



MEDIA RELEASE: Friday, January 28, 2011, 4:30 p.m.

REGIONAL MUNICIPALITY OF WATERLOO BUDGET COMMITTEE AGENDA

Wednesday February 2, 2011
12:30 p.m. – Lunch (Waterloo County Room)
1:00 p.m. – 5:30 p.m.
Council Chambers, 2nd Floor
150 Frederick Street, Kitchener

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REGION OF WATERLOO

**FINANCE DEPARTMENT
Administration Division**

TO: Chair Tom Galloway and Members of Budget Committee

DATE: February 2, 2011

FILE CODE: F05-30

SUBJECT: EXECUTIVE SUMMARY – BUDGET 2011

RECOMMENDATION:

For Information

SUMMARY:

The objective of the second 2011 Budget Committee meeting is to provide Committee members with the details of the 2011 budget. These details are provided through the 2011 Preliminary Program Budget Book, the Budget Issue Paper package and through staff presentations at Budget Committee.

The Regional base budget is the amount of funding required to deliver the Council approved level of service. The base budget excludes expansion items and the impact of Police Services. As reported on January 19th, the current position for the base budget for direct Regional programs for 2011 is a tax rate **decrease of 0.57%** (excluding Police and new issues). This decrease includes adjustments from the staff administrative review (0.66%), other budget adjustments (0.20% - transit fare increase and OW caseload adjustment), and provincial uploading (3.21%).

Staff is recommending that a new funding plan be established in 2011 for the Regional Transportation Master Plan (RTMP). The concept of this annual funding plan was first introduced in 2010 when the RTMP was approved by Council. These funds are required to improve transit services to accommodate future growth. The provision recommended for 2011 is 1.25%. Finally, staff is recommending that 0.55% be allocated to fund new critical and essential service enhancements in 2011.

At this point in time, the impact of Police Services on the Regional budget is not known. The proposed Regional budget (excluding Police and including RTMP and new issues) generates a tax rate increase of 1.23% as reported on January 19th.

REPORT:

2011 Base Budget Opening Position

The 2011 base budget is the amount of funding required to deliver the Council approved level of service. Adjustments to the base typically include cost of living adjustments (COLA), inflation, annualizations of prior year's approved initiatives, debt charges and provincially mandated changes. The opening base position for direct Regional programs is a tax rate increase of 2.63%. This amount increases to 3.50% when adding in the previously approved commitments of Green Bin and the History Museum.

Again, it should be noted that this amount does not include the budget impacts for Police Services and any funds for new initiatives. Additional information regarding the Police Services Budget will be available for the February 23rd Budget Committee Meeting.

The opening base budget position includes Regional assessment growth of 2.15%. This level of assessment growth is very healthy considering that the economy emerged from a recession in 2010. For more information regarding assessment growth please refer to the information paper included in the January 19th budget package.

CLT's Budget Reduction Strategy

The Region has successfully utilized base budget reviews in past years in order to bring forward a reasonable base budget increase. The chart below highlights the history of base budget reductions since 2005 including 2011:

	2005	2006	2007	2008	2009	2010	2011	Total
Base Budget Review Reductions (\$millions)	\$1.1	\$5.4	\$0.95	\$0.85	\$3.4	\$2.1	\$2.4	\$16.2

Base budget reviews have generated \$16.2 million in budget savings since 2005. These sustainable reductions have generated 4.55% in permanent tax reductions over this period. The depth of these previous reviews leaves limited opportunity for staff to capture further reductions. Although potential budget reductions are limited, the Corporate Leadership Team (CLT) did implement a base budget review for 2011. This review focused on historical budget to actual experience. All program managers received a comprehensive budget to actual comparison dating back to 2007. This data assisted program managers in identifying sustainable budget savings. Dedicated base budget meetings were scheduled for all program areas. These meetings were attended by the CAO, CFO, Commissioners, program staff and finance staff. The focus of these meetings included a line by line review of historical budget to actual activity, a detailed review of the proposed 2011 base budget, and a discussion regarding key budget issues. Collectively, base budget sustainable reductions equalling \$2.4 million (0.66%) were achieved.

Potential Budget Committee Adjustments

There are additional potential budget adjustments that Budget Committee will consider. One issue staff will bring forward is a transit fare increase for 2011. Transit fares were not increased in 2010 therefore a fare increase may be warranted for 2011. A fare increase will improve the GRT's revenue cost recovery ratio for 2011. Additional information on the potential transit fare increase for 2011 will be included in the RTMP presentation on February 2nd. Another issue staff will bring forward deals with the Ontario Works Budget. The Province is uploading the Ontario Works caseload costs over a period extending to 2018. Committee will address whether a reduction to the OW 2011 budget is warranted. Other adjustments may be brought forward as new information materializes. If the two items noted above were accepted by Committee, then the Regional tax rate could be further reduced by 0.20%. It is important to note that any additional reductions beyond those outlined above, can only be achieved through service reductions.

2011 Upload Savings

The Province and municipalities are currently in the fourth year of "uploading" the costs of several cost-shared programs. This process recognized that the costs of income redistribution programs

(such as OW and ODSP) are more appropriately funded by provincial taxes rather than municipal property taxes. The first component of uploading was initially announced in 2007 and dealt with the transfer of the Ontario Disability Support Program (ODSP) back to the Province. This first phase was implemented over a four year period beginning in 2008. The vast majority of savings are achieved in 2010 and 2011. This report will focus solely on the 2011 impacts.

The anticipated 2011 permanent budget savings for the ODSP upload was \$10.1 million. This amount represents 50% of the upload savings for the 2010 ODSP caseload. In January of 2011, the Province notified municipalities that there will be a change to the upload program for 2011. The Province has now committed to changing the cost sharing for the administration for the OW caseload. This change would increase the upload savings in 2011 by \$1.7 million. This increase is a preliminary estimate of the potential impact for 2011. Further details regarding this change will be provided by the Province in February. Once this information has been received, staff will provide a refined estimate of the impact for 2011. At present, the total estimated upload savings for 2011 equals \$11.8 million. This budget reduction translates into a 3.21% tax rate reduction in 2011.

Current Base Budget Position

The table below outlines the continuity of the 2011 budget from the opening position to the current position prior to new issues:

	2011 (tax rate increase)
Preliminary Base Budget Position	2.63%
Add Increased Costs for Approved Commitments	
- Green Bin	0.42%
- History Museum	<u>0.45%</u>
Opening Base Budget Position	<u>3.50%</u>
Less: Base Budget Adjustments - Appendix B	0.66%
Less: Other Base Adjustments	0.20%
Less: 2011 Upload Savings	<u>3.21%</u>
Potential Base Budget Position – Direct Regional Programs	<u>-0.57%</u>

Further details on base budget changes are included in the 2011 Preliminary Program Budget Book mailed out with this agenda package. This book details the base budget changes for all Regional programs. The 2011 Preliminary Program Budget Book generates a tax rate increase of -0.37%. The budget book does not include the potential adjustments for a transit fare increase and OW caseload budget reductions (totaling 0.20%) as discussed above.

Regional Transportation Master Plan (RTMP) Funding

Waterloo Region is one of the fastest growing communities in Canada. In response to the rate of growth, Regional Council approved the new Regional Transportation Master Plan (RTMP) in June of 2010. The new RTMP placed a greater emphasis on public transit. The funding plan called for a 1.25% annual contribution to provide additional transit service capacity to meet growing demands throughout the transit service area. Staff are proposing the creation of an RTMP Reserve Fund which will be used to fund the implementation of the RTMP recommendation. Initially, these funds will be allocated to transit related expansion. Should Council approve a Rapid Transit (RT) project in 2011, then this annual allocation will also be utilized to fund the RT project as well. It is

imperative that Council begin to fund the RTMP plan in 2011 so that the Region is well positioned to fund transit expansion in the future.

If approved, a significant increase in transit service is planned for 2011 which will result in 75,550 hours of additional transit service. Please refer to the major issue paper, Regional Master Plan – Implementation and Funding, which is included in this agenda package.

The 2011 budget does not include additional funding for the Rapid Transit project. A process will be initiated in February that will include a number of options and a public consultation process. It is hoped that Council will make a decision regarding the Rapid Transit project in 2011.

2011 Regional New Budget Issues

The Region of Waterloo is a growing community with increasing demands for service improvements. Staff has prepared a package of service enhancement requests (“new budget issues”) for Budget Committee’s consideration. Budget issues are expansion requests driven by changing regulations, growth pressures and increasing demands for service. Staff has identified a number of budget issues and the details regarding these issues have been included within this budget package. **All of these issues are essential/critical enhancements.** It is important to note, that the demand for service improvements far exceeds the requests presented this year. The amount recommended by staff represents a tax rate increase of 0.55%. Ultimately, these service improvements are at the discretion of Budget Committee.

This package of issue papers has been arranged as follows:

Recommended - Property Tax Impact 0.55% - A List (Appendix A);

Not Recommended - B List (Appendix B)

Recommended - No Impact on Property Tax – C List (Appendix C)

Recommended - One Time Capital Funded by Debentures – D List (Appendix D)

Recommended - One Time Capital Funded by Capital Levy – E list (Appendix E);

Appendix A includes a summary of staff recommended new issues that impact the property tax budget. These requests amount to a \$2.0 million increase to the tax levy and result in a 0.55% tax rate increase. These issues have been organized according to the existing Corporate Strategic Focus Areas. These enhancements include essential/critical expansion requests such as:

Environmental Sustainability Fund	- establish new community fund for environmental initiatives
Arts Funding	- increase funding towards \$1 per capita
EMS Master Plan	- maintain EMS response times
Christopher Child Care Centre	- expand program for new facility
Specialized Transit	- reduce unfulfilled requests for service

Please refer to the budget issue package for more information on these specific requests.

Appendix B represents a list of property tax issue papers that are **not recommended** by staff. Although these items are important, these issues are not recommended due to the potential increase to the Regional tax rate. One issue worth noting is the request for an increase in Arts Funding. The initial request is for an increase of \$142,000 annually to achieve \$1 per capital funding. Appendix A includes \$100,000 (recommended) of additional funding while the B List includes the balance of the request of \$42,000 (not recommended). It is important to stress that this list is not a wish list and includes other key requests such as an increase in funding for Affordable Transportation for Persons with Low Income.

Appendix C lists all recommended issue papers that do not directly impact the property tax rate. In general, these requests include costs that will be charged to capital projects or are funded from user rates.

Appendix D includes the recommended issue papers that will be added into the 2011 capital program which will be funded by debentures. These issues do not have an impact on the 2011 tax rate increase since the debt financing will not occur until the fall of 2011 at the earliest, with debt charges being repaid in 2012. The increase in the proposed property tax capital budget for the period 2011 to 2014 is \$18.6 million or \$4.65 million per year. This proposed change is not significant considering the Property Tax Capital Budget average spending per year is \$175 million. In comparison, the 2010 approved changes to the first four years of the capital budget/forecast equaled \$61.8 million.

Appendix E represents the recommended one time capital issue papers that are funded by capital levy. This list allocates funding to one time capital issues that do not lend themselves to debenture financing, that is, are generally operating type expenses. Currently the base budget includes \$440,000 of annual funding plus \$200,000 of additional funding that is recommended by staff which is included in Appendix A above. Appendix E totals \$626,000 for capital levy funding and if the additional funding is not approved, then this list must be reduced by approximately \$200,000 worth of projects.

Current Position Including RTMP and New Issues

The table below outlines the continuity of the 2011 budget from the opening position to the current position including new issues:

	2011 (tax rate increase)
Preliminary Base Budget Position	2.63%
Add Increased Costs for Approved Commitments	
- Green Bin	0.42%
- History Museum	<u>0.45%</u>
Opening Base Budget Position	<u>3.50%</u>
Less: Base Budget Adjustments - Appendix B	0.66%
Less: Other Base Adjustments	0.20%
Less: 2011 Upload Savings	<u>3.21%</u>
Potential Base Budget Position – Direct Regional Programs	-0.57%
Regional Transportation Master Plan (RTMP)	1.25%
New Issues - Essential/Critical Service Enhancements	<u>0.55%</u>
Potential Tax Rate Increase Regional Programs (Excl. Police)	<u>1.23%</u>

The presentation above is the format that Budget Committee directed staff to utilize during the 2010 budget process.

Budget Schedule

Outlined below is the balance of the 2011 budget schedule.

<u>PURPOSE OF BUDGET SESSION</u>	<u>PLANNED DATE</u>	<u>TIME</u>
Detailed Budget Review - Day One - Review budget details	February 2 nd	1:00 pm – 5:30 pm
Public Input - Budget Delegations	February 2 nd	6:00 pm
Detailed Budget Review - Day Two - Associated Agencies (Police and GRCA) - Develop preliminary final position for 2011 - Approval of user rates	February 23 rd	1:00 pm – 5:30 pm
Public Input - Budget Delegations	February 23 rd	6:00 pm
Final Budget Approval	March 23 rd	3:00 pm – 6:00 pm

CORPORATE STRATEGIC PLAN:

The 2011 Budget will be fully integrated into the Corporate Strategic Plan.

FINANCIAL IMPLICATIONS:

The purpose of this report is to assist Budget Committee in establishing the 2011 budget. It is important to note that a 1% tax rate increase results in a \$14.77 annual increase to the average residential property owner. In addition, a 1% tax rate increase generates an additional \$3.67 million in tax revenue.

OTHER DEPARTMENT CONSULTATIONS/CONCURRENCE:

All departments and the Waterloo Regional Police Service contribute to the development of the 2011 Regional Budget.

ATTACHMENTS:

Appendix A – Recommended – Property Tax Impact
 Appendix B – Not Recommended Budget Issues
 Appendix C – Recommended – No Impact on Property Tax
 Appendix D – Recommended – One Time Capital Funded by Debentures
 Appendix E – Recommended – One Time Capital Funded by Capital Levy

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

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

Strategic Priorities 2011 - 2014

2011 Budget (in thousand \$)

Dept	Page	New Issues	\$ 2011	Annualization	FTE
<u>Staff Recommended - A List</u>					
<u>Focus Area 1 - Environmental Sustainability</u>					
CR	1	Community Sustainability Fund	150	0	
		Total Focus Area 1	150	0	0.0
<u>Focus Area 2 - Growth Management</u>					
CAO	5	Arts and Culture Funding	100	0	
		Total Focus Area 2	100	0	0.0
<u>Focus Area 3 - Healthy & Safe Communities</u>					
PH	9	EMS Master Plan Optimized Staffing Requirements + Capital	184	155	6.0
PH	11	Enhanced Public Health Surveillance, Reporting & Information	24	0	1.5
PHCS	14	Addressing Increased Waitlist Volumes Cambridge Access Centre	5	35	1.0
SS	16	Maintain Basic Benefits For Persons With Low Income	56	0	
		Total Focus Area 3	269	190	8.5
<u>Focus Area 4 - Human Services</u>					
SS	18	Child Care Fee Subsidy Funding	270	0	1.0
SS	21	Christopher Children's Centre Operating Costs	77	153	4.0
PH	24	Chronic Disease Prevention & Health Promotion - Fluoride + Capital	60	0	
SS	26	Homelessness to Housing Stability	100		
SS	30	Seniors' Services - Planning Support	31	51	1.0
		Total Focus Area 4	538	204	6.0

Strategic Priorities 2011 - 2014

2011 Budget (in thousand \$)

Dept	Page	New Issues	\$ 2011	Annualization	FTE
<u>Focus Area 5 - Infrastructure</u>					
CR	32	Facilities Asset Management Program + Capital	72	60	1.0
TES	35	Specialized Transit – Service Improvements + Capital	162	217	3.6
TES	37	Transportation Engineering	64	28	1.0
FIN	39	Capital Financing	200	0	
Total Focus Area 5			498	305	5.6
<u>Focus Area 6 - Service Excellence</u>					
CAO	43	Implementation of External Communications Program Review	51	48	1.0
PH	45	Health & Safety In Public Health & Emergency Medical Services	39	0	1.0
CR	47	Implementation of ITS Program Review + Capital	198	85	2.0
FIN	51	Enhancement of Performance Measurement & Budget Processes	56	54	1.0
HR	56	Staff Recruitment and Retention + Capital	149	138	2.5
Total Focus Area 6			493	325	7.5
Total CLT Recommended - A List			2,048	1,024	27.6

Strategic Priorities 2011 - 2014

2011 Budget (in thousand \$)

Dept	Page	New Issues	\$ 2011	Annualization	FTE
<u>Staff Not Recommended - B List</u>					
CR	59	Community Sustainability Fund	200	0	
CAO	63	Arts and Culture Funding	42	0	
PHCS	67	JSH - New Wash House Programming	29	0	0.5
SS	69	Homelessness to Housing Stability	271	0	1.0
HR	73	Analyst (Human Resources Information Management)	52	44	1.0
FIN	75	Capital Financing	190	0	
PHCS	79	Implementing Regional Environmental Stewardship Initiatives	50	0	0.5
SS	81	Affordable Transportation for Persons with Low Income	250	200	
PHCS	83	Cultural Heritage Coordinator	46	46	1.0
PHCS	86	McDougall Cottage - Program Enhancement of Visitor Growth	42	0	0.7
SS	88	Community Outreach Program Enhancement	185	26	0.5
CP	91	Crime Prevention Supervisor Planning and Research Position	48	47	1.0
PH	94	Positive Parenting/Access to Child and Family Health Services	52	0	2.0
SS	96	Communications Coordinator	59	35	1.0
SS	98	Counselling Collaborative Program Enhancement	127	26	0.5
CAO	101	Funding Enhancement for Completion of Program Reviews	100	0	
SS	103	Information Management Coordinator	64	24	1.0
Total CLT Not Recommended			1,807	448	10.7

Strategic Priorities 2011 - 2014

2011 Budget (in thousand \$)

Dept	Page	New Issues	\$ 2011	Annualization	FTE
<u>Staff Recommended - C List - No Levy Impact</u>					
TES	105	Implementation of TES Capital Program	0	0	5.0
PHCS	109	Transit Development Projects	0	0	
PH	113	Access to Public Health Services for Priority Populations	0	0	2.0
CR	115	Accommodation Technician + Capital	0	0	1.0
Water	117	Infrastructure Replacement and Maintenance	User Rates		2.0
PHCS	120	New Efficiency Gains for Waterloo Region Housing + Capital	0	0	1.0
CR	122	Graphic Designer	0	0	0.5
FIN	125	North Dumfries Water Billing	0	0	1.0
Total CLT Recommended - No Levy Impact			0	0	12.5



The Regional Municipality of Waterloo

2011 One Time Budget Issues

Debentures - D List

Dept.	Page #	Title	Funding	2011	2012	2013	2014	Total
PHCS	130	Enhancing Community-Wide Environmental Stewardship	Debentures		200	200	200	600
CR	132	Community Sustainability Fund	Debentures	88	126	44		258
CR	136	Heat Recovery Project at Sunnyside Home	Debentures	750				750
PHCS	138	Continued Implementation of Subwatershed Planning	Debentures		250	250	250	750
PHCS	141	Appeals to the Regional Official Plan	Debentures	100	200			300
PHCS	143	Regional Growth Management Strategy Project Implementation	Debentures		250	250	250	750
PH	146	EMS Additional Spare Ambulance	Debentures	140				140
PH	148	EMS Master Plan Optimized Staffing Requirements	Debentures	181		181		362
SS	150	Implementing New Provincial Technology	Debentures	60	86	62		208
SS	152	Edith MacIntosh Children's Centre Redevelopment Project	Debentures				1,050	1050
SS	154	Elmira Children's Centre Redevelopment	Debentures	(500)	500	2,500		2500
PH	157	99 Regina Street 3 rd Floor Workstation Replacement	Debentures	300				300
CR	159	Installation of Cooling System in Server Room at 99 Regina Street	Debentures	90				90
PHCS	161	New Efficiency Gains for Waterloo Region Housing	Debentures	65				65
SS	163	Refresh Employment Technology Available to the Community	Debentures			100		100
TES	165	Specialized Transit – Mobile Data Terminals	Debentures	242				242
TES	167	Specialized Transit – Service Improvements	Debentures	285				285
CR	169	Temporary Office Accommodation	Debentures	475	75	150	150	850
TES	171	10 Year Capital Program Revisions for ROW International Airport	Debentures	3,750	(900)	(250)		2600
SS	173	Upgrade & Refresh Computer Technology for Service Delivery	Debentures	20	25	38		83
CR	175	Consolidated Call Centre	Debentures	690	4,145	925		5760
FIN	180	Fuel Tank Replacement at the Regional Operation Centre	Debentures	350	(350)		350	350
SS	182	Seniors' Services – Electronic Health Care Record System	Debentures	100	145			245
				7,186	4,752	4,450	2,250	18,638



The Regional Municipality of Waterloo
2011 One Time Budget Issues
Capital Levy - E List

Dept.	Page #	Title	Funding	2011	2012	2013	2014	Total
Other	185	Residential Energy Efficiency Project (continued funding)	Capital levy	55	55	55		165
CAO	187	Waterloo Region Tourism and Marketing Corporation	Capital levy	50				50
SS	189	Developing a Comprehensive Response to Poverty	Capital levy	50	50			100
SS	191	Responding In A Crisis – Waterloo Region Emergency Support Team	Capital levy		30		30	60
PH	193	Child & Family Health Technology	Capital levy		80			80
PH	195	Chronic Disease Prevention & Health Promotion - Fluoride	Capital levy	25				25
CAO	197	Working With the Local Immigration Partnership Council	Capital levy	50				50
CR	199	Facilities Asset Management Program	Capital levy		75			75
CR	202	Accommodation Technician	Capital levy	60				60
HR	204	Mgmt/Mgmt Support Job Evaluation Review Process	Capital levy		159	218		377
CR	206	Council Chambers Webcasting	Capital levy		100			100
CAO	208	Enhanced External Communications	Capital levy	50	50			100
PH	210	Public Health Organizational Standards & Quality Initiatives	Capital levy	75	63			138
SS	212	Provincial Client Service Training (Sail)	Capital levy		120			120
HR	214	Talent Management	Capital levy	211	164	80		455
PHCS	217	Construction Of Waterloo Spur Line Multi-Use Trail	Other Funding		1,800			1800
CR	219	Implementation of ITS Program Review	Computer Equip Res	437	237			674
PHCS	223	Potential for Intensification at Selected Community Housing Properties	Housing Res Fund	235				235
PHCS	225	Addressing Increased Community Housing Service Manager Roles + Capital	Housing Res Fund	185				185
PHCS	228	Community Housing Condition Assessments to Increase Building Longevity	Housing Res Fund				350	350
Total Capital Levy				626	946	353	30	1,955
Total Other Reserves				857	237	0	350	1,444
Total Other Funding				0	1,800	0	0	1,800



**THE REGIONAL MUNICIPALITY OF WATERLOO
2011 BUDGET – MAJOR BUDGET ISSUE**

REGIONAL TRANSPORTATION MASTER PLAN – IMPLEMENTATION AND FUNDING	
Link to Strategic Plan	PH&CS/Transit Development/Transp. Planning TES/Transit Services
Focus Area 5	Infrastructure
Objective	<i>Build infrastructure needed to accommodate planned growth</i>

Summary of Request

Waterloo Region is one of the fastest growing communities in Canada, with an expected increase in population from the current 535,000 to 729,000 by 2031. In June of 2010, Regional Council approved a new Regional Transportation Master Plan (RTMP) – Moving Forward 2031. The new RTMP places greater emphasis on the role of public transit to provide a sustainable transportation system that is required to achieve the compact urban form as prescribed by Ontario’s Places to Grow Growth Plan and the Regional Official Plan. The RTMP is based on the incorporation of some form of Rapid Transit as part of the future transit network.

In June 2009, after more than 5 years of study and extensive public input, Regional Council approved a light rail transit (LRT) system from Cambridge through Kitchener to Waterloo as a sustainable, long-term solution for Waterloo Region (Report E-09-073). The first phase (as approved by Regional Council in 2009, subject to adequate Provincial and Federal funding) includes a combination of light rail from Fairway Road to north Waterloo and adapted bus rapid transit from Fairway Road to south Cambridge. Regional staff are currently evaluating options for implementing the first phase of Rapid Transit in a way that is affordable to the community.

When developing the RTMP, including Rapid Transit, the following issues/opportunities were considered:

- a) With a Business as Usual scenario, the Regional road network would need to be expanded by about 25 per cent or add about 500 new lane kilometres (added to current roads or by building new roads) within the urban areas. This is equivalent to building about 25 new Hespeler Roads, which would be expensive, and highly disruptive to existing stable neighbourhoods.
- b) The cost of building 500 lane kilometres of roads could be as high as \$1.4 to \$1.5 billion depending on the property impacts. The RTMP plan could reduce these costs by \$400-\$500 million.
- c) Approximately 40% of land in urban areas is already used for roads and parking.
- d) The Provincial Growth Plan requires at least 40% of new development to occur within the “built boundary” of the Region, anticipates higher order transit, and prescribes increased development densities.
- e) There is a need for greater transportation choice (transit, cycling and walking). A 2006 survey found that 43% of residents lived within five kilometres of their place of work. Studies have indicated that a sedentary lifestyle and poor air quality contribute to various health ailments at an unprecedented rate. The health benefits of less auto reliance include air quality improvements and walking as a form of exercise.
- f) Auto congestion continues to increase, causing Grand River Transit to experience more challenges in adhering to schedules that are relied upon by users.

g) Rapid Transit represents the next stage in the evolution of public transit, which has grown to 18 million rides annually including 1.6 million rides on iXpress alone.

h) While several transit improvements are focused on the Central Transit Corridor, the RTMP proposes additional iXpress routes that would link areas outside of the Central Transit Corridor to each other and to the Rapid Transit spine. This will help achieve the broader goal of providing a transit system that is as accessible as possible to all households and their places of work within and outside the Region.

i) Connections to the impending GO train service and existing VIA Rail are also key elements of the RTMP.

It should be noted that the new RTMP does not exclude planning for automobiles, which will continue to be an important means of travel in Waterloo Region. In fact, the RTMP has dual objectives of moving goods and people and shaping the development of our community. Expansion of the road network is typically funded through development charges and the Roads Capital Levy reserve fund.

This budget issue addresses elements of the RTMP that improve the existing transit service, realigns existing transit service to integrate with rapid transit and expands transit service to meet the objectives of the RTMP. This paper also proposes a mechanism for Regional Council to fund the Region's share of rapid transit costs, pending a decision on this matter by Regional Council in 2011.

Creation of RTMP Reserve Fund

In order to accommodate the increased travel demand generated by an additional 200,000 people and more than 80,000 jobs that will locate in Waterloo Region over the next 20 years, the RTMP recognized that there would need to be a substantial investment in the transportation network. This issue was highlighted to Regional Council when the RTMP was being considered. The RTMP places a greater emphasis on transit to maximize the use of the limited road space and to plan for a sustainable future. The need for strategic road improvements to support goods movement and economic growth was also recognized.

Regional Council's approved RTMP recommended that Regional Council consider an annual incremental property tax increase of 1.15 to 1.2% for years 1-5 and 1.3 to 1.5% for years 6-20 to fund the operating costs for RTMP and RT in the future and the capital costs required for RTMP transit service improvements. These costs excluded capital costs for the RT as the extent of the Provincial and Federal funding was unknown at the time. Increasing transportation costs is an issue facing many growing municipalities and alternate methods of funding are also being investigated. On average, over the next 5 years, the annual cost increase for implementation of only the conventional transit component of the RTMP is expected to be approximately \$2.7 million.

In order to best address the magnitude of annual Regional property tax increases, it is proposed to create a RTMP Reserve Fund in 2011. Staff proposes an initial contribution of \$4.05 million to this reserve, representing a 1.25% increase to the Regional Property Tax base. Initially, these funds will be allocated to the transit-related expansions identified in the RTMP. Should Council approve a Rapid Transit project in 2011, then this annual allocation would be used to fund the RT project as well.

With contribution levels from the Provincial and Federal governments clearly defined in 2010, the RT implementation plan is now under review to propose a modified capital plan that can be affordably delivered. Depending on the RT capital delivery option selected by Regional Council, an additional contribution to this reserve fund would be recommended as part of the 2012 budget that would address both the RT and the RTMP. Staff would continue to focus on the need for an affordable

phased program of transportation improvements.

Proposed 2011 RTMP Service Improvements

Annual transit ridership by the end of 2010 is projected to be approximately 18.0 million, almost double the 9.4 million annual rides at the end of 1999 when Grand River Transit (GRT) was established, and an 8.7% increase from 16.6 million rides in 2009. Routes in the Central Transit Corridor are already experiencing overcrowding throughout the day. Additional service capacity is required to accommodate existing and new riders now. The implementation plan for the transit service component of the RTMP includes rapid transit and several new iXpress routes throughout the Region, as illustrated in Map 1. The planned iXpress routes are planned to be integrated with the Rapid Transit system, providing a high frequency transit network.

Achieving additional service capacity today to meet the current and growing demand and implementation of an expanded iXpress network are fundamental to achieving the goals of a more financially, environmentally and socially sustainable transportation system.

The proposed GRT service improvements in 2011, as illustrated in Map 2, include the following key elements:

- Increase frequency of service on iXpress between Cambridge and Waterloo from 15 minutes to 10 minutes during weekdays;
- Extend hours of operation on iXpress between Cambridge and Waterloo to include Saturday and Sunday evenings;
- Increase the weekday frequency of service on Route 52 in Cambridge between the Ainslie Street terminal and Fairview Park Mall via Coronation Boulevard and King Street from 30 minutes to 15 minutes;
- Add an extra bus in the midday and evening to the Columbia Street branch of Route 7;
- Implement a new Fischer-Hallman “iXpress” operating Monday to Sunday, providing 15 minute peak and 30 minute off-peak frequency service;
- Realign Route 12 so that it travels the length of Westmount Road between Block Line Road and University Avenue; and,
- Redesign Route 29 as a two-way route connecting University of Waterloo with the large commercial centre at Ira Needles Boulevard and University Avenue. The frequency of service would be increased from 30 to 15 minutes during peak periods and Saturday service would be provided.

The implementation of these planned service improvements would require the purchase of 19 new buses and provide 75,550 additional service hours annually (a 13.2% increase in service hours). The proposed iXpress service improvements would be implemented in June 2011 with the remaining service improvements to be implemented in September 2011.

RTMP implementation plans beyond 2011 will ultimately be dependant on the final RT capital project chosen by Regional Council. To help sustain the ongoing transit service improvement program, annual fare increases averaging 5% per year are proposed to be implemented beginning July 1, 2011, and are reflected in this issue paper. However, it should be noted that GRT fares are already generally lower in comparison to other Ontario transit systems and would be recommended in conjunction with consideration of the Region's ongoing fare reduction program for lower income households.

Rapid Transit

The Region's RT team is currently reviewing options to modify the proposed capital implementation plan to determine how senior government funding that is now confirmed (\$300 million from the Province and up to \$265 million from the Federal Government) can best be leveraged with Regional funding to achieve an affordable first phase of the RT system. A report, which identifies possible implementation options for the project, will be presented to Regional Council in February, 2011. This report, along with the completion of the GRT Business Plan, will form the basis of staff recommendations to Regional Council for future budgets in 2012 and onward.

Transit Technology

The implementation of transit technology will further enhance the attractiveness of public transit to current and future riders. Increased access to accurate travel information in real-time, more reliable service with less delays and a more convenient fare payment system, will all contribute to greater use of GRT. Ridership growth is fundamental to achieving the modal share targets of Regional Council's new Regional Transportation Master Plan and to creating a more financially, environmentally and socially sustainable transportation system. In 2011, resources are allocated to staff required to support the development and optimization of the functionality provided by the vehicle location and passenger counting systems, web based trip planner and other passenger information systems, and the implementation of the new transit signal priority system. A new smart card fare payment system is being considered for the 2012-2014 time frames.

Resource Requirements

The resource requirements for the 2011 transit service and technology improvements are noted in the table below, along with the annualization of these costs in 2012. Resource requirements for RTMP implementation in 2012 – 2014 are dependent in part on the scope of the RT capital project. In future years, RTMP implementation could be subject to available funding in the new RTMP Reserve Fund once the RT capital project has been finalized.

It is recognized that the annualization costs in 2012 for the 2011 transit service improvements exceed the initial (proposed) \$4.05 million contribution to the RTMP reserve fund. Should Council wish to avoid this additional annualization, the 2011 transit service improvement program would have to be reduced accordingly. The \$4.05 million in proposed tax levy capacity would be adequate to fund approximately 59,000 additional transit service hours (14 vs 19 expansion buses). This represents approximately 79% of the proposed 2011 transit service improvement program. The implications of a reduced 2011 transit service improvement program would mean that the proposed increase to the weekday frequency of service from 30 minutes to 15 minutes on Route 52 in Cambridge would be deferred.

	2011	2012	2013	2014	Total
One Time / Capital Costs: RTMP Buses (19) (to be debentured – 2012 debt service)	\$9,500,000				\$9,500,000
Initial Reserve Fund Contribution	\$4,052,704				
Uses of Funds: RTMP Implementation Technology Implementation RTMP / Technology Annualization RTMP Debt Service	\$2,097,525 \$51,000	\$3,197,288 \$959,879			
Sub-total:	\$2,148,525	\$4,157,167			
Closing Reserve Fund Balance:	\$1,904,179				
Increase to Permanent Staff (FTE): Transit Operators Operations Supervisors Mechanics Other Maintenance Staff Professional and Technical RT Professional Staff	44.0 1.0 4.0 1.0 5.0 2.0				44.0 1.0 4.0 1.0 5.0 2.0
Sub-total:	57.0				57.0
Increase to Non-Permanent Staff (FTE)	1.0				1.0

Staffing Requirements

Operator requirements were calculated using a ratio of 1,770 additional hours of service to each additional operator. As well, each 25 operators require an additional operator for spare board/vacation relief purposes. Based on 75,536 additional service hours, with phased implementation in June and September 2011, 44 additional operators are required in 2011. Based on the current number of supervisory staff and the scheduled coverage for GRT service, it is necessary to increase the complement by one additional full time employee in 2011. Requirements for mechanics are based on the additional vehicle needs at a ratio of 5 vehicles to one mechanic. Other maintenance staff are added at a ratio of one FTE to every 20 additional buses. The 'other' category includes vehicle and service attendants. Four new mechanics and one additional maintenance staff are required in 2011.

Two staff in 2011 are required to aid in the implementation of the technology applications: 1) an application developer who would create interfaces between various applications and develop new applications that automate analytical methods and algorithms that transform large amounts of data into meaningful information used in improving service effectiveness and operating efficiency, and 2) a data analyst who ensures that all the data bases that are inputs to the transit management and traveler information systems are accurate and up-to-date.

A full time internal organizational development consultant is needed to assist with the divisional changes that affect all levels of staff at GRT. A full-time marketing technician is needed to respond to increased demand and work loads of updating internal and external technologies to provide operational, and service information to staff and customers as a result of increased service level changes, service expansion, new technology and ridership growth. The implementation of a network of iXpress routes throughout the Region that would begin in 2011 requires a position focused on development of the express stations.

Performance Measures

	2006	2007	2008	2009
Revenue Service Hours per Capita (service area)	1.16	1.16	1.15	1.15
Ridership per Capita (service area)	32.6	33.6	34.6	35.0
Annual Service Hours	511,000	522,000	558,000	571,000
Annual Ridership (millions)	13.7	14.4	15.8	16.7

Implications of Not Approving

The fundamental strategy of Regional Council's Transportation Master Plan is to implement additional transit service early to avoid or defer a number of road projects that are disruptive and costly to implement.

Not implementing the proposed transit service improvements would negatively affect ridership growth momentum thereby increasing the risk of not achieving the RTMP transit ridership targets and broader objectives of creating a vibrant, environmentally and socially sustainable community. The necessary realignment of the conventional bus network to optimize the performance of rapid transit would not be attained. Not implementing the RTMP or Rapid Transit would result in the need to expand the road network by about 25 per cent or add about 500 new lane kilometres (added to current roads or by building new roads) within the urban areas. The RTMP reduces this need by about 220 lane kilometres. The impacts of these additional road projects include:

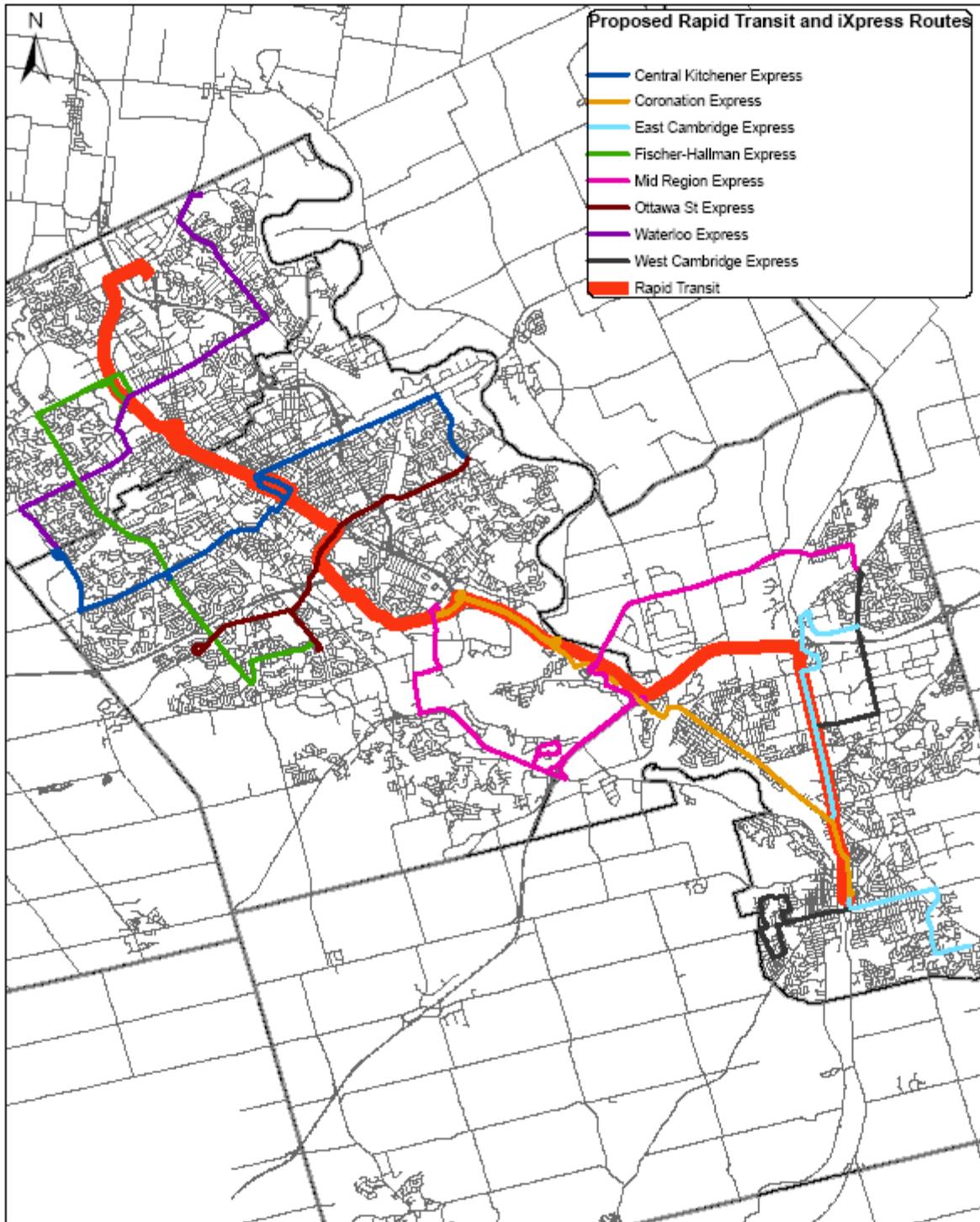
- a) Road widenings
- b) would result in many more instances of mature neighbourhoods experiencing both increased traffic levels and the removal of homes within required rights-of-way;
- c) Cultural heritage resources, particularly buildings close to roads, would be further threatened;
- d) New road construction has the potential to impact the natural environmental, including habitat destruction, storm water impacts, and the interruption of natural linkages and corridors;
- e) New or wider roads can place more pressure for growth beyond the Region's Countryside Line; and,
- f) Limitations caused by physical constraints imposed by existing infrastructure (utilities, bridges) may result in significant associated construction costs.

Staff Recommendation

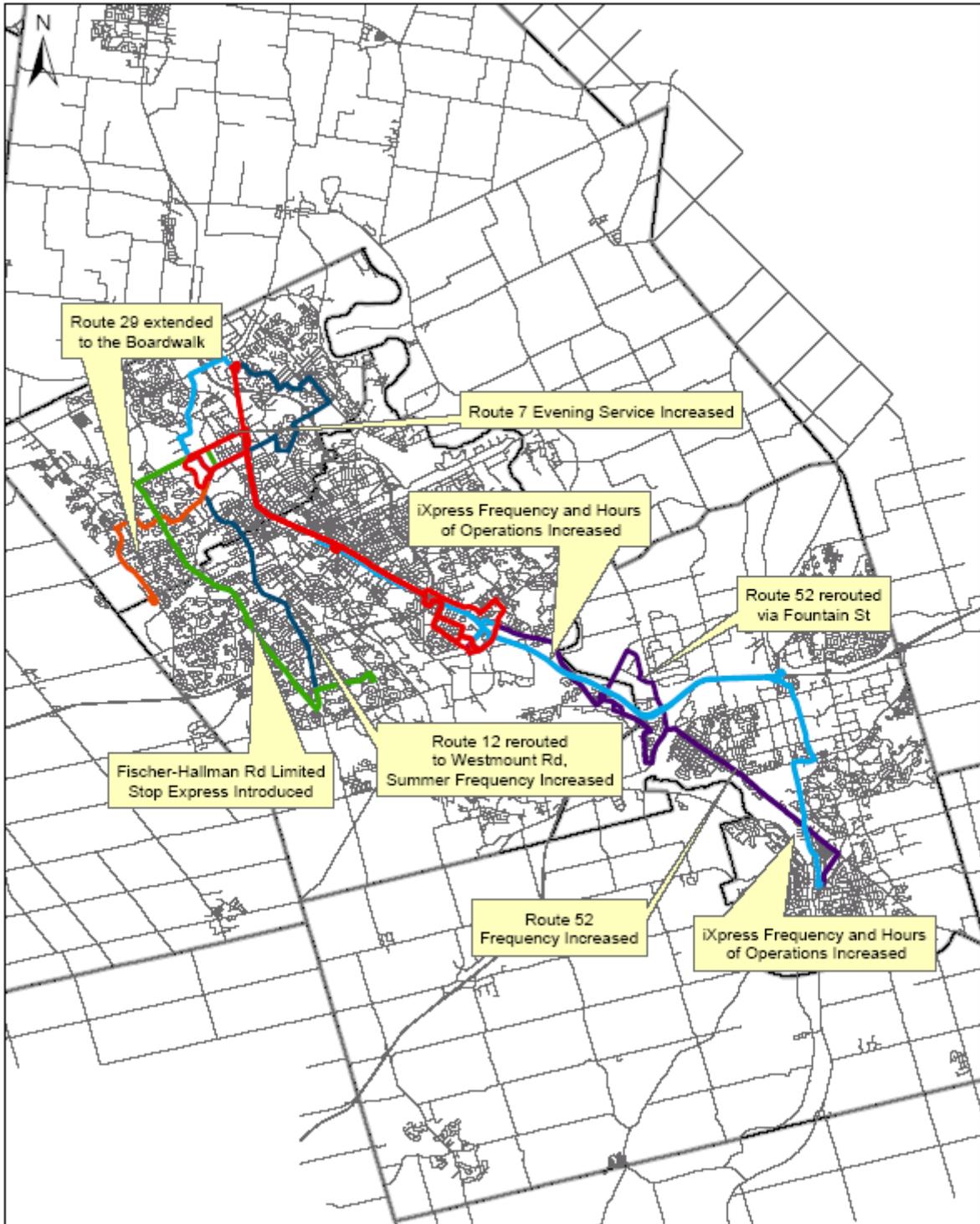
It is recommended that:

- The budget issue be approved as presented
 No action be taken at this time
 The budget issue be approved as follows:

Map 1: Proposed Rapid Transit and iXpress Network



Map 2: Detailed Transit Service Improvements for 2011



2011 BUDGET

2011 BUDGET INFORMATION

INFORMATION: 2011 SOCIAL ASSISTANCE COSTS

Background

The Social Assistance Reform Act was proclaimed by the Province of Ontario in January 1998. The Act is comprised of two components, the Ontario Works (OW) Program and the Ontario Disability Support Program (ODSP).

The Region is responsible for delivering social assistance under the Ontario Works Program. Benefit levels and eligibility criteria are set by the Province. As part of the provincial uploading of social assistance costs, the province will gradually assume the municipal share of OW payments and benefits over the 2010-2018 time period. In 2011, the cost share ratio will be 81.2:18.8. The Region will continue to be responsible for 50% of the costs of administering the OW caseload.

Ontario Works

The Ontario Works program is delivered by the Employment and Income Support Division of the Social Services Department. The cost of the Ontario Works program is dependant on two key variables, the cost per case and the monthly caseload. Cost per case is difficult to predict as it is dependent on family size, the benefits received and the amount of income earned by each recipient.

In 2011, the OW program will continue to be impacted by the recent economic downturn. It is anticipated the impact of job losses, the exhaustion of employment insurance benefits and a gap between the skills and abilities of those receiving Ontario Works and the demands of the labour market will have a significant influence on the Ontario Works budget. In addition, there is a 1% income support rate increase that must be cost shared in 2011.

The 2011 Base Budget currently under consideration includes a provision of \$9,103,253 for Ontario Works allowances (no change from 2010) and \$1,116,862 for cost shared benefits. Based on the current caseload and cost per case, this provision will not be sufficient to entirely fund the projected 2011 Ontario Works expenditures. Funding will be required from the Tax Stabilization Reserve Fund (TSRF).

Staff has prepared three scenarios to illustrate possible caseload patterns for 2011. These scenarios are within a fairly narrow range. In December 2010, the OW caseload was 8,528 cases and the average for 2010 was 8,551 cases. The first scenario assumes that the caseload will decline to an average monthly caseload of 8,300 cases. This is considered the best case scenario.

The second scenario assumes the same caseload pattern as 2010. The average monthly caseload would be 8,551 cases. This is considered a reasonable projection of OW caseload in 2011.

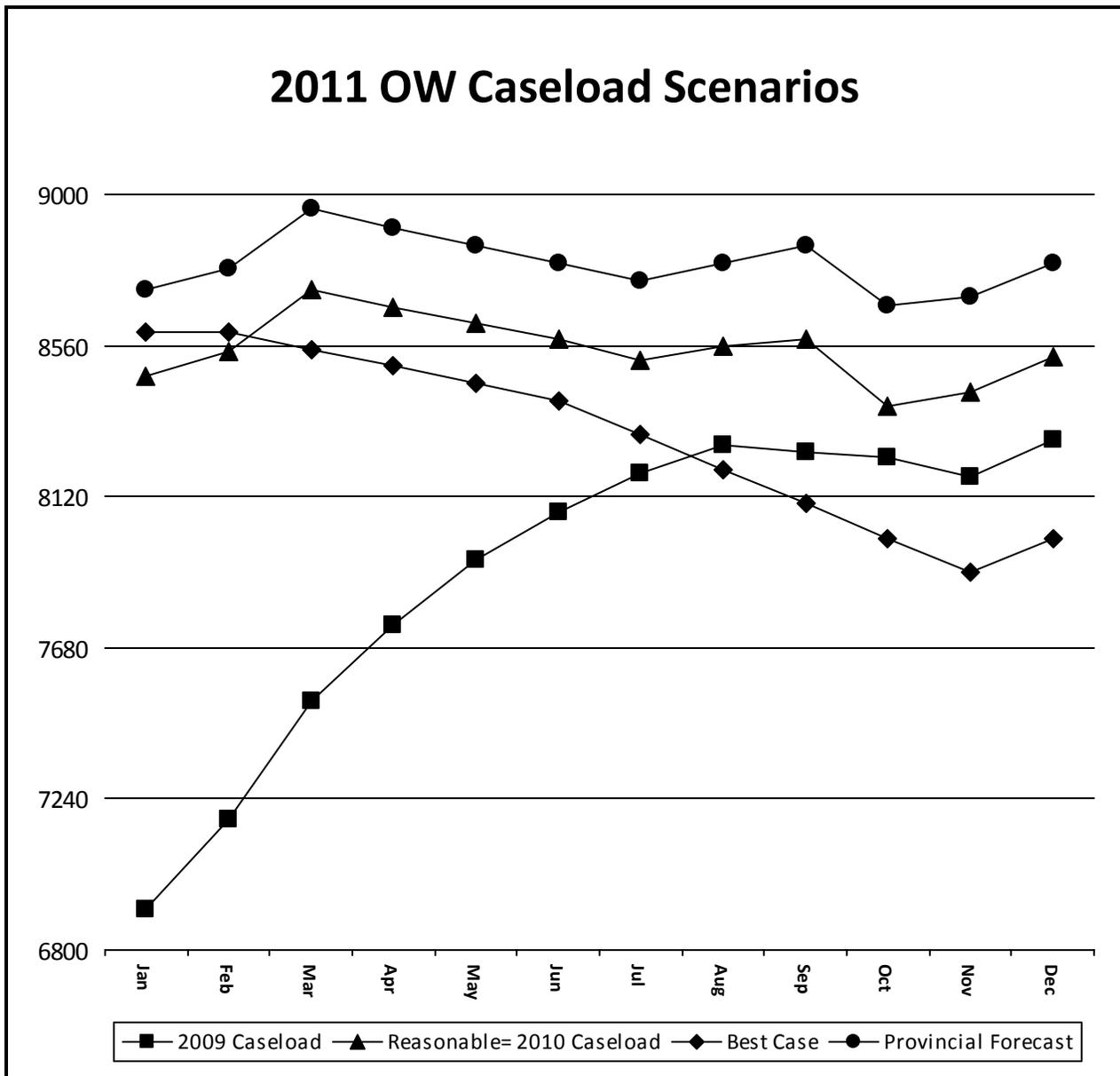
The final scenario assumes caseload growth to an average monthly caseload of 8,800 cases. This scenario is close to the Provincial forecast for 2011.

2011 BUDGET

2011 BUDGET INFORMATION

INFORMATION: 2011 SOCIAL ASSISTANCE COSTS CONT'D

The following graph illustrates each of these scenarios.



2011 BUDGET

2011 BUDGET INFORMATION

INFORMATION: 2011 SOCIAL ASSISTANCE COSTS CONT'D

The following table illustrates the financial impact of each of the scenarios.

	Scenario		
	Reasonable	Best Case	Provincial Forecast
Total Caseload	102,612	99,600	105,600
Average Monthly Caseload	8,551	8,300	8,800
December 2011 Caseload	8,528	8,000	8,800
Cost Per Case			
Income Support	\$ 656.05	\$ 656.05	\$ 656.05
Rate Increase	6.56	6.56	6.56
Benefits	75.40	75.40	75.40
Total	<u>\$ 738.01</u>	<u>\$ 738.01</u>	<u>\$ 738.01</u>
Gross Expenditures	\$ 75,727,206	\$ 73,505,796	\$ 77,930,166
Provincial Subsidy 81.2%	61,490,491	59,686,706	63,279,295
Total 2011 Requirement	<u>\$ 14,236,715</u>	<u>\$ 13,819,090</u>	<u>\$ 19,523,048</u>
2011 Base Budget (1)	<u>\$ 10,220,115</u>	<u>\$ 10,220,115</u>	<u>\$ 10,220,115</u>
Shortfall	<u>\$(4,016,600)</u>	<u>\$ (3,598,975)</u>	<u>\$ (4,430,756)</u>
(1) Assumes 2011 Uploading savings not included in Base Budget			

In each case, the balance of the TSRF is sufficient to fund the Region's share of the 2011 Ontario Works expenditures. It is anticipated that the Region's 2010 year end surplus will be sufficient to replenish the TSRF up to its \$10.0 million cap. If caseload remains constant over 2011 and 2012, the TSRF will be sufficient in 2012 as well.

Staffing levels may also have to be addressed during 2011. During 2009, Council approved the addition of 8.0 temporary full time caseworkers to address the workload issues associated with increased caseload. The costs associated with these temporary positions are funded through the Ontario Works Administration Budget.

Impact of Provincial Uploading

Beginning in 2011, the Province has assumed all of the costs related to the Ontario Disability Support Program. As a result, the 2011 Base Budget does not include any provision for these costs. The 2010 Budget included a provision of \$10.2 million for the ODSP costs. Overall, since 2008, the savings from the ODSP uploading have totalled \$22.8 million.

2011 BUDGET

2011 BUDGET INFORMATION

INFORMATION: 2011 SOCIAL ASSISTANCE COSTS CONT'D

In addition to the uploading of ODSP, the Province has committed to uploading the costs related to the Ontario Works payments and cost shared benefits beginning in 2010 and ending in 2018. For 2011, the cost sharing formula will change to 81.2%:18.8%. In a stable caseload environment, the resulting savings to the base budget, based on a caseload of 6,400 cases, would total \$351,000. Offsetting some of the savings from uploading is the requirement for the Region to cost share the 1% rate adjustment for Ontario Works recipients beginning January 1, 2011. This rate adjustment increases the Region's contribution by \$94,000 on 6,400 cases. As a result, there would be a decrease in the net savings from \$351,000 to \$257,000.

These savings have not been incorporated into the 2011 Base Budget, pending Council direction. Council did incorporate the 2010 savings for the Ontario Works upload into the operating budget with the understanding that the 2010 Budget would not include a sufficient provision to fund the program costs and that a substantial shortfall would be realized. The expected shortfall would be funded by the Tax Stabilization Reserve Fund (TSRF).

In both of 2009 and 2010 the Ontario Works budget has been overspent and the shortfall has been financed by the Tax Stabilization Reserve Fund. In 2009, the shortfall amounted to \$3.2 million and it is projected to be in excess of \$4.4 million in 2010. Should the 2011 budget for Ontario Works be reduced, there will be increased reliance on the TSRF in 2011 due to higher caseloads and cost per case.

In order to reduce reliance on the TSRF, Council could defer incorporating the OW uploading savings from 2011 to a future budget year when the caseload declines or when the Region's required contribution is less than the Region's provision for Ontario Works Program.

Cost of Administration Subsidy

In January, the Region was advised that the Province would be implementing a new funding approach to support Ontario Works program delivery costs in the 2011/12 fiscal year. Further information on this change will be provided by the Province in late January/early February. Based on the information available, it has been conservatively estimated that subsidy could increase by \$1.7 million. It should be noted this is a preliminary estimate that will have to be refined once further program information is available. The \$1.7 million estimate has been included in the Region's Budget for 2011.

Budget Risks

There are a number of risks to the 2011 Income Support Budget. There is a potential for the increase in caseload to be greater than projected in the Ontario Works Program. This program is sensitive to the unemployment rate in the community and can fluctuate from month to month. In addition, the cost per case can fluctuate based on family size, need and benefit entitlement.

Staff monitors the caseload on a regular basis and will report to Committee during the normal periodic financial reporting schedule. Staff will also update Committee on the status of the income support caseload on a monthly basis.

2011 BUDGET

2011 BUDGET INFORMATION

INFORMATION: 2011 SOCIAL ASSISTANCE COSTS CONT'D

Financial Implications

The budgeted 2011 Regional contribution for Ontario Works Income Support payments and benefits totals \$10,220,115. Any of the three scenarios provided will require contribution from the TSRF.

The net Ontario Works provincial uploading impact in 2011 is projected to be \$257,000. These savings have not been incorporated into the 2011 staff recommended Base Budget but will be realized in a future budget.

2011 BUDGET

2011 BUDGET INFORMATION

INFORMATION: RESPONSES TO COUNCILLORS' REQUESTS

A number of queries for additional information were requested at the January 19th Budget Committee meeting. Staff has prepared responses for those items as listed below:

1. Trend for Federal and Provincial Grants (Page 27)

Grants from senior levels of government have been increasing over the past five years. Attached as Appendix 1, is a summary for this period. Grants have increased recently due to higher costs for OW caseload and recent infrastructure stimulus programs.

2. Debt as Compared to Other Municipalities (Page 28)

3. GRT Revenue Recovery Versus Cost – How does this compare to other municipalities?

This information will be provided in the Regional Transportation Master Plan presentation scheduled for February 2nd.

4. Infrastructure Deficit for Housing (Page 29)

5. Listing of Major Waste Management Contracts (Page 30)

6. Children's Services

Included in the budget issue package, (Focus Area 4) is a paper titled "Child Care Fee Subsidy." This paper addresses the requirement to permanently increase the fee subsidy budget to meet current demands for child care. This budget issue has been recommended for approval.

7. Subsidized Transit Passes

Included in the budget issue package, (Focus Area 2) is a paper titled "Affordable Transportation for Persons with Low Income." This paper addresses the needs of low income persons to access affordable transportation. This budget issue has not been recommended for approval.

8. MPAC Cost Increase (Page 31)

The Municipal Property Assessment Corporation (MPAC) requests an annual levy from single tier and upper tier municipalities in Ontario. At one time, there was an option to opt out of this arrangement whereby municipalities would utilize another service delivery model/provider. The Ministry of Finance eliminated that option for municipalities a number of years ago. Attached is a letter from MPAC providing the rationale for the 2011 budget increase. Based on the apportionment formula, the 2011 increase for the Region is 4.3%.

Funding Provided to the Region of Waterloo
by Senior Levels of Government (1)
(\$ in thousands)

	Ontario	Canada	Total	
2005	\$130,783	\$16,042	\$146,825	
2006	135,720	19,065	154,785	5.4% (3)
2007	138,518	19,625	158,143	2.2%
2008	147,136	22,131	169,267	7.0% (4)
2009	181,003	36,227	217,230	28.3% (4) (5) (6)
2010(2)	194,482	40,418	234,900	8.1% (5) (6)

1) Funding Information for years 2005 to 2009 was obtained from FIR schedules 12 and 52.

2) For 2010 budget information was used.

3) Canada increased Gas Tax Revenue, and Ontario increased Public Health funding from 55% in 2005, to 65% in 2006, to 75% in 2007.

4) Increased funding for OW 2008 - \$7 million, 2009 - \$12 million

5) Infrastructure Stimulus funding - \$53.5 million -1/3 Municipal, 1/3 Federal and 1/3 Provincial.

6) Social Housing Refrofit Program - \$23 million started in 2009 with funding shared 50% Federal and 50% Provincial.

Ontario also provided ODSP Upload Savings of \$3.4 million in 2008, \$0.7 million in 2009 and \$8.6 million in 2010. These savings reduced Region of Waterloo expenses rather than increasing revenues.

Debt Service Costs as Percentage of Expenditures (Regional Comparators)

Region	2008 Debt Service (1)	2008 Total Expenditures (2)	%
Peel Region	\$34.1 m	\$1,475.2 m	2.3%
Durham Region	25.4 m	932.3 m	2.7%
Waterloo Region	22.7 m	674.1 m	3.4%
Niagara Region	35.8 m	832.2 m	4.3%
Halton Region	35.5 m	627.3 m	5.7%
District of Muskoka	10.2 m	135.0 m	7.6%
York Region	161.7 m	1,328.8 m	12.2%
Average			5.4%
Median			4.3%

(1) Long term debt service costs (principal and interest)

(2) Total expenditures less unfunded liabilities

Source: 2009 BMA Study

2011 BUDGET

2011 BUDGET INFORMATION

INFORMATION: RESPONSES TO COUNCILLORS' REQUESTS

Infrastructure Deficit for Housing

Since the transfer of housing in 1998 (financial responsibility) and 2001 (administrative responsibility), Regional staff have been monitoring the building conditions for both the directly owned Waterloo Region Housing (WRH) properties and the non-profit and cooperative housing stock under administration.

A full building condition assessment (BCA) on the non-profit and cooperative sites was completed following transfer of administration. The 2002 BCA report, which looked at the physical condition of the building and the adequacy of the reserves, identified the need for funding from senior levels of government and a request was made by the Region for immediate funding of \$35.4 million which would enable the sites to remain in good physical condition over the next 15 years (Report P-02-038/F-02-029). The BCA analysis was updated in 2007 (P-07-046) and the results indicated that the immediate need for funding had increased by more than double to \$78 million. In 2009, a full building condition assessment and reserve study was completed for the non-profits and cooperatives (i.e. the non Region owned units) and the results will be presented to Community Services Committee in the next few weeks. Although senior levels of government have provided some funding over the years through programs such as the Social Housing Renovation and Retrofit Program (SHHRP), there is still a significant need for funding to ensure that the non-profit and cooperative sites remain in good physical condition. The budget issue package includes an issue paper "Community Housing Condition Assessments to Increase Building Longevity" which identifies the need undertake another detailed evaluation in 2014 and to continue to quantify the need and request funding from senior levels of government.

The Region is also responsible for the 2,590 Waterloo Region Housing units and 132 ROWCHI units under direct ownership. These units, which were constructed from 1957 to 1978, are considerably older than the non-profit and cooperatives sites under administration. Building condition assessments are being conducted by Facilities staff over a 3 year period (60% in 2010, 20% in 2011 and 20% in 2012). The BCAs are a tool to assist with decision making and priorities for capital expenditures. Due to age and condition, continued capital expenditures for repairs and maintenance may not be suitable for some of the buildings. Staff are aware of this and are starting to develop a strategy to address the issue. The budget issue package includes an issue paper "Potential for Intensification at Selected Regionally-Owned Community Housing Properties" which identifies the need to investigate the potential for additional intensification at selected WRH sites. New units could potentially replace some of the older units that are approaching significant repair and maintenance thresholds.

Waste Management Contracts

Contract	Description	Contractor	Annual Cost (excl. escalation)	Contract length (Years)	Contract End Date
P2009-57	Processing of recyclables inside Materials Recycling Centre (contractor provides staff to sort recyclables)	Turtle Island	\$1,032,971	5	March 27, 2015
P2008-146	Hauling of waste between Cambridge and Waterloo sites	Wessuc	\$982,590	7	January 2, 2017
T2007-125	Collection of garbage, yard waste, large items, recycling in 3 Cities	Waste Management	\$10,832,508	7	February 27, 2016
T2007-125	Collection of green bin in 3 Cities	Waste Management	\$2,350,000	7	February 27, 2016
T2007-125	Collection of garbage, yard waste, large items, recycling in 4 Townships	Plein Disposal	\$2,438,152	7	February 27, 2016
T2007-125	Collection of green bin in 4 Townships	Plein Disposal	\$510,000	7	February 27, 2016
T2009-269	Processing of green bin material (current) – estimate of 12,000 tonnes @\$102.40	AIM Waste Management	\$1,228,800	4	October 12, 2013
E-10-20	Processing of green bin material (future) – estimate of 20,000 tonnes @\$116.82	City of Guelph	\$2,336,400	10	October 13, 2023



MUNICIPAL PROPERTY ASSESSMENT CORPORATION

31
RECEIVED

DEC 20 2010

FINANCE DEPARTMENT

December 16, 2010

Regional Municipality of Waterloo
 Attention: Larry Ryan
 Chief Financial Officer
 150 Frederick Street
 Kitchener, ON N2G 4J3

RE: MPAC's 2011 Funding Requirements

To assist in your budget planning, I am writing to provide details on the Municipal Property Assessment Corporation's (MPAC) 2011 funding requirements.

MPAC continues to be one of the lowest-cost assessment jurisdictions in Canada. In 2010, we continued to improve productivity and enhance services to our municipal and government stakeholders and our customers – the property taxpayers of Ontario.

Over the last year, MPAC:

- processed over 36,000 Requests for Reconsideration (RfR);
- validated and updated data for more than 195,000 properties;
- added more than 66,000 properties to the assessment roll;
- added more than \$28 billion in supplementary and omitted assessment to municipal assessment rolls;
- maintained severances and consolidations;
- continued to manage the RfR and Appeal process where it is expected that the adjustment for 2010 assessment rolls will be less than the 0.41 per cent reported for the 2009 property tax year;
- continued our successful community outreach program, hosting over 1,400 meetings and outreach initiatives with municipalities, government representatives, businesses and property taxpayer groups; and,

- conducted the Enumeration and prepared the Preliminary List of Electors for the 2010 Municipal Elections.

In 2011, MPAC will continue to meet its ongoing responsibilities. We will add new growth to the assessment roll, continue to inspect properties, send Property Assessment Notices to reflect in-year changes and make improvements to our assessment products and services.

Increase for 2011

To cover the increased costs projected for next year, MPAC's Board of Directors has approved a 3.9 percent increase in MPAC's funding requirements for 2011.

This change in funding requirements takes into account increased operating expense and inflationary pressures. Specifically, the increased operating expenses relate to an increase in the number of property inspections and other data collection activities planned for 2011. The increase also reflects actions that MPAC has taken over the past year to control costs while providing enhanced products and a high level of service to our stakeholders. Any savings resulting from the two-year freeze on salaries and benefits for employees in the broader public sectors for 2010 were taken into account as part of MPAC's funding requirements for 2011.

Under the *Municipal Property Assessment Corporation Act*, MPAC's funding requirements are apportioned using a formula that reflects the proportionate relationship of an individual municipality's or taxing authority's assessed values and total property count to the totals for all Ontario. These two indicators are averaged to reflect a 50 percent weighting for total assessed value and a 50 percent weighting for total number of properties.

Municipalities will experience differing increases in their individual 2011 charges due to the changes in their assessments and property counts on the 2011 assessment roll. Based on preliminary assessment data, the charge for your municipality will be approximately \$6,089,052.

We will confirm the actual impact to your municipality in January 2011, following the return of assessment rolls. As in 2010, municipalities will be billed in equal quarterly installments on the first day of each quarter.

Commitment to Continued Improvement

MPAC's Board of Directors and employees are committed to further improving customer service and product quality.

We will focus on increasing property inspections to further improve the accuracy of our data, and ensuring that supplementary and omitted assessments are kept up-to-date.

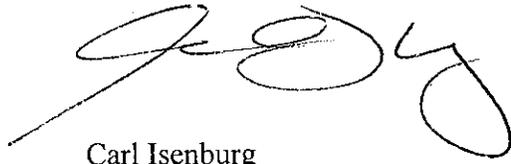
We will also continue our outreach program as part of our commitment to openness and transparency. Since the program began in 2005, MPAC employees have participated in approximately 7,400 meetings and outreach initiatives with stakeholders including municipalities and groups of property taxpayers across the province, increasing overall understanding of how assessment works and MPAC's role.

If you or your staff have questions, please contact:

Mr. Arthur Anderson
Director, Municipal Relations
Telephone: 905 837-6993
Toll Free: 1 877 635-6722 ext. 6993
E-mail: Arthur.Anderson@mpac.ca

Mr. Don Leblond
A/Director, Finance
Telephone: 905 837-6970
Toll Free: 1 877 635-6722 ext. 6970
E-mail: Don.Leblood@mpac.ca

Yours truly,



Carl Isenburg
President and Chief Administrative Officer

Copy MPAC Board of Directors
Executive Management Group
Arthur Anderson
Don Leblond

2011 Preliminary Base Budget Book pdf version – DOCS 926190

2011 Issue Paper Package pdf version – DOCS 926209

2011 BUDGET

2011 BUDGET INFORMATION

INFORMATION: WATER SUPPLY

Operating

Water Operating expenditures are predicted to increase by 1.9% in 2011. This increase includes a 5.7% market adjustment for hydro, and new network costs related to a major upgrade to the SCADA system (Supervisory Control and Data Acquisition) that will be installed in 2011 and 2012. This new system will greatly improve the reliability and service quality of the current SCADA system and will allow the Region to meet Regulatory requirements. In addition to these expenses, two new positions have been included in the proposed 2011 budget, as per the Water Issue Paper.

Funding for the GRCA and for RDC exemptions is included in the proposed 2011 Operating Budget. Due to a reduction in the RDC exemption budget, and a lower than anticipated budget increase for the GRCA, the overall budget is increasing by 1.9% over the previous year's budget.

Capital

The proposed 2011-2020 Water Capital Program is \$482 million which is a \$5 million reduction from the 2010-2019 capital program. Due to decreasing water demand trends, a number of growth and expansion related projects have been deferred to the latter part of the 10-year planning horizon. This has resulted in a reduction of \$18 million in 2011, \$14 million in 2012 and \$27.9 million in 2013 and \$8 million in 2014. After years of significant growth, the capital forecast is now stable and the water demand trends along with the growth and expansion related projects will be analyzed further in 2011 and will be taken into consideration in the 2012-2021 capital program.

Debentures

Total proposed debenture financing has increased to \$13 million from \$12 million in 2010. Debentures were previously issued in 2007 and 2008. Debt repayment has been included in the operating budget. Debenture financing is forecast in the water rate model to achieve a balance between rate increases and debentures issued.

GRCA

As part of the 2004 budget, Regional Council approved 100% funding of the Region's share of the GRCA levy from Water and Wastewater Services. The 2011 preliminary GRCA budget includes an increase of 2.9% in the municipal levy requirement which has been accommodated in the Water and Wastewater budgets.

2011 BUDGET

2011 BUDGET INFORMATION

INFORMATION: WATER SUPPLY CONT'D

Rate

The 2011 water rate is recommended to increase by 6.9% to \$0.7775 per cubic metre.

Water consumption demand in the Region has been steadily declining for a number of years, factoring in both increases from development and decreases from conservation. From 2005 – 2010, this decline is 9%. As the Region sells less water, but continues to maintain, optimize, and improve system reliability, the associated loss of revenue puts upward pressure on the wholesale rate. As reported last year, it remains unknown at this time the exact impact that legislation such as the Sustainable Water and Sewage Systems Act (Bill 175), the Clean Water Act, and the new Water Opportunities and Conservation Act will have on future rates. Council will be kept apprised as developments occur.

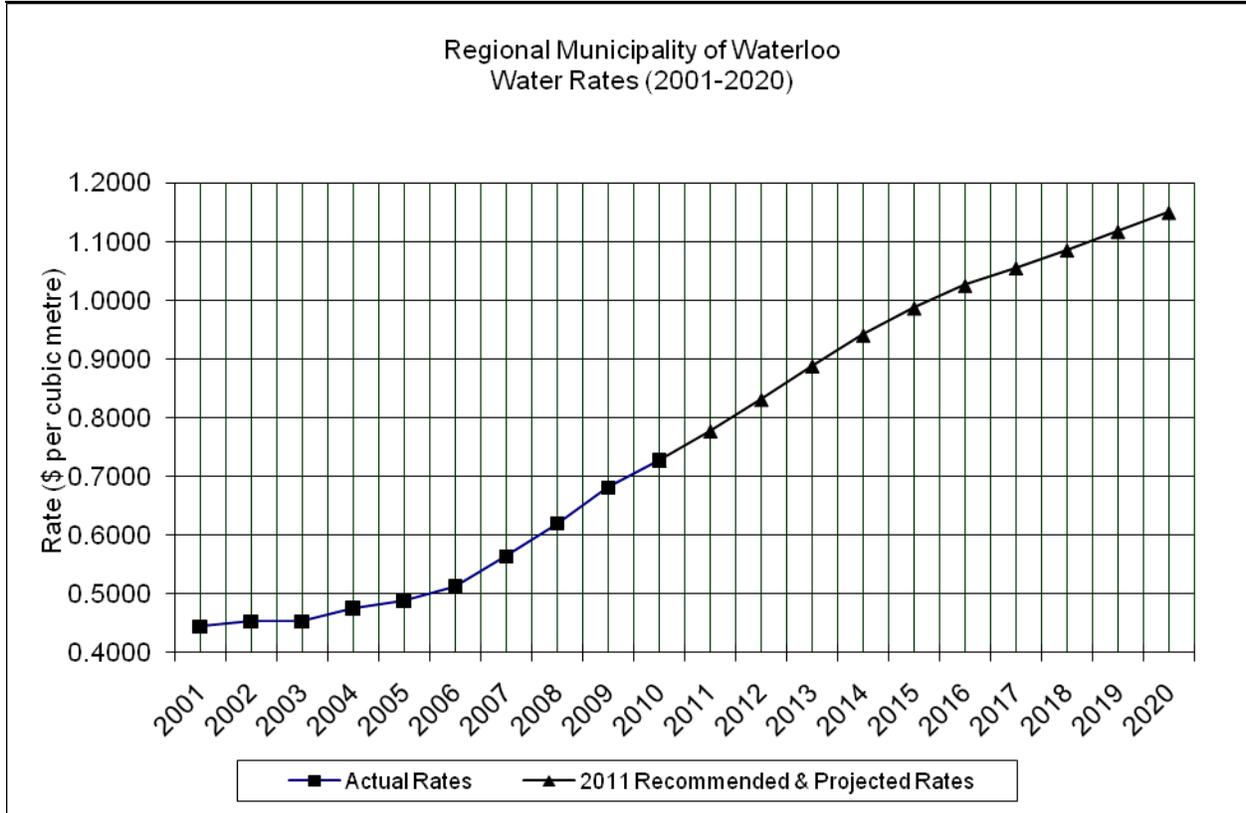
Staff is recommending a 6.9% rate increase for 2011 along with \$13 million of debentures for the 2011-2020 capital program. This is the same rate increase for 2011 projected in last year's budget process. The rate increase and debenture requirements are determined using the water rate model. It includes revenue, operating and capital budgets and creates a forecast estimating the amount of debentures required to carry out the necessary activities. The 10 year water rate model is updated each year and is included in the preliminary program budget book for review.

The graph below illustrates historical and recommended projected rates from 2001-2020. As the graph indicates, a 6.9% rate increase is proposed for 2011 to 2013, with a 5.9% increase in 2014, 4.9% in 2015, 3.9% in 2016 and 2.9% for 2017 to 2020. These increases will be reviewed as part of future years' budget processes. The detailed 10 year water rate is included in the program budget book.

2011 BUDGET

2011 BUDGET INFORMATION

INFORMATION: WATER SUPPLY CONT'D



2011 BUDGET

2011 BUDGET INFORMATION

INFORMATION: WASTEWATER TREATMENT

Operating

The proposed 2011 operating budget is increasing by 8.3% over the previous year's budget. As per report E-10-054, a new operating contract was negotiated with the Ontario Clean Water Agency (OCWA) in the fall of 2010 and as a result, utility charges are now paid directly by the Region. New provisions and services, including a new SCADA system, were added to OCWA's responsibilities which resulted in increases in operational and maintenance costs. These additional services take into account new infrastructure constructed in the previous five years, and regulatory targets for the betterment of water quality in the Grand River. Expanded and improved maintenance requirements will also ensure that the Region's infrastructure will be maintained and protected to a higher standard.

Funding for the GRCA and for RDC exemptions is included in the proposed 2011 Operating Budget. Due to a reduction in the RDC exemption budget, and a lower than anticipated budget increase for the GRCA, the overall budget is increasing by 8.3% over the previous year's budget.

Capital

The proposed 2011-2020 Wastewater Capital Program is \$723 million. The adjustment to the Capital Program is a \$4 million increase over the previous 10-year capital program and is due to refinements of project costs. The two major wastewater treatment plant upgrade projects, at Waterloo and at Kitchener, are both proceeding well. The Waterloo project is on time and on budget, and the last major construction component of the project will be tendered in 2011. The construction of the Kitchener Plant 2 Upgrades and the new UV treatment will also commence in 2011. The 2011 Capital Program reflects the implementation of the 2007 Wastewater Treatment Masterplan. The Biosolids Masterplan should be completed in 2011 and will define the biosolids strategy for the next 30 years. This will be reflected in the 2012–2021 capital program.

Debentures

The proposed debenture financing has decreased to \$137 million from \$160 million over the ten year forecast. There have been no debentures issued for wastewater capital projects since 1993 when debentures were issued for work done on the Galt Wastewater Treatment Plant. This debt was fully paid in 2003 and there is no outstanding debt at this time. Debenture financing is forecast in the wastewater rate model to achieve a balance between rate increases and debentures issued. The debenture forecast of \$137 million is a reasonable amount of debt related to the total wastewater capital program of \$723 million.

GRCA

As part of the 2004 budget, Regional Council approved 100% funding of the Region's share of the GRCA levy from Water and Wastewater Services. The 2011 preliminary GRCA budget includes an increase of 2.9% in the municipal levy requirement which has been accommodated in the Water and Wastewater budgets.

2011 BUDGET

2011 BUDGET INFORMATION

INFORMATION: WASTEWATER TREATMENT CONT'D

Rate

The wastewater rate is recommended to increase by 7.9% to \$0.6965 per cubic metre in 2011.

As reported last year, the exact impact that provincial legislation such as the Sustainable Water and Sewage Systems Act (Bill 175) and the Nutrient Management Act will have on future rates remains unknown at this time. Staff is waiting for the regulations under these Acts to be issued to understand how the Region's wastewater system will be affected. Council will be kept apprised as developments occur.

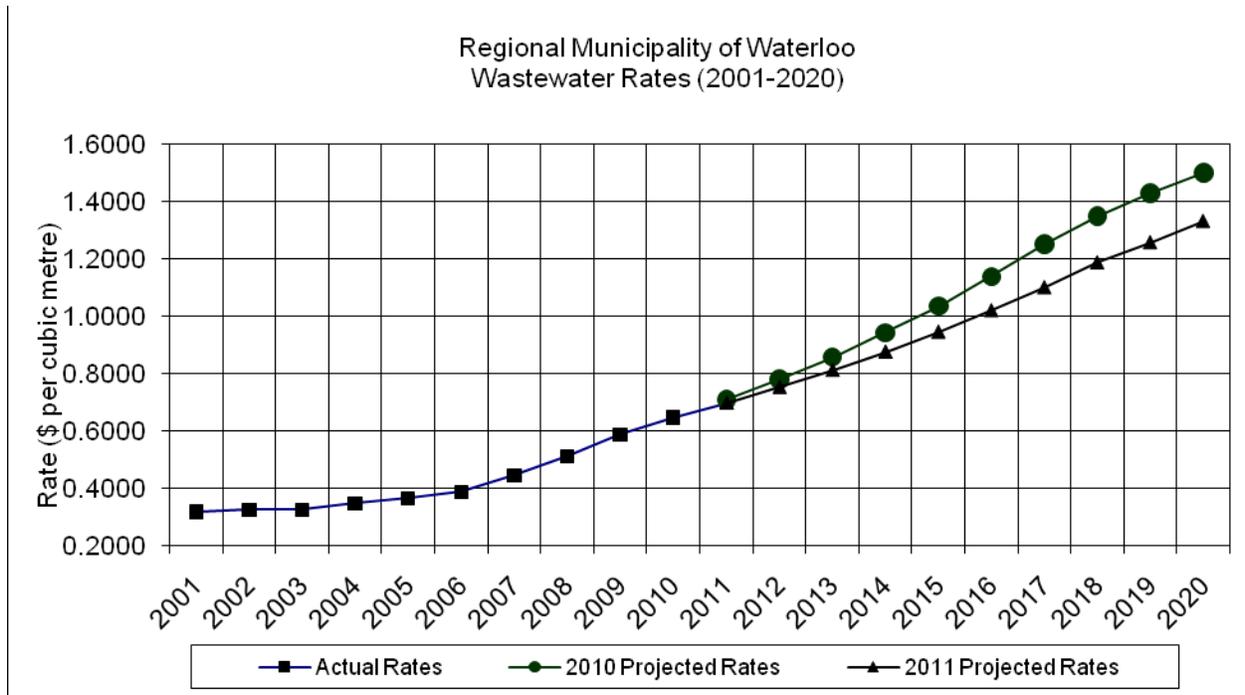
Staff is recommending a 7.9% rate increase for 2011 along with \$137 million of debentures for the 2011-2020 capital program. This is a reduction to the 9.9% rate increase planned for 2011 that was projected in last year's budget process. The rate increase and debenture requirements are determined using the wastewater rate model. It includes revenue, operating and capital budgets and creates a forecast estimating the amount of debentures required to carry out the necessary activities. The 10 year wastewater rate model is updated each year and is included in the preliminary program budget book for review.

The graph below illustrates historical and projected rates from 2001-2020. As the graph indicates, a 7.9% rate increase is proposed for 2010 to 2018, reducing to 5.9% in 2019 and in 2020. These increases will be reviewed as part of future years' budget processes. The planned increase in 2010 for 2011 was 9.9% and from 2012 to 2017 it was 9.9% annually. The detailed 10 year wastewater rate is included in the program budget book.

2011 BUDGET

2011 BUDGET INFORMATION

INFORMATION: WASTEWATER TREATMENT CONT'D



2011 BUDGET

2011 BUDGET INFORMATION

INFORMATION: WATER DISTRIBUTION AND WASTEWATER COLLECTION

Water Distribution - Operating

The proposed 2011 Operating Budget is increasing by 7.9% which includes a wholesale water purchase increase of 6.9%. Adjustments were made to the 2011 Water Distribution operating budget to accommodate increased costs in water billing, watermain maintenance, valve repairs, meter repairs and lab analysis.

Water Distribution - Capital

The proposed 2011-2020 Water Distribution Capital Program is \$3.85 million. This is an increase of \$860,000 from the previous Capital Program to replace meters in the 2015 to 2020 timeframe.

Water Distribution - Rate

The 2011 water distribution rate is recommended to increase by 9.9% to \$1.52 per cubic metre. This is the same rate increase for 2011 that was projected in last year's budget process. The rate increase, monthly service charge and debenture requirements are determined using the water distribution rate model. It includes revenue, operating and capital budgets and creates a forecast estimating the rate and the amount of debentures required to carry out the necessary activities. The 10 year water distribution rate model is updated each year and is included in the preliminary program budget book for review.

The monthly service charge is recommended to increase from \$4 to \$5 per month.

Wastewater Collection - Operating

The proposed 2010 Wastewater Collection Operating Budget is increasing by 14.6%. The increase is primarily due to the increase in wholesale wastewater treatment and the cost sharing of the billing function with Water Distribution.

Wastewater Collection - Capital

The proposed 2011-2020 Wastewater Collection Capital Program is \$2.565 million. This is an increase of approximately \$550,000 from the previous Capital Program for the expansion of the collection system.

2011 BUDGET

2011 BUDGET INFORMATION

INFORMATION: WATER DISTRIBUTION AND WASTEWATER COLLECTION CONT'D

Wastewater Collection - Rate

The 2011 wastewater collection rate is recommended to increase by 7.9% to \$1.35 per cubic metre. This is 2% lower than what was projected in last year's budget process and matches the Regional wholesale rate increase. The rate increase, monthly service charge and debenture requirements are determined using the wastewater collection rate model. It includes revenue, operating and capital budgets and creates a forecast estimating the rate and the amount of debentures required to carry out the necessary activities. The 10 year wastewater collection rate model is updated each year and is included in the preliminary program budget book for review.

The monthly service charge is recommended to remain unchanged from the previous year.

Summary

The following chart compares the 2010 water distribution and wastewater collection user rates to the area municipalities.

**2010 Water and Wastewater Rates – Area Municipalities
(per m3)**

	Water			Wastewater			Total
	User Rate	Monthly Charge	Annual Bill *	User Rate	Monthly Charge	Annual Bill *	
Kitchener	\$1.5271	no monthly chg	\$344	\$1.7295	no monthly chg	\$389	\$733
Waterloo	\$1.3800	\$2.61	\$343	\$1.4800	no monthly chg	\$333	\$676
Cambridge	\$1.2588	\$6.55	\$362	\$1.2658	\$5.20	\$347	\$709
Woolwich	\$1.3300	\$13.00	\$455	\$1.6300	\$13.00	\$523	\$978
Wilmot	\$1.3096	\$6.00	\$367	\$1.3976	\$6.00	\$386	\$753
Wellesley	\$1.3800	\$4.00	\$359	\$1.2500	\$4.00	\$329	\$688
North Dumfries	\$1.3800	\$4.00	\$359	\$1.2500	\$4.00	\$329	\$688

* Assumes average annual household consumption of 225m³

In 2011, the local municipalities have approved rate increases as follows:

Cambridge – 8.5% for water and 13.2% for wastewater

Waterloo – 3.6% for water and 11.5% for wastewater