil

Attachments:

Attachment 1 - Letter to Minister of Finance and Minister of Municipal Affairs and Housing dated June 25, 2013 from Chair Seiling and Ottawa Mayor Jim Watson

Attachment 2- Policy Brief **Aligning Public Policy in support of Public Transit** from the City of Ottawa and the Regional Municipality of Waterloo dated June 24, 2013

Prepared By: Calvin Barrett, Director, Financial Services and Development Financing

Approved By: Craig Dyer, Chief Financial Officer

Ottawa

Region of Waterloo

June 25, 2013

The Hon. Charles Sousa
Minister of Finance
Frost Bldg South, 7th Floor
7 Queen's Park Crescent
Toronto ON M7A 1Y7

The Hon. Linda Jeffrey
Minister of Municipal Affairs and Housing
College Park, 17th Floor
777 Bay St
Toronto ON, M5G 2E5

Dear Ministers,

We are writing to request that you introduce an amendment to the Development Charges Act 1997, to address our unique situation as municipalities building their first light rail transit systems.

The current Development Charges Act discourages the evolution from a bus centric transit system to a higher capacity and energy efficient light rail system because it limits the amount that can be included in the transit portion of the charge to the 10 year historical cost of service and requires a statutory 10% reduction. This prevents municipalities from recovering the growth-related costs of significant improvements in transit service – such as the implementation of a rapid transit system. Moving from a bus transit system to a light rail system has a higher initial capital cost but results in reduced operating and energy costs in the future.

The Province recognized the difficulty municipalities have when making this shift in delivering transit services in 2006 when it amended the Development Charges Act for the extension of the Spadina subway into York Region. The amendment allowed the City of Toronto and York Region to recover development charges for the growth-related portions of the capital costs of the extension based on the "future service level" rather than the "historic service level". The City of Ottawa and the Region of Waterloo would like the same consideration to ensure that new growth helps pay for the costs of the rapid transit infrastructure that is needed to accommodate and support that growth.

The Province of Ontario and the Federal government are contributing significantly towards the capital costs of the Ottawa and Region of Waterloo projects but there is still a substantial portion of the capital cost that must be funded locally. With your assistance, Development Charges can be increased to an appropriate level to help reduce the burden on the local property taxpayer; however it is important that the requested amendment be approved and in force before year end since implementation of our respective projects is moving forward quickly. Construction on Ottawa's Confederation Line began in 2013. Utility relocation for ION is underway in the Region of Waterloo with construction scheduled to start in 2014.

This overall approach would be consistent with the treatment given to the City of Toronto and York Region.

We have attached a white paper on these issues which provides a brief background on the difficulties with the current Development Charge legislation; undertakes a clear policy analysis and outlines appropriate remedies.

Staff from the City of Ottawa and the Region of Waterloo would be pleased to discuss this analysis in person with Ministry staff.

Thank you for your attention to this matter and we look forward to a positive outcome.

Jim Watson	Ken Seiling
Mayor, City of Ottawa	Regional Chair, Regional Municipality of Waterloo

Attachment:
cc: The Honourable Kathleen Wynne, Premier
The Honourable John Milloy
The Honourable Madeline Meilleur
The Honourable Bob Chiarelli
The Honourable Yasir Naqvi

Policy Brief *Aligning Public Policy in Support of Public Transit*

The City of Ottawa/The Regional Municipality of Waterloo

June 24, 2013

SUMMARY

The Ontario Government has had a policy objective of promoting expansion and improvement in public transit over the past ten years. In line with this policy, two major Ontario municipalities are currently undertaking a transition from a bus based transit system to light rail transit:

- The City of Ottawa is constructing the **Confederation Line**, a major new light rail transit project; and
- The Regional Municipality of Waterloo is constructing its **ION** Light Rail Transit System.

The move to light rail offers more manageable energy costs by replacing diesel with electric propulsion and offers better productivity helping to manage operating cost pressures caused by growth. At a certain point in the maturation of a municipality, a transition must occur to LRT to handle the increasing demands of moving residents around, most efficiently with public transit. Higher capital cost LRT enables more cost effective and manageable operating costs.

However, the Development Charges Act (DCA), 1997, does not allow for developers to meaningfully participate in the cost of this fundamental transit transition. This is because:

1. The DCA requires the use of a 10-year *historical* average level of service as the baseline for calculating development charges; and
2. There is a 10% mandatory discount on development charges to pay for transit infrastructure.

Both of these features of the DCA are out of alignment with the Province's stated focus on public transit and improved environmental outcomes. The forward looking plans to deploy rail, especially those projects already under construction, should be counted at full value in DCA studies setting our new development charges. This is consistent with the solution offered the Toronto-York Subway extension where the Act was amended to allow for inclusion of the service level associated with the project in setting development charges even though it was not yet complete.

Ottawa and Waterloo, the two municipalities in Ontario who are transitioning their transit systems from bus to light rail, are unable to secure reasonable contributions toward this growth infrastructure from developers who will benefit from this new infrastructure. Both municipalities request redress of this situation on a one-time basis during this transition with the requested amendment to the Development Charges Act, 1997 approved and in force before year end since implementation of the rapid transit projects in Ottawa and Waterloo is progressing rapidly. This note provides a brief background of these two features, undertakes a clear policy analysis of both and outlines an appropriate remedy for each.

BACKGROUND

In 1997, the Ontario government passed the Development Charges Act (DCA), 1997. Two of the features of this legislation are as follows:

- **average historic service levels** – Sub- section5 (1) point 4 indicates that Development Charges will be calculated based on the average service level achieved in the ten years before the DC background study ; and
- **10% mandatory discounts** – Sub-section 5 (1) point 8 states that a mandatory 10% discount will apply to the Development Charge calculation except for those services that are listed in Subsection 5 (5).

Transit is the **only "hard" service** that is not excluded from this mandatory discount, while services relating to highways are able to recover 100% of their costs through a DC. A further challenge is that sub-section 7.1 of the DCA states that a discounted service cannot be combined with a service that is not discounted. This unfortunately means that roads and transit cannot be combined into one service called "transportation" even though roads and transit are inextricably linked.

The historical view of transit infrastructure spending is an obvious challenge where there is an inflection point in capital spending as in a bus to rail transition. The direct impact on revenues, for the City of Ottawa and the development of the Confederation Line is outlined in Annex 1. As can be seen, these two provisions have resulted in a reduction of $67.5M in revenue from development charges, revenue that must otherwise come from increased residential and commercial property taxes for transit service. In Waterloo the historical view limitation alone has resulted in a $70M reduction in DC revenues (Annex 2).

Ottawa and Waterloo need a degree of flexibility in service provision that is not possible under the current DCA so that they can choose to include the increased costs of LRT in the DC calculations resulting in developers contributing fairly to the cost of the rail transition.

The government of Ontario has explicitly recognized both the limitations and unfair burden that these features impose. In Budget 2006 they created an exception for the Toronto York subway extension that allowed the project to make use of prospective not retrospective levels of service for the DC calculation and allowed for 100% cost recovery through development charges. The City of Ottawa and Region of Waterloo request the same consideration to enable them to make the transition to a new and more efficient light rail system

POLICY ANALYSIS

The 10% Mandatory Discount

The Province has made clear in a number of its recent policy statements and in the development of new legislation that it is putting a strong emphasis on transit. A few recent examples include:

- Smart growth principles outlined in the *Places to Grow* legislation, including transit-oriented development;
- A strong emphasis on transit infrastructure in Ontario's ten year Capital Plan; and
- Statements in recent environmental policies and publications in which transit is hailed as a key tool in reducing pollution and in facilitating the improved flow of goods, services, and people.

These policy directions are clearly at odds with the inclusion of transit in the 10% mandatory discount, as this discount provides a strong incentive to build roads at the expense of transit by allowing municipalities to capture the full costs of highways but only 90% of transit.

In looking at the current DCA, a positive decision was never taken to include transit in the mandatory discount grouping; rather it was simply omitted from the excluded list. Application of this discount on transit expenditures is, in any event, inappropriate given the Province's policy priority on transit. It would seem that the inclusion by omission in the "soft" category is counter to the general logic of what divides a "hard" vs. "soft" service. Transit is more like a road than a park.

Proposed Policy Remedy: The simplest and most direct remedy for the issue of the 10% mandatory discount would be to add public transit to the list of excluded services in Subsection 5 (5). In so doing, Ontario would be aligning the existing DCA legislation and regulations with its current public policy commitment to transit and with the existing precedent set for the Toronto York subway extension.

Given the impact that a general elimination of the 10% discount could have on the overall development charge we are asking that only the two initial light rail systems being built by Waterloo and Ottawa be excluded from this requirement. This would be similar treatment as provided to the Toronto-York subway extension.

10-year Historical Service Average

The policy purpose of the use of a 10-year historical average level of service is to ensure that, in general, developers do not bear an undue component of the cost of implementation of new infrastructure investments (in other words to help ensure that the cost of this infrastructure is born by all members of a community). In general, the 10-year historical average has worked to govern the reasonableness of spending plans. This general policy purpose, however, does not fit when there is a transition from bus to rail as the new transit infrastructure will enable increased population densities and additional intensification from which developers will directly benefit along with higher property values associated with the move to light rail transit systems.

Proposed Policy Remedy: The most direct solution for the issue of the 10-year historical service average would be to allow for the inclusion of future service levels in the calculation in cases where a new order of transit is being introduced (moving from bus transit to light rail, for example). In this case it is proposed that the Ottawa and Waterloo LRT projects now underway, funded by all three orders of government, be included in the development charge calculation without reduction from the service level cap. All other transit projects would still be subject to this limitation. This would require an amendment to the Development Charges Act and would be consistent with the treatment afforded the Toronto-York Subway extension.

ANNEX 1: CITY OF OTTAWA FISCAL IMPACT OF THE CURRENT DCA, 1997

Ottawa Transit Services Development Charge revenue calculated in the 2009 Background Study as per the Development Charges Act, 1997 compared to the revenues with the Confederation Line not subject to the historical service level cap and the 10% statutory discount:

	With 10% discount & 10-year historical service	Without 10% discount & 10-year historical service levels	Difference
Transit Development Charges (10 year Service)	$324.4M	$391.9 M	$67.5M

Impact on overall Development Charge rates if Ottawa is allowed to include the Confederation Line at the undiscounted cost:

Single Family Rate (outside the greenbelt):	3.7% increase
Non-Residential General Use Rate:	7.8% increase

The $67.5 M equates to a 5.6% tax rate increase if the taxpayer has to fund the difference.

ANNEX 2: REGION OF WATERLOO FISCAL IMPACT OF THE CURRENT DCA, 1997

The Region of Waterloo engaged Hemson Consulting Ltd. to complete a Rapid Transit Development Charges Background Study in 2011, after approval of the LRT project. The DC's available under the current DCA will be zero as the new LRT service will exceed the average service level for transit services. The DC Background Study was completed based on an amendment to the DCA which would provide that the ION LRT project not be subject to the historical service level cap and the 10% statutory discount:

	With 10% discount & 10-year historical service	Without 10% discount & 10-year historical service levels	Difference
Transit Development Charges (based on 20 years growth 2011-2031)	$0.0 M	$70.0 M	$70.0 M

Impact on overall Development Charge rates if Waterloo is allowed to include the ION LRT at the undiscounted cost:

Single Detached Dwelling:	7.5% increase
Non-Residential Rate:	8.2% increase

The Region is currently increasing tax rates by 1.5% for seven years to fund its $253 million share of the capital costs of the project. The $70.0 M would mitigate a significant amount of this increase.

Appendix B

HEMSON
Consulting Ltd.

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March 6, 2015

Dear Sir/Madam,

You will be aware that the Province yesterday released proposed amendments to the *Development Charges Act* (*DC Act*) and *Planning Act*. While the *DC Act* amendments are still only at the preliminary review stage we wish to share with you our initial views on the proposals. The news release announcing the changes may be found on the website of the Ministry of Municipal Affairs and Housing.[1] The proposed legislation "Bill 73, Smart Growth for Our Communities Act, 2015" is set out on the website of the Legislative Assembly of Ontario.[2]

Our overall view of the new legislation is positive. It would move the list of DC ineligible services from the Act to the Regulations with the stated intention that municipalities would have new DC revenue raising powers for waste diversion and a greater ability to fund transit. The DC Background Study process will be more formally integrated with long term financial planning, a practice that Hemson strongly supports and has long advocated. Additional DC reporting requirements mean that those paying DCs would have access to more information about how funds are accounted for and spent—this directly addresses a concern the development industry has voiced for some time.

With respect to the specific proposals:

- The list of **ineligible services**, which is currently included in the *DC Act*, would now be prescribed by Regulation. This would allow the Province to more easily make changes on eligibility in the future. The Province's news release indicates that, at a minimum, the ineligibility of waste management services would be modified to allow DC funding for recycling programs.

[1] http://www.news.ontario.ca/mah/en/2015/03/ontario-introducing-new-rules-for-community-smart-growth.html

[2] http://www.ontla.on.ca/web/bills/bills_detail.do?locale=en&Intranet=&BillID=3176

- **Mandatory area rating** would be introduced through Regulation for prescribed services in prescribed municipalities. The Regulation would prescribe services that are to be subject to area specific DCs and criteria for determining area boundaries. This provision could be used to restrict DCs, for transit for example, to a specific benefitting area. More broadly, the Province could through this provision require municipalities to consider area specific DCs to pursue strategic land use planning goals.

- The Regulation would prescribe services for which the all important "10-year historical average service level" restriction on DC funding is replaced by a less restrictive "10-year future planned level of service". The method and criteria for estimating the **planned level of service** would also be prescribed. Our view is that this more permissive approach is targeted specifically at transit services.

- **Transit** would become a service with **no 10% reduction** in DC eligible capital costs (like water, waste water, storm water, police, fire, and other "hard" services). A definition of "transit services" is not included in the Bill.

- As well as the long term capital and operating cost analysis that is currently required, DC Background Studies would now have to include an **asset management plan** that demonstrates that "growth-related" capital assets are financially sustainable over their full life cycle. Although the term "financially sustainable" is not defined, this provision would ensure that Councils have more financial information at hand when making decisions about meeting the servicing needs of development and imposing development charges during the DC Background Study and By-Law process. Many of our municipal clients may be able to draw upon recently completed asset management plans to satisfy this new requirement.

- For developments that require multiple building permits, the legislation would ensure that a DC is payable upon the **first building permit** being issued. This addresses the development industry's concern about cost certainty, particularly with high rise condominiums.

- The **reporting requirements** under s.43 of the *DC Act* are to be modified and added to. Of all the proposed amendments, this one could require more immediate action from municipal finance staff so as to ensure that adequate information for future reporting is being collected.

- Finally, a clause has been added to s.59 of the *DC Act* that would ensure that "A municipality shall not impose, directly or indirectly, a charge related to a development or a requirement to construct a service related to development." This addresses the Province's goal to **curb municipal charges** on new developments that fall outside what is allowed in current legislation. Transition provisions would allow any such charges that are signed before the Bill becomes law to remain in force, though for how long isn't stated. Broad powers would be provided to the Ministry to investigate whether this new rule is being applied.

Importantly, the proposed legislation is not retroactive (though transitional arrangements for the new reporting requirements are not defined). Therefore the DC by-laws that you currently have in force and effect can remain so until they expire.

Those municipalities that are concerned about the effect of the proposed legislation on DC Background Studies that are either underway or about to start can take heart that much work remains unfinished. As well as the parliamentary review process, the most substantial changes will be enacted by Regulation rather than passage of Bill 73. A Regulation will likely not be passed until 2016 as the Province is establishing a Development Charges Working Group to advise it. The working group is expected to report back with recommendations by the end of 2015.

We will be contacting the Ministry of Municipal Affairs and Housing to ask that Hemson be represented on the Working Group so that our clients' positions on DC matters may be heard. In the meantime, should you have any questions related to the proposed amendments, or on other DC matters, please do not hesitate to contact me or my colleagues.

Kind regards,

HEMSON Consulting Ltd.

Craig Binning
Partner

HEMSON

Report: COR-TRY-15-25

Region of Waterloo

Corporate Services

Treasury Services

To: Chair Sean Strickland and Members of the Administration and Finance Committee

Date: March 24, 2015 **File Code:** F22-00

Subject: Region of Waterloo Property Tax Policy

Recommendation:

For Information

Summary:

Under the Municipal Act, the Region is responsible for a number of property tax policies that apply to both the Region and the Area Municipalities. This information report provides a summary of those policies and the Region's current policy position.

Report:

1.0 Background

The Municipal Act sets out, in a prescriptive manner, the rules governing property taxation in Ontario. The Region, as an upper tier municipality within a two-tier system, is responsible for a number of property tax policies including tax ratios, tax rate reductions for prescribed property subclasses, optional property classes, tax rebates for eligible charities, tax relief for low income seniors and low income disabled persons, graduated commercial and industrial tax rates, and property tax capping. The policies established by the Region affect both the Region and the Area Municipalities. The Region currently has policies and by-laws in place for tax ratios, property tax capping, tax rate reductions for prescribed property subclasses, the optional property class for new multi-residential development, tax rebates for eligible charities and tax relief for low income seniors and low income disabled persons. The Region has also taken no action on other optional property classes and graduated tax rates.

The Region's tax policy decisions over the years have served the Region and the Area Municipalities well and the applicable policies and by-laws remain in effect until otherwise changed by Regional Council with two exceptions: tax ratios and property tax capping. Tax ratios must be established on an annual basis even if the ratios do not change from year to year and the property tax capping options must be adopted annually or a prescribed default program will apply. This report provides information on the various property tax policy responsibilities and the Region's current position.

2.0 Tax Ratios

Tax ratios determine the municipal tax burden for the various property classes relative to that of the residential class. The residential class is the "benchmark" class with an established tax ratio of 1.00 and all other property class ratios are expressed in relation to the residential ratio. The Region's ability to adjust tax ratios and redistribute the tax burden between the property classes is limited by the "fairness ranges" established by the Province. In general, legislation does not allow municipalities to move tax ratios away from the fairness ranges. Tax ratio adjustments can only be made if the ratios move towards the fairness ranges although some exceptions are allowed under specific circumstances for reassessment years. Tax ratios established by the Region also apply to the Area Municipalities. Tax ratios, which only apply to the municipal portion of the tax bill, must be established on an annual basis even if the ratios do not change from year to year.

Current Region Position

As part of the 2006 tax ratio review, the Region initiated a long term tax ratio strategy to reduce the multi-residential (MR) tax ratio, which was one of the highest in the Province, and to develop tax ratios to achieve tax equity for the MR, commercial and industrial property classes. Council approved a long term tax ratio strategy, phased-in over four years (2007-2010), which resulted in a ratio of 1.95 for the commercial, industrial and multi-residential classes.

The long term tax ratio strategy was completed in 2010 and the tax ratios for all three business classes (multi-residential, commercial and industrial) are all at 1.95. The common ratios approximate tax equity for the MR and residential classes, and taxes both the commercial and industrial classes at the same rate for municipal purposes. Further, both multi-residential and commercial properties are businesses and both classes are assessed based on income so a tax ratio of 1.95 for the MR class is quite appropriate relative to the ratio for the commercial class. In addition to the tax equity impacts noted above, the strategy simplified the assessment classification process and eliminated the need for industrial properties to appeal for a class change; provided tax relief to the industrial sector; and provided simplicity for non-residential property owners. The strategy was accomplished with a minimal impact to the residential property of approximately 1.0% in each of the 5 years of the strategy for the Regional portion of the tax bill. During the same time, the Province was taking the same approach by establishing process for a common education tax rate for both the commercial and industrial classes.

Given the successful implementation of the long term tax ratio strategy and the resultant tax equity for the MR and residential classes and for the business classes, tax ratios have remained unchanged since 2010. Staff are recommending no changes to the Region's tax ratios for 2015 as outlined in Report COR-TRY-15-26 2015 Tax Ratios which is included in the March 24th Administration and Finance Committee Agenda.

3.0 Tax Rate Reductions for Prescribed Property Classes

The Municipal Act and applicable Regulations establishes a number of property subclasses to which discounted tax rates apply. The discounted tax rates are intended to ensure that the special nature of the properties is reflected in a fair way. The subclasses include farmland awaiting development, vacant land in the commercial and industrial property classes and excess land in the commercial and industrial property classes.

a) Farmland Awaiting Development

There are two subclasses for farmland awaiting development (FAD) in each of the residential, multi-residential, commercial and industrial property classes. The first subclass for FAD consists of land that is used solely for farm purposes, where there is a registered plan of subdivision on the property but no building permit has been issued for the construction of a non-farm structure. The second subclass for FAD consists of land that would be in the first subclass except that a building permit for construction of non-farm structures has been issued. For farmland with just a registered plan of subdivision, the tax rate for the property may be 25% to 75% of the tax rate for the residential property class and the tax rate can be adjusted up or down by as much as 10% per year. Once a building permit is issued, the tax rate may range from 25% to 100% of the tax rate that would apply to the property's zoned use (e.g. residential, commercial, industrial, multi-residential).

Current Region Position

When the tax rate reductions for FAD were initially established in 1998, Regional Council established the tax rates at 35% of the residential rate for the first subclass (a 65% reduction) and 100% of the rate that would apply to the property's zoned use (a 0% reduction) which were the highest possible rates at that time. Regional Council revisited FAD tax rate reductions again in 1999 and chose to maintain the FAD tax rate reductions.

b) Commercial and Industrial Subclasses

The Municipal Act provides for a subclass for vacant land and a subclass for excess land in both the commercial and industrial property classes, with the subclasses taxed at a lower rate than the full tax rate for the class. The Act further establishes a tax rate of 70% (reduction of 30%) for the commercial subclasses and a tax rate of 65% (reduction of 35%) for the industrial classes but also permits the establishment of a single tax rate within the range of 65% to 70% for both classes (reduction within the range of 30% to 35%).

Current Region Position

For the commercial and industrial subclasses, the Region had previously established a single tax rate of 65% of the full rate for both subclasses (reduction of 35%). As part of the 2013 tax ratio review, Regional Council approved a single tax rate of 70% of the full rate (reduction of 30%), the maximum rate allowed for these subclasses.

Subclass rate reductions do not have to be approved each year. Region of Waterloo By-law 13-008 which established the revised subclass rate reductions remains in effect until such time as it is repealed by Regional Council and the subclass rates are changed.

4.0 Optional Property Class for New Multi-residential Development

The optional property class for new MR development enables municipalities to encourage the development of new-multi-residential housing stock by imposing a lower tax rate on the new developments as compared to tax rates on existing MR property. Lower tax rates are established by setting a tax ratio for the class that is less than the tax ratio for the existing MR property class and the lower tax rates are in effect for a period of thirty five (35) years. New multi-residential property consists of property with seven (7) or more self contained rental units where the units have been newly built or converted from a non-residential use. Under legislation, property in the new multi-residential property class receives this preferential treatment for thirty-five years and the thirty-five year term remains in effect even if the Region chooses to discontinue the class. In other words, new MR development ceases to be in the optional property class after a period of 35 years.

Current Region Position

The Region adopted the optional property class for new multi-residential development in 2001 with a tax ratio of 1.0000. New multi-residential property is taxed at the same rate as residential property. Multi-residential property developed prior to 2001 is taxed at 1.95 times the residential tax rate for municipal purposes in this Region. Education tax rates are the same for all residential and multi-residential property across the province. The reasons for adopting the optional property class included the low vacancy rates at the time, the ability of the optional property class to meet desired impacts and encourage multi-residential development such as affordable housing and its impact on future tax revenue rather than current tax revenue.

An on-going reason for the Region to have the property class is to be eligible for senior government funding for affordable housing. The Investment in Affordable Housing for Ontario (2014 Extension) Program requires Service Managers to either reduce property taxes for rental housing projects to an equivalent or lower rate than the residential rate or provide a grant in lieu of the property tax reduction (Region and Area Municipal amounts). In the absence of the optional property class, the Region would likely have to include a budget provision for the annual cost of the program. Most Service Managers across Ontario have adopted the optional property class for new multi-residential development.

5.0 Optional Commercial and Industrial Property Classes

In addition to the optional property class for new multi-residential development, there are several other optional property classes that an upper tier municipality can choose to adopt. There are three (3) optional commercial property classes for office buildings, shopping centres and parking lots and one (1) optional industrial property class for large industrial property. Optional property classes were introduced in 1998 to enable municipalities to favour one optional class over the other by establishing lower tax ratios for those optional classes. Tax ratios for the optional classes may be adjusted within certain restrictions as long as the overall average ratio for the broad class does not increase. If the change in ratios for the optional property class results in a lower average ratio for the broad class, there will be a shift of taxation on to the other property classes.

Current Region Position

The Region of Waterloo did not adopt any of the optional commercial or industrial classes in 1998 or through subsequent tax policy reviews and many municipalities that initially adopted the optional commercial and industrial property classes have since collapsed the classes following the tax ratio changes legislated in 2001 and the continuation of the property tax capping program. Optional classes complicate tax ratio decisions and capping decisions and calculations. Additionally, the implementation of optional commercial and industrial property classes would be contradictory to the Region’s current position of taxing the business classes equally through a common tax ratio.

6.0 Tax Rebates for Eligible Charities and Similar Organizations

The Municipal Act requires that the Region, as an upper tier municipality, provide tax rebates to eligible charities. The purpose of the tax rebates is to provide tax relief to eligible charities that, prior to 1998, were previously exempt from paying Business Occupancy Tax and may have paid taxes at residential property tax rates. Eligible charities are those charities defined in subsection 248(1) of the Income Tax Act that have a registration number issued by the Canada Revenue Agency. While the legislation requires upper and single tier municipalities to have such a policy, municipalities have some latitude in establishing the parameters of the policy. The Region must have a rebate program for eligible charities occupying commercial and industrial property and the rebate must be a minimum of 40%. The Region may have a rebate program for similar organizations occupying industrial and commercial property; may have a rebate program for charities and similar organizations occupying property in other property classes; may provide for rebates greater than 40% up to 100% and may establish different rebate percentages for individual organizations.

Current Region Position

The Region’s policy on Tax Rebates for Eligible Charities and Similar Organizations provides tax rebates of 50% for eligible organizations occupying commercial or industrial property. Eligible charities are defined as noted above and similar organizations are specifically identified in the policy. The rebate percentage was initially established at 40% in 1998 and increased to 50% in 2001. The Region has chosen to take no action on broadening the rebates to eligible charities and similar organizations in property classes other than the commercial and industrial classes or to establish different rebate percentages for different organizations. The Region’s policy is administered by the Area Municipalities and applications for tax rebates must be made annually in accordance with the policy. The Region’s cost for the tax rebates is in the range of $200,000 annually.

7.0 Tax Relief for Low Income Seniors and Low Income Disabled Persons

The Municipal Act requires upper tier and single tier municipalities to provide tax relief for property tax increases for low income seniors and low income disabled persons owning and occupying property in the residential property class. The requirement is specific to property in the residential property class and low income seniors and low income disabled persons as defined in the municipality’s by-law. While the legislation requires upper and single tier municipalities to have such a policy, municipalities have some latitude in establishing the parameters of the policy. The tax relief can be either a deferral or a cancellation of all or part of the tax increase and no interest can be charged on tax deferrals.

Current Region Position

The Region's policy on Tax Relief for Low Income Seniors and Low Income Disabled Persons provides for tax deferrals for eligible low income seniors and low income disabled persons owning and occupying property in the residential property class. For the Region's program, low income seniors are persons (or their spouses) who are 65 years of age or older and in receipt of an increment paid under the Guaranteed Income Supplement program. Low income disabled persons are persons (or their spouses) who are in receipt of an increment paid under the Ontario Disability Support Program. The first 3.0% of the tax increase is the responsibility of the property owner. Only increases greater than 3.0% can be deferred and the minimum amount to be deferred is $50.00. Eligible amounts are deferred until the property is sold or transferred at which time the total amount deferred becomes a debt to the applicable area municipality. The Region's policy is administered by the Area Municipalities and application for tax relief must be made annually in accordance with the policy. There is very little use of this policy across the region.

8.0 Graduated Commercial and Industrial Tax Rates

Upper tier municipalities have the option of establishing graduated or tiered tax rates for the commercial and industrial property classes. An upper tier could establish two (2) or three (3) bands of assessment. Different tax rates would then apply to each band of assessment with the lowest tax rate applying to the lowest band of assessment; a higher rate applying to the assessment in the next band and the highest rate applying to assessment in the highest band. The lower tax rates are set as a percentage of the highest rate and bands must be established to cover all of the assessment of a property while not overlapping. Assessment bands and tax rate percentages must be the same for all properties within the commercial or industrial property classes but the bands and percentages can differ between the commercial and industrial property classes. Graduated rates shift taxation from lower valued properties to higher valued properties within the same class. The overall tax responsibility for the class is the same before and after setting graduated rates.

Current Region Position

The Region has taken no action on the option to establish graduated tax rates for commercial and/or industrial property. Graduated tax rates are applied across an entire property class so there is no ability to selectively use this tax tool. Consequently, graduated tax rates can result in tax relief for a lower valued property that does not need the relief while at the same time, worsen the tax situation for a higher valued property that does need tax relief. Graduated tax rates would not likely assist small business that lease space within a large commercial or industrial complex and could actually worsen their tax situation. Additionally, graduated tax rates could require significant changes to municipal tax billing systems. Similar to the optional commercial and industrial property classes, graduated tax rates are not designed to operate in a capping environment and the implementation of graduated tax rates would be contradictory to the Region's current position of taxing the business classes equally through a common tax ratio.

9.0 Property Tax Capping

Provincial legislation requires upper tier and single tier municipalities to protect Ontario businesses from large property tax increases. This program, which has been in effect since 1998, protects commercial, industrial and multi-residential property classes from tax increases arising from property tax reform dating back to 1998 through a "cap" or limits on tax increases. Municipal budget increases are in addition to the cap provided certain conditions are met. The legislation provides municipalities with a number of options in setting the annual capping program and funding the limits on tax increases. Program options must be approved annually or a default capping program will apply.

Current Position

The Region of Waterloo establishes it annual capping program to achieve a number of criteria including the lowest capping costs possible; the fewest number of properties affected by capping and the greatest number of properties paying full current value assessment taxes; capping costs funded by limiting tax decreases within the same property class; no impact on other property classes including the residential class and progress towards the goal of getting out of the capping program entirely. The recommended property tax capping program for 2015 will be brought forward in late spring.

10.0 Area Municipal Involvement

It should be noted that all of the Region's property tax policies have been developed in consultation with and have been supported by the Area Municipal Treasurers. In addition to input into the Region's policies and administration of the Region's policies on tax rebates and tax relief (Sections 6.0 and 7.0 above), the Area Municipalities have direct responsibility for Vacant Unit Rebates and Heritage Property Tax Reductions/Refunds.

The Municipal Act requires area municipalities to have a program to provide tax rebates to owners of commercial and industrial property that have vacant units within the property. The program is application based and certain criteria must be met including type of space and the duration of the vacancy. The amount of the vacancy rebate is aligned with the tax rate reductions for commercial and industrial subclasses noted in section 3.0 (b) above and is currently 35%. The Region's cost for vacancy rebates is in the range of $1.7 million annually and is provided for in the annual Corporate Financial operating budget.

The tax reduction/refund program for heritage properties is an optional program to provide property tax relief for owners of designated heritage properties. The program is implemented at the area municipality level and there is flexibility in the type of relief provided (reduction or refund) and the amount of relief provided (between 10% and 40% of property taxes). Regional participation in an area municipal heritage property program is optional. Currently, only the City of Kitchener has a tax refund program for heritage property. The Region does not participate in heritage property tax rebate/refund programs.

11.0 Future Actions

As noted previously in the report, the Region's tax policies serve the Region and the Area Municipalities well and the applicable policies and by-laws remain in effect until otherwise changed by Regional Council with the two exceptions, tax ratios and property tax capping. Should Council wish to review any of the policies in detail, staff can report back during 2015 for the 2016 taxation year.

Corporate Strategic Plan:

The Region's property tax policies support Focus Area 5 of the 2011-2014 Corporate Strategic Plan – Service Excellence and the strategic objective to ensure Regional programs and services are efficient and effective and demonstrate accountability to the public. The Region's current policy on tax ratios supports Focus Area 2 – Growth Management and Prosperity and the strategic objective of supporting a diverse, innovative and globally competitive economy.

Financial Implications:

For the most part, property tax policies impact the distribution of taxes between property classes and not the amount of property taxes collected by the Region. The exceptions are tax rebates to eligible charities and similar organizations and vacancy rebates. The Region's operating budget includes an annual provision of $1.9 million for the Region's share of the cost of tax rebates to eligible charities and similar organizations and vacancy rebates.

Other Department Consultations/Concurrence: Nil

Attachments: Nil

Prepared By: Angela Hinchberger, Director, Treasury Services/Deputy Treasurer

Approved By: Craig Dyer, Commissioner, Corporate Services/Chief Financial Officer

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Report: COR-TRY-15-26

Region of Waterloo

Corporate Services

Treasury Services

To: Chair Sean Strickland and Members of the Administration and Finance Committee

Date: March 24, 2015 **File Code:** F22-00

Subject: 2015 Tax Ratios

Recommendation:

That the Regional Municipality of Waterloo establish the following tax ratios for the 2015 property tax year:

Residential	1.0000
New Multi-residential	1.0000
Multi-residential	1.9500
Commercial	1.9500
Industrial	1.9500
Pipeline	1.1613
Farmland	0.2500
Managed Forest	0.2500

And that the two necessary by-laws to implement the approved 2015 tax ratios and 2015 regional tax rates be prepared for Regional Council approval on April 1, 2015;

And further that the Area Municipalities be notified accordingly.

Summary:

The Municipal Act requires the Region of Waterloo to establish tax ratios on an annual basis for Regional and Area Municipal purposes, even if the ratios do not change from year to year. This report recommends that the Region establish its 2015 tax ratios at the same level as those approved for 2014. Additional information on the Region’s role in property tax policy can be found in Report COR-TRY-15-25.

Report:

Tax Ratios

The Municipal Act sets out, in a prescriptive manner, the rules governing property taxation in Ontario. These rules include establishing tax ratios on an annual basis by an upper tier municipality. Tax ratios determine the municipal tax burden for the various property classes relative to that of the residential class. The residential class is the “benchmark” class with an established tax ratio of 1.00 and all other property class ratios are expressed in relation to the residential ratio. The Region’s ability to adjust tax ratios and redistribute the tax burden between the property classes is limited by the “fairness ranges” established by the Province. In general, legislation does not allow municipalities to move tax ratios away from the fairness ranges. Tax ratio adjustments can only be made if the ratios move towards the fairness ranges although some exceptions are allowed under specific circumstances for reassessment years. Tax ratios established by the Region also apply to the Area Municipalities.

A history of the Region’s tax ratios and the fairness ranges are shown in the following table:

Table 1: History of Region of Waterloo Tax Ratios*

Property Class	1998 – 2000	2001-02	2003	2004-05	2006	2007	2008	2009	**2010-15**	Fairness Ranges
Residential	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	**1.0000**	1.0 to 1.0
New Multi-Res	n/a	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	**1.0000**	1.0 to 1.1
Multi-Res	3.2146	2.7400	2.5250	2.5800	2.3400	2.2400	2.1500	2.0500	**1.9500**	1.0 to 1.1
Commercial	2.0148	1.9800	1.8910	1.9500	1.9500	1.9500	1.9500	1.9500	**1.9500**	0.6 to 1.0
Industrial	3.2175	2.6300	2.5730	2.6100	2.6100	2.4500	2.2800	2.1000	**1.9500**	0.6 to 1.0
Pipeline	1.1613	1.1613	1.1613	1.1613	1.1613	1.1613	1.1613	1.1613	**1.1613**	0.6 to 0.7
Farmland	0.2500	0.2500	0.2500	0.2500	0.2500	0.2500	0.2500	0.2500	**0.2500**	0.01 to 0.25
Mgd. Forest	0.2500	0.2500	0.2500	0.2500	0.2500	0.2500	0.2500	0.2500	**0.2500**	0.25to 0.25

*Includes recommended ratios for 2015;

Alternative format available upon request.

Appendix 1 shows the 2014 tax ratios for various municipalities in Ontario including a number of the Region's upper tier and single tier comparators.

Tax Ratios as a Tax Tool

Tax ratios are a "tax tool" which can change the distribution of taxes among the property classes. Tax ratio changes can be used to ensure that there are no capping shortfalls, better align existing ratios or align ratios with provincial averages, adjust the tax burden for the various property classes or offset reassessment impacts. The use of tax ratios to redistribute taxes among the property classes does not change the total amount of taxes collected.

The Region has in the past reduced tax ratios for the capped classes (multi-residential, commercial and industrial) to reduce the impact of capping and ensure that capping costs could be funded from within the same class, to move the Region's ratios towards provincial averages and to equalize the commercial, industrial and multi-residential ratios. The Region has also utilized tax ratio changes to offset significant reassessment impacts. By changing the tax ratio for a particular class, the Region can change the distribution of taxes among the property classes and offset the class shifts resulting from a reassessment. Reductions in tax ratios would be used to offset reassessments where there has been a shift onto a particular class while increases in ratios would be used to counter reassessments where there has been a shift of taxation off of a particular class provided the ratio adjustments are in accordance with provincial legislation.

How Reassessments / Phase-ins Impact Property Taxes

A province-wide reassessment was conducted during 2012 for the 2013 taxation year with properties valued as of January 1, 2012. Assessment increases are being phased-in over four years (2013-2016) while assessment decreases took effect in the first year (2013).

Reassessments and phase-ins do not generate additional taxes or change the amount of taxes collected. Reassessments and phase-ins simply redistribute the tax burden between property classes and between property owners. That being said, reassessments can impact tax bills in two ways - shifts within a property class and shifts between property classes. The impact to taxpayers for shifts within property classes depends on the change in the assessed value for their property relative to the average for the class. If the assessed value of a property increases by more than the change for the class, the taxpayer will likely see an increase in taxes. Conversely, if the assessed value of a property increases by less than the change for the class, the taxpayer is likely to see a decrease in taxes.

Shifts between classes will occur if the total assessed value for the various property classes increase or decrease at different rates. For the 2013-2016 reassessment and phase-in in this Region, the values for the commercial, industrial and pipeline classes have a lesser increase than the other classes. This results in a shift of taxation from those classes to the residential, multi-residential, farmland and managed forest classes as noted in Table 2 below. The shifts between property classes differ by municipality depending on the market conditions and mix of assessments in the municipality. Similarly, the shifts between the property classes for the different components of the Regional tax levy (general, urban transit, rural transit) also vary. The shifts between classes impact all tax bills and are independent of budget increases.

Phase-In Impacts for 2015

Across the Region, total assessed values for the residential property class increased by 3.8% and 3.7% for the first and second years of the four year reassessment phase-in. The impact for the third year of the phase-in (2015) is a 3.6% increase in the assessed values for the residential class. This increases the value of the average residential property in the Region from $291,500 in 2014 to $302,000 in 2015. The change in the residential property class varies by Area Municipality.

The following table shows the change in current value assessment for taxable properties across the entire Region at the broad class level for the third year (2015) of the four year phase-in and the shift in taxation between property classes for the Region's general levy for 2015. The shifts in taxation experienced in 2013 and 2014 are also shown for comparison purposes.

Table 2: Reassessment Phase-In Impacts – Shifts Between Property Classes

Property Class	Assessed Value Change for 2015	Tax Shift for 2015	Tax Shift for 2014	Tax Shift for 2013
Residential	3.60%	0.23%	0.25%	0.65%
New Multi-Res	6.99%	3.51%	4.12%	4.58%
Multi-Residential	4.71%	1.30%	1.54%	2.10%
Commercial	2.36%	(0.96%)	(1.08%)	(2.17%)
Industrial	1.61%	(1.69%)	(1.79%)	(3.29%)
Farmland	7.96%	4.45%	5.02%	6.09%
Pipeline	1.85%	(1.46%)	(1.54%)	(1.16%)
Managed Forest	8.86%	5.32%	6.00%	4.47%
Total	3.36%	--	--	--

The shifts in taxation between property classes for 2015 are the same as those that occurred for 2013 and 2014. However, given that assessment decreases occur in the first year while assessment increases are phased in over four years, the impact of the class shifts are generally higher in the first year of a reassessment and reduced during the balance of the phase-in period.

The impact to the residential class is 0.23% for the general levy (as shown above), 0.29% for urban transit and RTMP, (0.09%) for both rural transit and library and (0.19%) for Elmira GRT service.

In dollar terms, the Regional impacts for 2015 are relatively minor at $4.52 for an average residential property valued at $302,000 in the urban area, $3.39 for an average residential property in the townships and $3.32 for an average residential property in Woolwich.

2015 Tax Ratios

As noted previously in the report, the Region's ability to adjust tax ratios and redistribute the tax burden between the property classes is limited by the "fairness ranges" established by the Province. Tax ratio adjustments can only be made if the ratios move towards the fairness ranges. While legislation allows for a reduction in the tax ratio for the farmland class, staff does not recommend that. Farm property already benefits from a tax rate that is 75% lower than the residential tax rate for both municipal and education purposes. Any reductions in the multi-residential, commercial, industrial or pipeline ratios would shift taxation on to the residential class. Additionally, the commercial and industrial classes are already benefiting from a shift of taxation off those classes due to the impact of the reassessment phase-in. Finally, changes to any of the multi-residential, commercial and industrial tax ratios would be a departure from the Region's long term tax ratio strategy of having a common tax ratio for all the capped classes. Consequently, staff is recommending no changes to the Region's tax ratios for 2015.

Area Treasurers Position

Given that tax policy decisions at the Regional level have a significant impact to all the Area Municipalities, the recommendations in this report were discussed at the January 2015 Area Treasurers meeting. The Area Treasurers are in agreement with the recommended tax ratios noted in this report.

Next Steps

Once the 2015 tax ratios are approved, the Region and the Area Municipalities can pass their 2015 tax rate by-laws and Area Municipalities can prepare their final bills for the non-capped classes.

The 2015 tax ratios will also be used to model the 2015 capping program. Capping program recommendations are currently being developed and it is anticipated that the recommended 2015 capping program will be presented to Administration and Finance Committee in late May.

The by-laws to implement the approved 2015 tax ratios and 2015 tax rates will be prepared and ready for approval at the April 1, 2015 Regional Council meeting.

Corporate Strategic Plan:

The common tax ratio for the commercial, industrial and multi-residential property classes supports Focus Area 2 of the Corporate Strategic Plan – Growth Management and Prosperity and the strategic objective of supporting a diverse, innovative and globally competitive economy.

Financial Implications:

Tax ratios determine the distribution of taxes between the property classes. The amount of taxes collected by the Region is not impacted by tax ratio decisions.

Other Department Consultations/Concurrence: Nil

Attachments:

Appendix 1 – Comparison of 2014 Municipal Tax Ratios

Prepared By: Angela Hinchberger, Director, Treasury Services/Deputy Treasurer

Approved By: Craig Dyer, Commissioner, Corporate Services/Chief Financial Officer

Appendix 1 - Comparison of 2014 Municipal Tax Ratios

Municipality	Multi-Residential	Commercial (Residual)	Industrial (Residual)
Barrie	1.0000	1.4331	1.5163
Belleville	2.5102	1.9191	2.4000
Brampton	1.7050	1.2971	1.4700
Brockville	1.7700	1.9482	2.6131
Caledon	1.6843	1.3124	1.5805
Central Elgin	2.3458	1.6376	2.2251
Dufferin	2.6802	1.2200	2.1984
Durham	1.8665	1.4500	2.2598
Essex	1.9554	1.0820	1.9425
Greater Sudbury	2.2294	2.1865	3.1780
Grey	1.4412	1.3069	1.8582
Guelph	2.0819	1.8400	2.4174
Halton	2.2619	1.4565	2.3599
Hamilton	2.7400	1.9800	3.1752
Kenora	1.6390	1.9835	2.1232
Kingston	2.2917	1.9800	2.6300
Lambton	2.4000	1.6942	2.0476
London	1.9800	1.9800	2.2200
Middlesex	1.7697	1.1449	1.7451
Mississauga	1.7788	1.4098	1.5708
Muskoka	1.0000	1.1000	1.1000
Niagara	2.0440	1.7586	2.6300
North Bay	2.2054	1.8822	1.4000
Ottawa	1.5316	1.9344	2.6288

Municipality	Multi-Residential	Commercial (Residual)	Industrial (Residual)
Owen Sound	2.4002	1.9662	2.4496
Oxford	2.7400	1.9018	2.6300
Perth	2.1505	1.2469	1.9692
Peterborough (City)	1.9472	1.6202	1.9116
Prince Edward County	1.4402	1.1125	1.3895
Quinte West	2.1300	1.5385	2.4460
Sault Ste. Marie	1.2808	2.0936	2.8453
Simcoe	1.5385	1.2521	1.5385
St. Thomas	2.4987	1.9475	2.2281
Stratford	2.1539	1.9759	2.9005
Thunder Bay	2.6856	1.9800	2.5400
Timmins	1.7866	1.8525	2.2708
Toronto	3.1185	2.9218	3.1185
Waterloo	1.9500	1.9500	1.9500
Windsor	2.5403	2.0037	2.4200
York	1.0000	1.1172	1.3124
Average	2.0068	1.6854	2.1802
Median	2.0120	1.7993	2.2266
Lowest	1.0000	1.0820	1.1000
Highest	3.1185	2.9218	3.1780
Provincial Threshold	2.7400	1.9800	2.6300

Source: BMA Management Consulting Inc.

Report: HRC-CIT-15-02

COR-TRY-15-27

Region of Waterloo

Human Resources and Citizen Service

Corporate Services

Treasury Services (Procurement)

To: Chair Sean Strickland and Members of the Administration and Finance Committee

Date: March 24, 2015 **File Code:** A34-40

Subject: Management of Community Information Database P2014-59

Recommendation:

That the Regional Municipality of Waterloo accept the proposal of the Social Planning Council of Cambridge and North Dumfries for the Management of the Community Information Database at a 3 year cost of $258,025.69 including all applicable taxes with the option to extend for an additional 2 years.

Summary:

Nil

Report:

Background

On June 17, 2014, Council passed a recommendation (CC-14-001 Grants to Community Organizations – 2014 Allocations) indicating that the Region would no longer fund data collection through a Region of Waterloo Grant, but would issue a Request for Proposal allowing the Region to define the terms for data collection. This database consists of information about human services such as meals on wheels, social services etc. This database will be used as a referring source for Regional staff providing services to the public; as a tool for planning new services; and as a resource to community agencies for their service delivery.

In the fall of 2014, the Region released a Request for Proposals (P2014-59) for the purpose of contracting with a single organization to collect community information in a database. Previously there have been many local funders, including the Region of Waterloo, funding various aspects of data collection for community information in this community. Through this contract the Region will obtain ownership of this data and make it freely available to all community agencies and local municipalities through its open data program thus streamlining access to community information. Consistent with current practice, this data would also continue to be provided at no cost to the 211 Ontario information and referral service. As the data was to be made available to the community at large, the two local United Ways participated on the RFP evaluation team. The evaluation team consisted of the Chief Purchasing Officer (Corporate Services), the Manager Citizen Service (Human Resources and Citizen Service), the Manager Business Supports (Community Services), a Business Analyst (Corporate Services), the CEO of United Way Kitchener Waterloo and the Executive Director of the United Way Cambridge and North Dumfries.

The request for proposal was advertised in the Record, on the Ontario Public Buyers Association website and the Region's website. A total of four (4) bids were received. One (1) was disqualified. Three (3) bids met mandatory requirements. The following two (2) proponents were short-listed:

Merak Systems Group	Guelph, ON
Social Planning Council of Cambridge and North Dumfries	Cambridge, ON

Merak and Social Planning Council Cambridge and North Dumfries met all mandatory requirements, were shortlisted and asked to complete a mock database exercise and provide a presentation on their proposal. Merak withdrew their bid during the short listed evaluation process.

Proposals were scored on the following criteria: Quality Factors, Experience, Workplan, Qualification of Project Team and Organization and Price. The price bid by Social Planning Council of Cambridge and North Dumfries received a high score and is within budget.

Corporate Strategic Plan:

Obtaining a comprehensive data set of community information supports a number of areas of the 2011-2014 Strategic Plan, in particular, both of the focus areas of Healthy and Inclusive Communities and Service Excellence. Sharing that data freely with the community is supported by the strategic objective 5.6 “Strengthen and enhance partnerships with area municipalities, academia, community stakeholders and other orders of government” and more specifically action 5.6.1 “Define and implement an open data program that improves the ability of the public to find, download and use Region of Waterloo data.”

Financial Implications:

P2014-59 (3 year term)	$258,026
Less: Municipal Rebate of 86.48% of HST (11.24%)	(25,666)
Total	$232,360

The cost of year 1 is $78,132 (net of HST rebate). Costs for year 2 and 3 are $77,114 (net of HST rebate). The contract would include an option to extend by 2 years.

The 2015 operating budget for Citizen Service includes $80,119 for the management of the community information database.

Other Department Consultations/Concurrence:

This report was jointly prepared by Human Resources and Citizen Service and Corporate Services. Community Services was a key stakeholder in this process. Legal Services were consulted in the preparation of this report.

Attachments:

Nil

Prepared By: **Deb Bergey**, Manager Citizen Service
Lisa Buitenhuis, Manager Procurement/Chief Purchasing Officer

Approved By: **Jane Albright**, Commissioner Human Resources and Citizen Service
Craig Dyer, Commissioner Corporate Services/Chief Financial Officer

Report: PDL-CAS-15-04

Region of Waterloo

Planning, Development & Legislative Services

Council & Administrative Services

To: Chair Sean Strickland and Members of the Administration and Finance Committee

Date: March 24, 2015 **File Code:** L02-30

Subject: Bill 31, Transportation Statute Law Amendment Act (Making Ontario's Roads Safer), 2015 and Uncollected Fines

Recommendation:

That the Regional Municipality of Waterloo request the Province of Ontario to pass Bill 31, the **Transportation Statute Law Amendment Act (Making Ontario's Roads Safer), 2015,** to require defaulted Provincial Offences Act fines to be paid prior to the renewal of vehicle license plates;

And That the Regional Municipality of Waterloo request the Province of Ontario to immediately begin to make the necessary improvements to its database systems and information sharing processes to effectively support the implementation of Bill 31.

Summary:

The total amount of uncollected (defaulted) Provincial Offences Act(POA) fines in the Province of Ontario is now over $1.5 billion. The Association of Municipalities of Ontario (AMO) estimates that the total amount of unpaid fines in Ontario grows by $1 million each week. The amount of money owed to the Region of Waterloo alone is approximately $39.25 million. The defaulted fines in the Region increased on average by $2.0 million a year. Approximately $30 million, 76% of the Region's uncollected fines, relate to charges against motor vehicles. Defaulted fines are detrimental to the administration of justice, undermine road safety initiatives, and create an atmosphere that encourages non-compliance and non payment. Any improvement in collection processes needs to focus on motor vehicles. Bill 31, **Transportation Statute Law Amendment Act (Making Ontario's Roads Safer), 2015,** provides an essential tool for

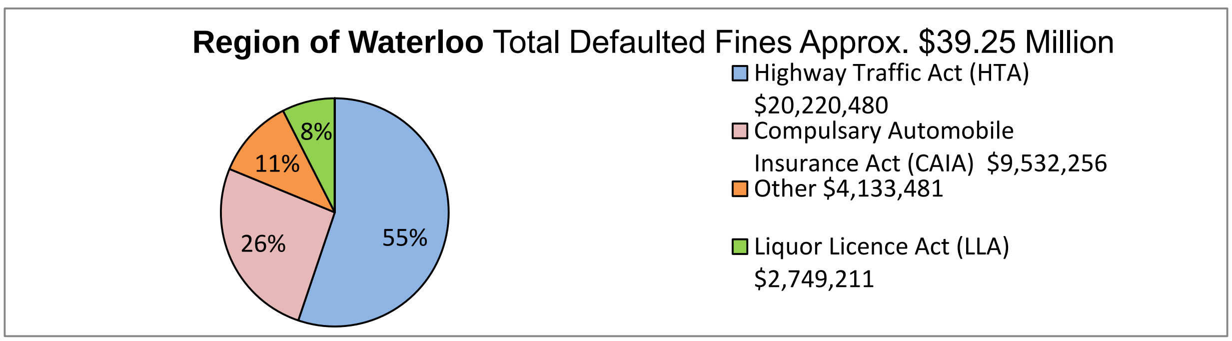
collection of defaulted fines by allowing these fines to be applied to the license plate. This would force owners of vehicles to pay off any outstanding fine amounts before renewing their license plate.

Report:

Background

Fines levied under the "Provincial Offences Act" are difficult to collect due to the limitations of the tools currently available. Very little has changed in the area of fine collection since POA court services were devolved from the province to municipalities in 2000. This is why the total dollar amount of defaulted fines has continued to grow throughout the province. Municipalities are therefore very interested in seeing more effective and efficient collection measures put in place.

In Waterloo Region, the total amount of fines currently in default is $39,257,648 million, and this increases on average by $2 million a year. The total is a combination of $10,008,808 million in defaulted fines still outstanding from when the court was devolved from the province to the Region in February 2000, and the $29,248,840 million that has since gone into and remains in default.



The chart above shows the Region of Waterloo's defaulted fine amounts by charge classification. Each fine classification has unique challenges when it comes to collection. Approximately 76% of all outstanding fines relate to motor vehicle infractions and the amount of money owed from defaulted traffic fines is the most significant, approximately $30 million, and therefore any improvement in collection processes needs to focus in this area. The majority of Liquor License charges end up in default because there are no reasonable enforcement mechanisms that can be applied to them. They are not eligible for driver's licence suspension or plate denial so they remain largely uncollectable.

At devolution in 2000, there was approximately $15 million in outstanding fines passed on to the Region of Waterloo by the province of Ontario to collect. Collection efforts brought this amount down to $10 million; however, many of the matters are now quite old. The age of the fine made tracking the offender extremely difficult and these fines remain outstanding. Tools for enforcement focus on driver's license suspensions as the means to compel people to pay. The Region hired 2 internal collectors and began using collection agencies to try and collect this money. However, license suspension alone is not enough incentive to get offenders to pay; many are willing to continue to drive unlicensed. As a result, this has created a situation where courts continue to sustain high levels of defaulted fines every year even though there is active pursuit of offenders.

The magnitude of this delinquency undermines public safety (driving with suspended licenses, penalties that do not change driving habits), the rule of law, and accountability. It clearly has significant financial impact on municipalities including the Region of Waterloo. The Ontario Association of Police Service Boards (OAPSB) together with the Municipal Court Managers Association (MCMA) and the Association of Municipal Clerks and Treasurers of Ontario (AMCTO) developed a white paper on uncollected fines and it was released in November of 2011, with key recommendations listed below. The collection of outstanding fines is important to the Region of Waterloo for several reasons including the ones listed above; however without better collection tools and methods the Region's success will continue to be limited. Furthermore, a greater ability to collect fines would obviously return greater revenue to the Region.

Government Action To Date

Streamlining and Bill 212

In 2007 the Ministry of the Attorney General began an undertaking with involved stakeholders, ministries, and municipalities to examine the "Provincial Offences Act" and current court procedures to determine what changes could be made to improve POA performance. This exercise, entitled Streamlining, was concerned mainly with procedural reform but there was a section on enhancing the enforcement of POA fines. Bill 212, passed in December of 2010, contained some measures approved by the Ministry of the Attorney General from the streamlining exercise. Unfortunately, these measures have little overall impact on improving fine collection: collection by adding fines to municipal tax rolls is complicated and can only be done under very specific conditions. The same applies to making fine payment a condition for receiving municipal licenses and contracts. The Increase to some fine amounts did not make them easier to collect and works to increase the amount in default.

The following key provision was left out: Plate denial for all POA offences. As a result, POA courts did not receive a necessary tool that would have made collection more effective and efficient.

Ontario Association of Police Service Boards (OAPSB) White Paper

The OAPSB released a white paper on November 1, 2011, as a means to address the problem of unpaid fines in Ontario. Specific recommendations from the white paper that would assist with the problem of uncollected POA fines include:

- providing POA courts with the ability to suspend drivers' license and plate denial
- garnishment of federal income tax returns against unpaid fines
- linking the databases of the Ministries of Transportation and the Attorney General for better information sharing with enforcement and collecting agencies
- use of vehicle impoundment and demerit points for non-payment of fines
- use of incentives such as discounts for early fine payment
- doubling the fine for late payments
- negotiation of agreements with other jurisdiction
- improvements to the quality and accessibility of data.

The White Paper also recommended that the Province host regular consultation and discussion sessions with stakeholders and the insurance industry.

Drummond Commission

The Commission on the Reform of Ontario's Public Services (the Drummond Commission), in its final report in 2012 "Public Services for Ontarians: A Path to Sustainability and Excellence", also touched on the issue of uncollected fines. The Commission recommended that steps should be taken by the Provincial government to improve the situation by:

- improving collection mechanisms
- assisting municipalities in developing policy for fine collection
- allowing the use of licence and registration suspensions as a tool to help with the collection of POA fines related to vehicles
- allowing unpaid POA fines to be added to an offender's property tax bill (even if property is jointly owned)
- offsetting income tax refunds against unpaid POA fines, and,
- centralized and co-ordinated collections.

Bill 31, Transportation Statute Law Amendment Act (Making Ontario's Roads Safer), 2015

Bill 31 is the reintroduction of legislation that was tabled before the last provincial election. The proposed legislation has received second reading and is currently being discussed at committees. The legislation would provide a useful tool for collection of defaulted fines and follows recommendations previously made to address the situation of unpaid fines in the province. Bill 31 would deny license plates and renewals to drivers with unpaid fines for offences such as speeding, improper lane changes, illegal turns, driving without insurance and careless driving. With three quarters of all POA fines subject to this measure for enforcement it's feasible to infer that a significant increase in revenue would be possible.

There are, however, a number of logistical issues that will have to be identified and overcome in order to use the legislation as an enforcement tool. Foremost is how any new system to allow the transmission of data will be created. As it stands now there is no ability for the court's ICON database to communicate with the Ministry of Transportation (MTO) computer systems. Negotiations with the province will need to take place regarding how the implementation of the legislation and IT solutions would be funded, and other logistical aspects will need to be worked out. Enhanced cooperation and communication is needed between the Attorney General's office, the Ministry of Transportation, and the municipal courts for successful implementation of the legislation. Each Ministry will have to agree on technology solutions and implement them for the benefit of other stakeholders who would need to be given access to this data. With that, municipalities could better manage their defaulted caseload.

Further Enhancements Required

Regional staff also continues to support other OAPSB initiatives. It is important to make the provincial government aware of this support and to work towards bringing the White Paper's recommendations to fruition. Of particular value is to tying of all unpaid POA fines to plate renewal, the ability to charge interest on unpaid fine amounts, and to seek interception of income tax returns. These three measures are very attainable, require little in the way of resource allocation for municipalities and will yield positive results.

Conclusion

Collection of fines under the POA is inadequate under the present regime as established by the province. Municipalities have had to develop expertise and navigate complex processes without proper support and at a cost. As much as can be achieved has been using the tools available and further help is needed. Streamlining the POA resulted in some measures coming out in Bill 212 but most of the changes were procedural and not focused on fine collection. The OAPSB White Paper contains significant measures, some of which have been presented to the province already. Bill 31 has been the most significant option provided by the province to date. It has the greatest potential to positively increase revenue by focusing on defaulted fines. Staff recommend The Region of Waterloo support and encourage the Province of Ontario to pass Bill 31 and to work quickly to enable it to be acted upon by municipalities.

Corporate Strategic Plan:

This report is aligned with Focus Area 5 of the strategic plan - 5.3 Ensure Regional programs and services are efficient and effective and demonstrate accountability to the public. For the Provincial Offences Court to become efficient and effective better collection tools are required and greater cooperation between various Province Ministries and the Region is needed.

Financial Implications:

There are currently $39.25 million in defaulted fines owed to the Region of Waterloo. The majority of the fines outstanding are related to Highway Traffic Act offences and Automobile Insurance Act offences. The Region uses internal collection clerks and collection agencies to actively pursue debtors. The fine revenue generated by the internal collectors averages $2.0 million a year and collection agency revenue is just over $640,000 for 2014. Defaulted fines continue to grow at a rate of approximately $2 million per year.

Other Department Consultation:

Not applicable.

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Approved By: Rob Horne, Commissioner, Planning, Development and Legislative Services

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Council Enquiries and Requests for Information				
Administration and Finance Committee				
Meeting date	Requestor	Request	Assigned Department	Anticipated Response Date