Regional Municipality of Waterloo

Administration and Finance Committee

Agenda

Tuesday, January 7, 2014

Immediately following the Planning and Works Committee meeting

Regional Council Chamber

150 Frederick Street, Kitchener


2. Delegations

   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.

3. Request to Remove Items From Consent Agenda

4. a) CR-CLK-14-001, Consent Agendas – One Year Review (Approval)  1

   b) F-14-003, Collection Process For Delinquent Accounts-Water Shut Off (Information)  4

   c) F-14-004, Region of Waterloo Response to Provincial Review of Development Charges System (Approval)  13

   Regular Agenda Resumes
5. **Information/Correspondence**
   
a) Council Enquiries and Requests for Information Tracking List

6. **Other Business**

7. **Next Meeting – January 28, 2014**

8. **Adjourn**
Region of Waterloo
Corporate Resources
Council and Administrative Services

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

Date: January 7, 2014

File Code: C04-01

Subject: Consent Agendas – One Year Review

Recommendation:

That the Regional Municipality of Waterloo approve the permanent implementation of consent agendas for Regional Administration and Finance, Community Services and Planning and Works Standing Committee meetings.

Report:

Regional Council approved the implementation of consent agendas for the three main Standing Committees effective January 1, 2013 for a one year trial period. (Report CR-CLK-12-010). The consent agendas have been utilized for the last 12 months and this report provides statistics on the use of consent agendas and a recommendation to permanently implement consent agendas.

These are the statistics regarding consent agendas at Standing Committees for the full 2013 year.

<table>
<thead>
<tr>
<th>Standing Committee</th>
<th># Of Items On Consent Agenda</th>
<th># and % Of Items Removed From Consent At Meeting</th>
<th># Of Items On Regular Agenda</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administration &amp; Finance</td>
<td>43</td>
<td>4 (10%)</td>
<td>32</td>
</tr>
<tr>
<td>Community Services</td>
<td>92</td>
<td>11 (12%)</td>
<td>57</td>
</tr>
<tr>
<td>Planning &amp; Works</td>
<td>99</td>
<td>16 (16%)</td>
<td>96</td>
</tr>
</tbody>
</table>

Since the volume of material on agendas varies from meeting to meeting and year to year, it is difficult to ascertain how much time is saved with the consent agenda process. Based on the statistics reviewed, staff is recommending the permanent implementation
of consent agendas. From a public perspective, there have been no comments received about the move to consent agendas or the lack of clarity with the process. It is suggested that Committee Chairs continue to explain the consent agenda process for the benefit of the webcast viewers and to provide clarity. To date, there have not been any concerns identified by members of Council with the process for removing items from the consent agenda. It will continue to be the responsibility of each individual Councillor to declare a pecuniary interest on any related matters and request those items to be removed from the consent agenda and taken separately.

An amendment was made to the Procedural By-law in early 2013 to accommodate the move to consent agendas. If this implementation is to remain permanently, no further amendments are required.

Currently the Committee Chairs are also involved in determining which items are placed on the consent agenda. It is proposed to continue with this process while still utilizing the criteria developed last year when consent agendas were implemented. As a reminder the following criteria are used to determine what items are placed on the consent agendas:

a) Exclude from consent agenda:
   - items with registered delegations;
   - presentations;
   - items with known pecuniary interests;
   - items that are politically sensitive/controversial;
   - annual reports

b) Include on consent agenda:
   - reports for information or with relatively routine recommendations after consultation between Committee Chair and Commissioner;
   - correspondence/communications;
   - routine matters such as monthly report of development activity, etc.

As stated, staff is recommending the permanent implementation of consent agendas and no further amendments to the Procedural By-law are required.

**Corporate Strategic Plan:**

The recommendation for consent agendas falls under Strategic Focus Area #5, Service Excellence to ensure Regional programs and services are efficient and effective.

**Financial Implications:**

Nil

**Other Department Consultations/Concurrence:**
Nil.

**Prepared By:** Lee Ann Wetzel, Manager, Council and Administrative Services/Deputy Clerk

**Approved By:** Kris Fletcher, Director, Council and Administrative Services/Regional Clerk
Region of Waterloo
Finance Department
Treasury Services Division

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

Date: January 7, 2014

File Code: F03-00

Subject: Collection Process For Delinquent Accounts-Water Shut Off

Recommendation:

For information

Summary:

The Region of Waterloo commenced billing and customer support for water and wastewater services in the Township of North Dumfries and the Township of Wellesley on October 1, 2010 and January 1, 2012 respectively. During the summer and fall of 2013, staff focused on collection of arrears and the development of collection processes. This report provides information to Committee members regarding the planned collection processes for water and wastewater accounts. The processes are consistent with those followed for other Regional program areas and by the five area municipalities for water and wastewater.

Report:

The Region assumed ownership of the water and wastewater distribution systems in the Township of North Dumfries and the Township of Wellesley in 2005. From 2005 to 2010, the billing and customer support functions of the retail water and wastewater accounts were subcontracted to Cambridge North Dumfries Hydro and the Township of Wellesley. In 2009, the transition of bringing these functions in house commenced as follows:

<table>
<thead>
<tr>
<th>Date</th>
<th>Transition of Retail Water Billing to Region of Waterloo</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fall 2009</td>
<td>The Region received notice from Cambridge North Dumfries Hydro that they will discontinue providing billing services for Township of North Dumfries customers effective October 1,</td>
</tr>
</tbody>
</table>

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<table>
<thead>
<tr>
<th>Date</th>
<th>Transition of Retail Water Billing to Region of Waterloo</th>
</tr>
</thead>
<tbody>
<tr>
<td>September 28, 2010</td>
<td>Report F-10-087, presented to Administration and Finance Committee, outlined the action taken by Regional staff to ensure the transition effective October 1, 2010 of the billing and customer service function from Cambridge North Dumfries Hydro to the Region of Waterloo for users in the Township of North Dumfries. The report highlighted the process of subcontracting meter reading service and the acquisition of a billing and customer service software.</td>
</tr>
<tr>
<td>October 1, 2010</td>
<td>The Region commenced billing and customer support for the Township of North Dumfries.</td>
</tr>
<tr>
<td>July 2011</td>
<td>The Region received notice from the Township of Wellesley that they would no longer provide water billing services for customers in the Township of Wellesley effective January 1, 2012. Regional staff also worked through a number of challenging transitional issues.</td>
</tr>
<tr>
<td>December 6, 2011</td>
<td>Report F-11-080, presented to Administration and Finance Committee, approved the harmonization of water and wastewater retail billing procedures and administrative charges for the Township of North Dumfries and the Township of Wellesley and provided information on the planned collection process, including service disconnection, for a number of delinquent accounts.</td>
</tr>
<tr>
<td>December 2011</td>
<td>The Region implemented a new billing system and converted the Township of North Dumfries data into the new billing system.</td>
</tr>
<tr>
<td>January 1, 2012</td>
<td>The Region commenced billing and customer support for the Township of Wellesley.</td>
</tr>
<tr>
<td>January 2012- June 2013</td>
<td>Region staff addressed transition issues regarding customer data.</td>
</tr>
<tr>
<td>July - August 2013</td>
<td>Overdue notices were mailed for accounts in arrears in excess of 40 days.</td>
</tr>
<tr>
<td>October – November 2013</td>
<td>Finance and Water Services developed next steps for collection of accounts in arrears in excess of 40 days.</td>
</tr>
</tbody>
</table>
Generally, the billing and collection process that Regional staff will follow is outlined below:

- Water consumption is measured through a bi-monthly read of water meters.
- Water and wastewater invoices are issued bi-monthly for consumption in the prior 2 months and are due 21 days from the invoice date. Invoices include previous unpaid balances and interest charges.
- Interest of 1% per month on overdue amounts is charged monthly 2 days after the invoice due date.
- The first collection letter is mailed 10 days after the invoice due date.
- Regional staff initiates customer calls/emails to follow up on payment. Where payment in full is not possible, payment plans are drawn up and approved. Generally, water payment plans are not to exceed six months.
- The second collection letter is mailed and potentially hand delivered or posted on the front door 40 days after the invoice due date. The letter notifies customers of potential water service disconnection if payment is not made within 14 days of the date on the letter or a payment plan is not arranged. Payment can be made in person, by telephone, certified cheque, online banking or credit card.
- Accounts not paid within those 14 days will be reviewed and water disconnection notices will be prepared.
- Water disconnection notices will be hand delivered or posted on the front door of the service address. The letter indicates when water disconnection is scheduled to happen.
- Water is turned back on within 24 hours (business hours Monday to Friday) after payment is made and a $100 water re-connection fee is charged to the account as approved in the fees and charges by-law.
- If the customer fails to pay the balance outstanding after water disconnection, a request for transfer to property tax is issued to the applicable area municipality. The request is made on an annual basis in early June.

Section 81.(1) of the "Municipal Act, 2001" gives the Region the authority to shut off the supply of a public utility to land if fees or charges payable by the owners or occupants of the land for the supply of the public utility to the land are overdue.

In accordance with section 81.(3) of the "Municipal Act, 2001," a municipality shall provide reasonable notice of the proposed shut-off to the owners and occupants of the land. As noted above, the Region will mail and potentially hand deliver or post on the front door, the second late payment reminder notice and will allow two weeks for payments to be made.

**Status of Overdue Accounts**

At the time of this report, there are 171 accounts in arrears over 60 days in the Township of North Dumfries and Township of Wellesley for a total of $58,063. These accounts represent 4.7% of the 3,700 water and wastewater billed customers. All of
these accounts have not made payments in quite some time. Of these, 27 accounts have balances over $1,000 totaling $44,627. Staff is developing a phased approach to collection of arrears with the first phase being the 27 accounts with balances in excess of $1,000. The second phase will look at all other accounts in arrears over 60 days. All 171 accounts have received a first late payment notice.

For these 27 accounts the timeline for the collection process would be as follows:

<table>
<thead>
<tr>
<th>Action</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Report to Committee</td>
<td>Jan 7, 2014</td>
</tr>
<tr>
<td>Mail second notice</td>
<td>Jan 8, 2014</td>
</tr>
<tr>
<td>Two weeks payment period ends</td>
<td>Jan 22, 2014</td>
</tr>
<tr>
<td>Review properties subject to water disconnection and prepare water disconnection notices</td>
<td>Jan 23, 2014</td>
</tr>
<tr>
<td>Post shut off notice</td>
<td>Jan 23, 2014</td>
</tr>
<tr>
<td>Potential shut off</td>
<td>Jan 27-31, 2014</td>
</tr>
</tbody>
</table>

This information is being provided to Committee in advance of the mailing of the second notices to ensure members are aware of the planned process to collect the account arrears and to provide an opportunity to ask questions. Going forward, notification of potential water service disconnection will be completed on an as needed basis.

Area Municipal Practices

Shutting off water for delinquent accounts is a practice currently followed by the five area municipalities that provide retail water and wastewater services namely the City of Cambridge, City of Kitchener, City of Waterloo, Township of Wilmot and the Township of Woolwich.

It should also be noted that the Region of Waterloo routinely proceeds with service suspension for delinquent accounts for services such as: daycare, landfill, police reporting centre, and police paid duty services.

Corporate Strategic Plan:

The process outlined in this report aligns with Focus Area 5 of the Corporate Strategic Plan (Service Excellence) and the objective is to ensure that Regional programs and services are efficient and effective and demonstrate accountability to the public.
Financial Implications:

There are 171 accounts in arrears over 60 days for a total of $174,017. Of these, 27 accounts have balances over $1,000 totaling $44,627. Most of these accounts have not made payment in the last two years.

Other Department Consultations/Concurrence:

Staff from the Water Services and Legal Services Divisions have been involved in the development of the planned collection process.

Attachments:

Schedule A: Report F-11-080 Administrative Process
Schedule B: Report F-11-080 Retail Water/Wastewater Charges

Prepared By: Mirela Oltean, Financial Analyst
Approved By: Craig Dyer, Chief Financial Officer
Schedule A

_region of Waterloo Proposed Processes Compared to other Current Area Municipal Processes of Retail Water/Wastewater Billing_  
(excerpt from F-11-080 approved December 6, 2011)

<table>
<thead>
<tr>
<th>Item</th>
<th>Activity</th>
<th>Proposed harmonized processes for North Dumfries and Wellesley retail water billing</th>
<th>Current process for North Dumfries and Wellesley retail water billing</th>
<th>Range of current processes for the other municipalities in the Region for retail water billing</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>What is billed and at what rates</td>
<td>Water and wastewater billing based on the approved user rates By-Laws.</td>
<td>Water and wastewater billing based on the approved user rates By-Laws.</td>
<td>The other five municipalities' bill water and wastewater based on the approved user rates By-Laws.</td>
</tr>
<tr>
<td>2.</td>
<td>Meter Reading Frequency</td>
<td>Two alternating bi-monthly cycles: one month Township of North Dumfries, the other Township of Wellesley.</td>
<td>Bi-monthly for the Township of North Dumfries and quarterly for the Township of Wellesley.</td>
<td>Four of the other five municipalities bill bi-monthly; one bills monthly.</td>
</tr>
<tr>
<td>3.</td>
<td>Bill due date</td>
<td>Standard utility practice: 21 days from billing date.</td>
<td>Standard utility practice: 21 days from billing date.</td>
<td>Four of the other five municipalities have due date of 21 days from billing date; one has due date of 15 days from mailing date.</td>
</tr>
<tr>
<td>4.</td>
<td>Bill Estimations</td>
<td>Maximum of two estimations allowed prior to having an investigation.</td>
<td>Unlimited number of estimations.</td>
<td>Four municipalities use actual readings with investigations started immediately and estimates are</td>
</tr>
<tr>
<td>Item</td>
<td>Activity</td>
<td>Proposed harmonized processes for North Dumfries and Wellesley retail water billing</td>
<td>Current process for North Dumfries and Wellesley retail water billing</td>
<td>Range of current processes for the other municipalities in the Region for retail water billing</td>
</tr>
<tr>
<td>------</td>
<td>----------</td>
<td>----------------------------------------------------------------------------------</td>
<td>---------------------------------------------------------------------</td>
<td>--------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>5.</td>
<td>Who receives the bill</td>
<td>Property owner or property owner and tenant if there is a written agreement between owner and tenant and the owner assumes responsibility to pay if the tenant defaults. Current tenants are grandfathered. For new tenants, the owner is responsible for the bill.</td>
<td>Owner or tenant in the Township of North Dumfries and owner in the Township of Wellesley.</td>
<td>Four municipalities bill the owner and/or tenant if an agreement exists and the owner assumes responsibility for payment if tenant defaults. One municipality bills both owners and tenants.</td>
</tr>
<tr>
<td>6.</td>
<td>Collection process for delinquent accounts</td>
<td>Service disconnection and transfer to tax roll.</td>
<td>Delinquent account follow up for Township of North Dumfries and transfer to tax roll for the Township of Wellesley.</td>
<td>Four municipalities disconnect service and transfer to tax roll. One municipality disconnects only.</td>
</tr>
</tbody>
</table>
Schedule B

Region of Waterloo Proposed Retail Water/Wastewater Charges

excerpt from F-11-080 approved December 6, 2011

<table>
<thead>
<tr>
<th>Charge Type</th>
<th>Proposed Retail Water Charges</th>
<th>Range of current area municipal retail water charges</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arrears transferred to tax roll</td>
<td>$50</td>
<td>$15 to $300</td>
<td>To register arrears on tax roll of the municipality where the property is registered.</td>
</tr>
<tr>
<td>Meter dispute test (no charge if meter is defective)</td>
<td>$50</td>
<td>$30 to $250</td>
<td>To resolve customer complaint of high readings due to defective meter.</td>
</tr>
<tr>
<td>New account set up</td>
<td>$30</td>
<td>$25 to $50</td>
<td>To set up a new utilities account.</td>
</tr>
<tr>
<td>Service reconnection fee</td>
<td>$100</td>
<td>$50 to $185</td>
<td>To cover the costs of monitoring an account in arrears, hand delivery of water shut off notice to customer and the cost of reconnecting the water.</td>
</tr>
<tr>
<td>Special read</td>
<td>$40</td>
<td>$25 to $50</td>
<td>To cover the cost of dispatching meter reading contractor outside the regular meter reading schedule.</td>
</tr>
<tr>
<td>Remote meter rewiring</td>
<td>$100</td>
<td>$120 to $140</td>
<td>To cover the costs of rewiring the remote reader (after one rewiring at the Region’s costs) or for damages resulting from construction.</td>
</tr>
<tr>
<td>Water certificate (within 48 hours of request)</td>
<td>$50</td>
<td>$15 to $60</td>
<td>To cover the costs to issue certificate at move out date verifying the status and outstanding amounts on the account.</td>
</tr>
<tr>
<td>Water certificate (same day)</td>
<td>$75</td>
<td>$75 to $80</td>
<td>Certificate required immediately.</td>
</tr>
</tbody>
</table>
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
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
Mayor, City of Ottawa

Ken Seiling
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-section 5 (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:

<table>
<thead>
<tr>
<th></th>
<th>With 10% discount &amp; 10-year historical service</th>
<th>Without 10% discount &amp; 10-year historical service levels</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transit Development Charges (10 year Service)</td>
<td>$324.4M</td>
<td>$391.9 M</td>
<td>$67.5M</td>
</tr>
</tbody>
</table>

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:

<table>
<thead>
<tr>
<th></th>
<th>With 10% discount &amp; 10-year historical service</th>
<th>Without 10% discount &amp; 10-year historical service levels</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transit Development Charges (based on 20 years growth 2011-2031)</td>
<td>$0.0 M</td>
<td>$70.0 M</td>
<td>$70.0 M</td>
</tr>
</tbody>
</table>

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.
<table>
<thead>
<tr>
<th>Meeting date</th>
<th>Requestor</th>
<th>Request</th>
<th>Assigned Department</th>
<th>Anticipated Response Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>26-Jan-10</td>
<td>Committee</td>
<td>Report on a policy related to development charge grants, exemptions and deferral requests, to include past history/practice, implications, and options.</td>
<td>Finance</td>
<td>2014, as part of Development Charges By-law review</td>
</tr>
<tr>
<td>28-Feb-12</td>
<td>A&amp;F</td>
<td>Process for calculating/appeal of development charges</td>
<td>Finance / Legal Services</td>
<td>2014, as part of Development Charges By-law review</td>
</tr>
<tr>
<td>06-Nov-12</td>
<td>A&amp;F</td>
<td>Defer report P-12-119, Public Art for Grand River Transit Operations Centre Strasburg Road until after the 2014 budget process has been completed.</td>
<td>PH&amp;CS</td>
<td>Feb-2014</td>
</tr>
<tr>
<td>06-Nov-12</td>
<td>S. Strickland</td>
<td>THAT staff report back to Committee on a recommended pilot project where the general, electric and mechanical contractors, at a minimum, are prequalified, and where the results are reviewed and compared with project of similar scope where the sub-contractors weren’t prequalified.</td>
<td>Finance</td>
<td>2014</td>
</tr>
<tr>
<td>05-Dec-13</td>
<td>S. Strickland</td>
<td>That the Regionally-owned properties noted in report CR-FM-13-023/CR-RS-13-090, items b,d,e of the motion, be deferred to staff for a report with options regarding how these properties could be used to further Regional objectives.</td>
<td>PH&amp;CS</td>
<td>Feb-2014</td>
</tr>
<tr>
<td>11-Dec-13</td>
<td>D. Craig</td>
<td>That staff review and comment on a three year planned budget cycle starting in 2016 and modeled after the City of Waterloo.</td>
<td>Finance/CAO’s Office</td>
<td>Spring 2014</td>
</tr>
<tr>
<td>11-Dec-13</td>
<td>D. Craig</td>
<td>THAT the issue of eliminating Regional staff through a process of attrition be referred to the Administration and Finance Committee for a future staff report on this issue.</td>
<td>CAO's Office</td>
<td>May-2014</td>
</tr>
</tbody>
</table>