

MEDIA RELEASE: Friday, February 18, 2011, 4:30 p.m.

REGIONAL MUNICIPALITY OF WATERLOO BUDGET COMMITTEE AGENDA

Wednesday February 23, 2011
12:30 p.m. – Lunch (Waterloo County Room)
1:00 p.m. – Open Meeting
Council Chambers, 2nd Floor
150 Frederick Street, Kitchener

Page #

1. **DECLARATIONS OF PECUNIARY INTEREST UNDER THE MUNICIPAL CONFLICT OF INTEREST ACT**
2. **OPENING REMARKS** (T. Galloway)
3. **PRESENTATIONS**
 - Grand River Conservation Authority (GRCA) Budget Update (1:15 p.m.)
 - Waterloo Regional Police Service Budget Update (2:00 p.m.)
(Attachment Distributed Separately – WRPSB Report 2011-018)
4. **USER RATES**
 - Presentation (L. Ryan)
 - [User Rate Budget Resolutions](#) 1
5. **PROPERTY TAX BUDGET UPDATE** (L. Ryan)
 - [F-11-010 Executive Summary – Budget 2011](#) 3
 - [Status of Associated Agencies](#) 7
 - [Reponses to Councillor’s Requests](#) 9
6. **PROPERTY TAX BUDGET PRESENTATIONS**
 - Ontario Works
 - Long Term Roads Funding
7. **NEXT MEETING**
8. **CLOSED SESSION**
(motion required)
9. **ADJOURN**

2011 DRAFT COUNCIL RESOLUTIONS

WHOLESALE WATER AND WASTEWATER

As in previous years, staff is recommending that Council approve the User Rate Budgets earlier than the tax levy supported budgets. Earlier approval enables the area municipalities to incorporate the wholesale rate forecasts into their budget process.

The 2011 rates for wholesale Water and Wastewater are recommended to increase from the 2010 rates as follows:

Water Supply

THAT the Regional Municipality of Waterloo approve for Water Supply, the 2011 Operating Budget, the 2011 Capital Budget and the 2012-2020 Capital Forecast.

THAT the Regional Municipality of Waterloo approve a Regional Water Rate of **\$0.7775** per cubic metre effective March 1, 2011 and that the necessary by-law be introduced.

Wastewater Treatment

THAT the Regional Municipality of Waterloo approve for Wastewater Treatment, the 2011 Operating Budget, the 2011 Capital Budget and the 2012-2020 Capital Forecast.

THAT the Regional Municipality of Waterloo approve a Regional Wastewater Rate of **\$0.6965** per cubic metre effective March 1, 2011 and that the necessary by-law be introduced.

RETAIL WATER AND WASTEWATER

The 2011 rates and charges for Wellesley and North Dumfries are recommended to increase from the 2010 rates as follows:

Water Distribution

THAT the Regional Municipality of Waterloo approve the 2011 Operating Budget, the 2011 Capital Budget and the 2012-2020 Capital Forecast for the Retail Water Distribution System.

THAT the Regional Municipality of Waterloo approve a Retail Water Rate of **\$1.52** per cubic metre effective March 1, 2011 and that the necessary by-law be introduced.

THAT the Regional Municipality of Waterloo approve a monthly maintenance fee of \$5.00 per account for the customers of the Retail Water Distribution System effective March 1, 2011 and that the necessary by-law be introduced.

Wastewater Collection

THAT the Regional Municipality of Waterloo approve the 2011 Operating Budget, the 2011 Capital Budget and the 2012-2020 Capital Forecast for the Retail Wastewater Collection System.

THAT the Regional Municipality of Waterloo approve a Retail Wastewater Rate of **\$1.35** per cubic metre effective March 1, 2011 and that the necessary by-law be introduced.

THAT the Regional Municipality of Waterloo approve a monthly maintenance fee of \$4.00 per account for the customers of the Retail Wastewater Collection System effective March 1, 2011 and that the necessary by-law be introduced.

THAT the Regional Municipality of Waterloo approve an increase of 7.9% to the flat annual rate that is currently being charged per residential connection and per commercial/industrial connection for the users of the Wastewater Collection System that do not have a water meter installed effective March 1, 2011 and that the necessary by-law be introduced.



REGION OF WATERLOO
FINANCE DEPARTMENT
Administration

Report: F-11-010

TO: Chair T. Galloway and Members of Budget Committee

DATE: February 23, 2011

FILE CODE: F05-30

SUBJECT: EXECUTIVE SUMMARY – BUDGET 2011

RECOMMENDATION:

For Information

SUMMARY: Nil

REPORT:

2011 Current Position Including RTMP and New Issues

At the Budget Meeting on February 2nd, the following summary of the 2011 budget was presented. This position has not changed since that meeting.

	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 -	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 Region's 2011 base budget is in a very strong current position resulting in a tax decrease of 0.57%. A number of base updates are required over the next two budget meetings including: gapping (February 23rd), provincial cost sharing for OW admin (March 23rd), and fuel prices (March 23rd). Adjustment to the 2011 base budget may result as further information is provided on these matters. Since the 2011 Regional Base Budget is in good shape, the focus on the budget could be directed towards what expansion in services the Region should consider for 2011.

Regional Transportation Master Plan (RTMP) Funding

Waterloo Region is one of the fastest growing communities in Canada. In response to the projected 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 beginning in 2011 to provide additional transit service capacity to meet growing demands throughout the transit service area. Staff is 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 Transportation Master Plan – Implementation and Funding, which was included in the February 2nd agenda package.

The 2011 budget does not include additional funding for the Rapid Transit project. A process has been initiated 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 June 2011.

2011 Regional New 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 were mailed out with the February 2nd 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. At the February 2nd Budget Committee meeting, staff were directed to prioritize the new issues for 2011. Priorities will be established within the Corporate Strategic Plan focus areas. These revised lists will be handed out on February 23rd.

2011 Police Services Budget

The 2011 Police Services Budget was presented to the Police Services Board on February 9th. The 2011 Police Services Budget currently under discussion at the Board has a potential tax rate impact of 1.07%. This increase represents a base budget increase of 0.57% plus an amount for new issues of 0.50% for a total potential tax rate increase of 1.07%. The new issues will also result in substantial annualization for 2012. The Police Services Board is continuing to review the 2011 budget. Police Services will be attending the Region’s Budget Committee meeting on February 23rd to present their 2011 Budget. For additional information on the Police Services 2011 Budget, please refer to the Associated Agencies information paper included in this budget package and the copy of the Police Services Board report attached separately in the Council package.

Now that the range of the Police Services Budget tax impact has been identified, the potential “all-in” Regional tax rate increase can be quantified as follows:

Draft Regional Tax Rate Increase (February 23 rd Position)	1.23%
Police Services	<u>0.57% to 1.07%</u>
Total Tax Rate Increase	<u>1.80% to 2.30%</u>

Responses to Councillor's Requests

There were a number of budget requests for additional information at Budget Committee on February 2nd, and two carry forward requests from the January 19th budget meeting. The responses to these requests have been included in a separate information paper within this budget package.

User Rates

In order to provide area municipalities with timely information regarding wholesale water and wastewater rates, it is planned to approve the user rates on February 23rd. The 2010 plan was to increase the water wholesale rate in 2011 by 6.9%. The staff recommended rate increase for 2011 remains at 6.9%. The operating expenses for water have increased by 1.9% in 2011 and in addition, the capital program has remained stable for 2011. The largest driver impacting the whole water rate in 2011 is consumption. Consumption has decreased by 9% since 2005. This adjustment has been factored into the water rate model for 2011 generating a 6.9% rate increase.

Similarly, last year's plan was to increase the waste water wholesale rate in 2011 by 9.9%. The proposed waste water rate increase for 2011 is 7.9%. The largest single driver for 2011 for the waste water operating budget is the impact of the new Ontario Clean Water Agency (OCWA) contract. The new services provided in the new OCWA contract results in the largest contributor to the 8.3% increase in operating costs for 2011. In addition, additional revenues are required to fund the large capital program in wastewater.

These wholesale rate increases are effective March 1, 2011. The resolutions regarding the 2011 rates are included within this budget package. Supporting documentation (information papers, issue papers and program budget book) was provided at the February 2nd Budget Committee Meeting. In addition, a number of responses to Councillor's requests have been included within this budget package.

The GRCA will be presenting their 2011 Budget to Budget Committee on February 23rd. The increase requested for 2011 is 2.9%. The GRCA general levy is entirely funded by user rates (water 45% and wastewater 55%). This 2011 request is included in the proposed 2011 water and wastewater rate increases and has minimal impact on the 2011 recommended rates. For more information on the GRCA budget, please refer to the information paper included within this budget package.

CORPORATE STRATEGIC PLAN:

The 2011 budget will be fully integrated into the 2011 to 2014 Corporate Strategic Plan.

FINANCIAL IMPLICATIONS:

It is important to note that a 1% tax rate increase results in a \$14.77 increase to the tax bill for the average residential property. In addition, a 1% tax rate increase generates a \$3.67 million increase in tax revenues. A 2.3% tax rate increase results in a \$33.97 increase for the average residential property owner. The 6.9% increase in the wholesale water rate results in an annual increase of

\$10.67 to the water ratepayer. The 7.9% increase in the wholesale wastewater rate results in an annual increase of \$11.22 to the wastewater ratepayer.

OTHER DEPARTMENT CONSULTATIONS/CONCURRENCE:

All departments and Police Services have participated in the development of the 2011 budget.

ATTACHMENTS: Nil

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

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

2011 BUDGET

2011 BUDGET INFORMATION

INFORMATION: STATUS OF ASSOCIATED AGENCIES - UPDATE

This Information Paper addresses the current status of the Associated Agency Budgets.

Waterloo Regional Police Services (Preliminary Budget Increase 4.02% to 5.70%) (Preliminary Tax Rate Increase 0.57% to 1.07%)

The 2011 budget for Waterloo Regional Police Services is currently being reviewed by Police Services staff and the Police Services Board. The base budget position of \$118,001,261, which generates a tax rate impact of 0.57%, is an increase of \$4.56 million over the 2010 net levy for Police Services. The \$4.56 million is comprised of \$5.142 million of expenditures offset by \$580,000 of revenue. The drivers of the base budget increase include negotiated salary increases, annualization of 2010 hires, increased OMERS rates, increased debt charges for debt issued in 2010 and external purchased services. Similar to the Region, Police Services staff undertook a comprehensive base budget review.

In addition to the base budget increase, there are budget issues recommended by Police Services staff that is currently under consideration by the Police Services Board. Police Services staff has recommended additional investigative and operational equipment consistent with adequacy standard requirements plus staffing expansions to “maintain response times and ensure sufficient front-line patrol proactive time necessary for appropriate community safety levels.” The equipment expansions would add \$514,920 to the base budget and increase the tax rate impact to 0.70%. The staffing expansion includes 60 officers and 18 civilians and associated costs. The expansion is based on the hiring of 35 officers and all 18 civilians in 2011 with the remaining 25 officers hired in April of 2012. The cost of the staffing expansion would be \$1.391 million in 2011; \$4.722 million in 2012; \$1.119 million in 2013 and \$576,000 in 2014. Including the 2011 costs for the staffing expansion, the 2011 net budget for Police Services would be \$119,906,977 and the tax rate impact would be 1.07%. These expansions would generate tax rate increases in subsequent years of approximately 1.25%, 0.29% and 0.14% in 2012, 2013 and 2014 respectively.

Police Services staff will attend Budget Committee on February 23rd and the Police Services Board will review the proposed 2011 budget again on March 9th.

Grand River Conservation Authority (Preliminary Budget Increase 3.0%)

a) General Levy

The proposed final 2011 GRCA budget to be presented to the General Membership for approval on February 25, 2011 includes a general levy of \$9,470,000, an increase of 3.0% or \$277,000 over the general levy for 2010. To reach the 3.0% municipal levy increase, GRCA staff has included reductions of \$645,000 from the initial draft 2011 budget (\$300,000 of capital expenses and \$345,000 of operating expenses). The current budget position is unchanged from that reported in the January 19th Budget Committee agenda. It should be noted that the GRCA base budget does not include any levy for the Source Protection Planning Program as this program is funded 100% by the Province. The provincial funding commitment is in place through March 2012.

2011 BUDGET

2011 BUDGET INFORMATION

INFORMATION: STATUS OF ASSOCIATED AGENCIES - UPDATE CONT'D

b) Apportionment and Region of Waterloo Impact

The GRCA levy is apportioned based on modified current value assessment which apportions the general levy based on each municipality's modified current value assessment relative to the total modified current value assessment across the watershed. Modified current value assessment is determined by applying established factors to the current value assessment in each of the property classes and is based on the prior year's assessment roll (e.g. the apportionment for 2011 is based on the 2010 assessment data). Under this formula, the Region's share of the 2011 general levy will be 56.3%. This is slightly lower than the Region's 2010 share of 56.4%. The preliminary 3.0% increase in the GRCA general levy results in an increase of 2.9% or \$150,235 on the Region's share (from \$5.184 million to \$5.334 million).

As part of the 2004 budget, Regional Council approved funding the Region's entire share of the GRCA levy from Water (45.3%) and Wastewater (54.7%) Services for a \$0 impact on the tax levy. The impact of the proposed GRCA 2011 budget has been accommodated in the 2011 budget and rate models for Water and Wastewater Services.

Other Associated Agencies

There have been no changes in the status of the budgets of the other Associated Agencies (Municipal Property Assessment Corporation, Canada's Technology Triangle, Communitech, Waterloo Regional Heritage Foundation, and Region of Waterloo Arts Fund). For information on the budgets of those Associated Agencies, please refer to page 11-13 of the January 19th Budget Committee agenda.

2011 BUDGET

2011 BUDGET INFORMATION

INFORMATION: RESPONSES TO COUNCILLORS' REQUESTS

A number of queries for additional information were requested at the February 2nd Budget Committee meeting. Staff has prepared responses for those items as listed below:

- 1) Water and Wastewater 2011 Household Impacts (Page 10)
- 2) Retail Users Rates Projected for the Next 4 Years (Page 12)
- 3) User Rate Comparison for Two Tiers – To be included in February 23rd Budget Presentation
- 4) Transit & RTMP Queries (Page 19)
 - a) Business Case – Fischer Hallman Express (Page 19)
 - b) Transit for Doon South (Page 19)
 - c) Sensitivity Analysis on Transit Fare Increase (Page 20)
 - d) Transit Public Input Suggestions (Pages 20-23)
 - e) Specialized Transit – Demand for Service (Page 24)
- 5) Gapping - To be included in February 23rd Budget Presentation
- 6) Percentage of Budget for Arts, Culture & Heritage (Page 25)
- 7) Municipal Property Assessment Corporation (MPAC) (Page 26)
- 8) Net Supplementary Taxes (Page 27)
- 9) Provincial Subsidy for Infant & Child Development & CINOT Programs (Page 30)
- 10) Prioritized Issue Paper Lists – To be handed out on February 23rd
- 11) History of Staff Increases and Reductions – To be handed out on February 23rd
- 12) Opportunities Waterloo Region – Available March 23rd
- 13) Five Year Projected Tax Increases – Available March 23rd

2011 BUDGET

2011 BUDGET INFORMATION

INFORMATION: WATER AND WASTEWATER 2011 HOUSEHOLD IMPACTS

At the February 2nd Budget Committee meeting, the following chart which compares the 2010 water distribution and wastewater collection user rates of the area municipalities was included in the budget package. It reflects the rates as approved by each of the area municipalities and by the Region for the systems in North Dumfries and Wellesley.

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

2011 BUDGET

2011 BUDGET INFORMATION

INFORMATION: WATER AND WASTEWATER 2011 HOUSEHOLD IMPACTS CONT'D

Budget Committee requested that information be provided on the 2011 water distribution and wastewater collection rates.

The following chart presents the comparative information for each of the area municipal water systems and the Regional system for North Dumfries and Wellesley.

2011 Water and Wastewater Rates – Area Municipalities (per m³)

	Water			Wastewater			Total
	User Rate	Monthly Charge	Annual Bill *	User Rate	Monthly Charge	Annual Bill *	
Kitchener	\$1.632	no monthly chg	\$361	\$1.849	no monthly chg	\$409	\$770
Waterloo	\$1.43	\$2.66	\$348	\$1.63	no monthly chg	\$362	\$710
Cambridge	\$1.3667	\$5.86 + \$0.79	\$382	\$1.4332	\$5.46	\$383	\$765
Woolwich	\$1.43	\$13.00	\$472	\$1.76	\$13.00	\$545	\$1017
Wilmot	\$1.4131	\$6.50	\$390	\$1.4801	\$6.50	\$405	\$795
Wellesley	\$1.52	\$5.00	\$396	\$1.35	\$4.00	\$346	\$742
North Dumfries	\$1.52	\$5.00	\$396	\$1.35	\$4.00	\$346	\$742

* Assumes average annual household consumption of 221m³

In 2011, the local municipalities have considered and/or approved rate increases as follows:

Cambridge – 8.5% for water and 13.2% for wastewater – approved

Waterloo – 3.6% for water and 10.6% for wastewater – approved (assumes a mid-year decrease from \$1.65 to \$1.63 based on approval of Regional rates)

Wilmot – 7.9% for water and 5.9% for wastewater – approved by the ad hoc Budget Advisory committee and forwarded to Council for consideration on February 22

Woolwich – 7.5% for water and 7.9% for wastewater – forwarded to Council for consideration on February 22

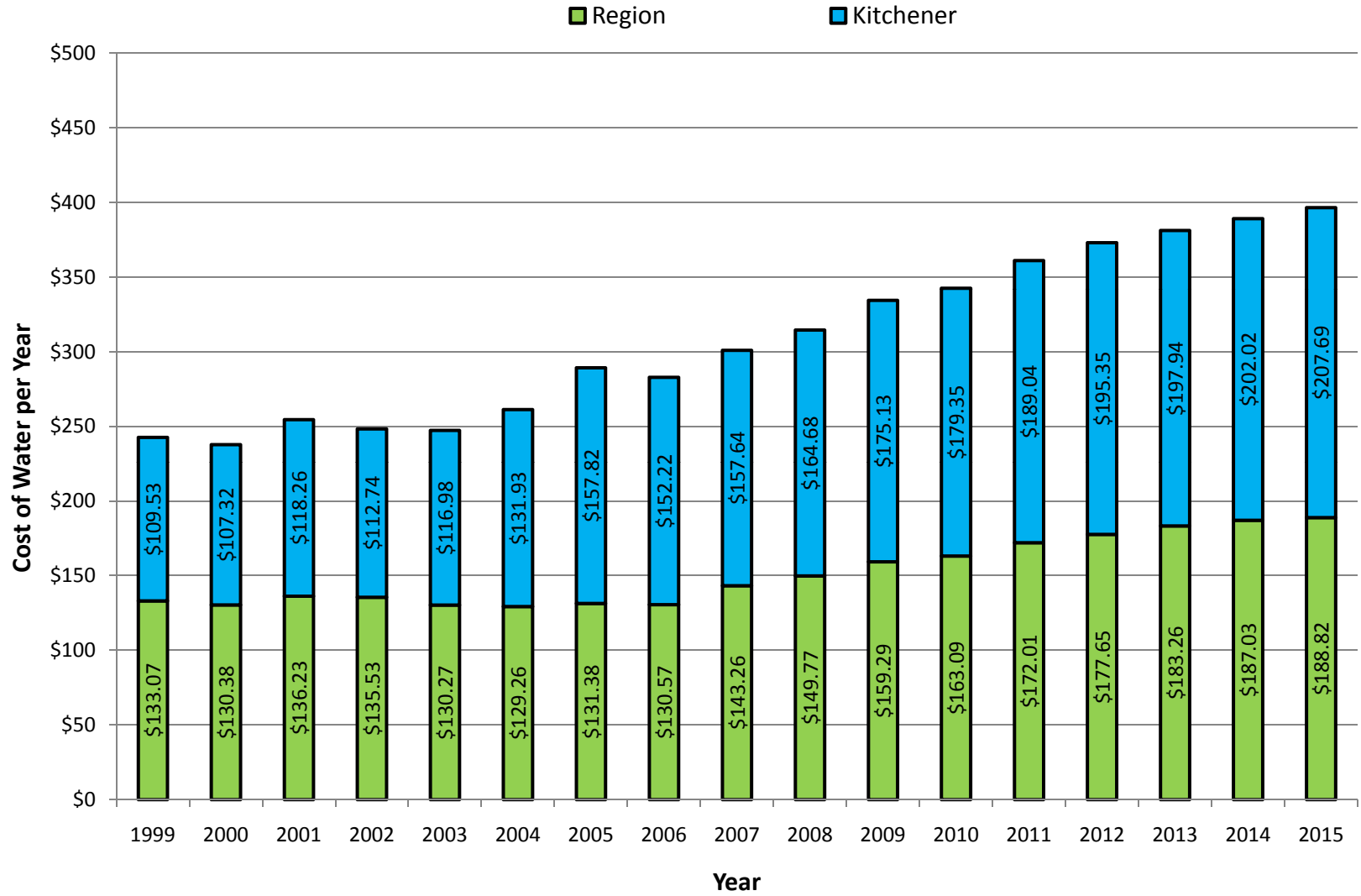
Kitchener – current increase is 6.9% for water and wastewater – Staff will be presenting options at 2.9%, 3.9% and 4.9% for consideration by Council on March 1

Wellesley and North Dumfries – for consideration by Regional Budget Committee on February 23

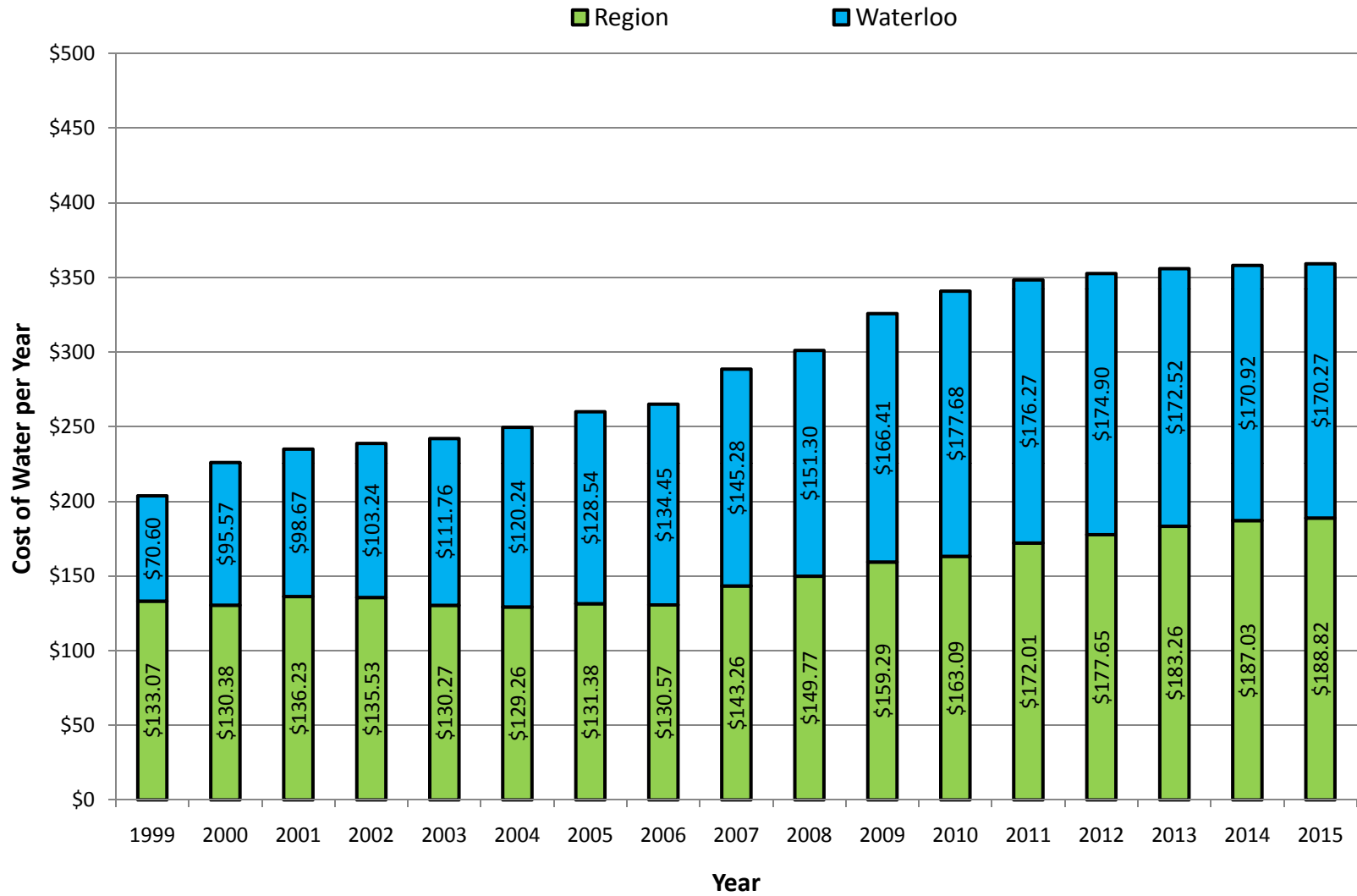
Projected Household Impacts for 2011-2015

The graphs which follow project the household impacts of water and sewer rates over the next five years.

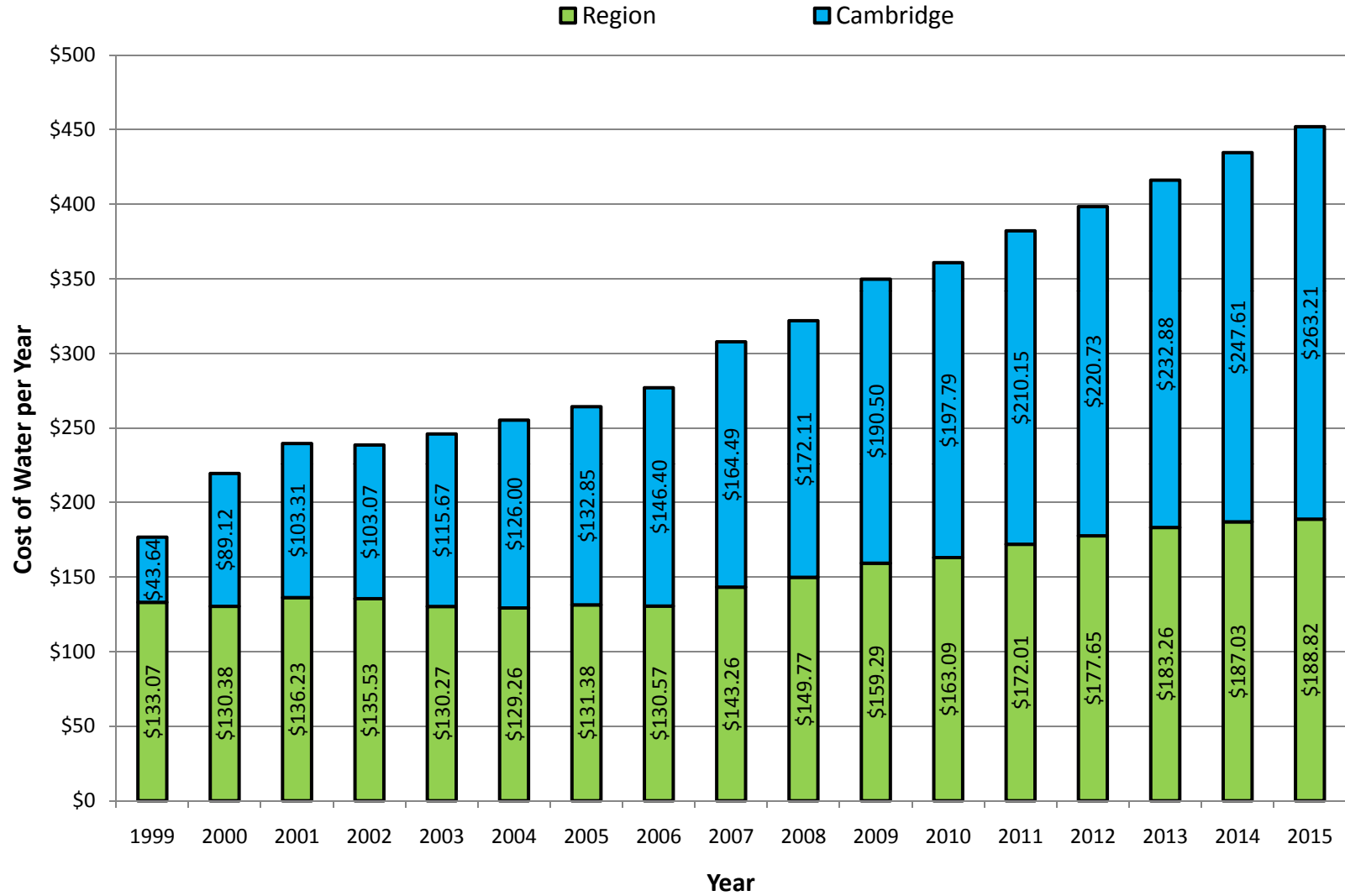
Average Annual Cost of Water in the City of Kitchener Per Household 1999-2015



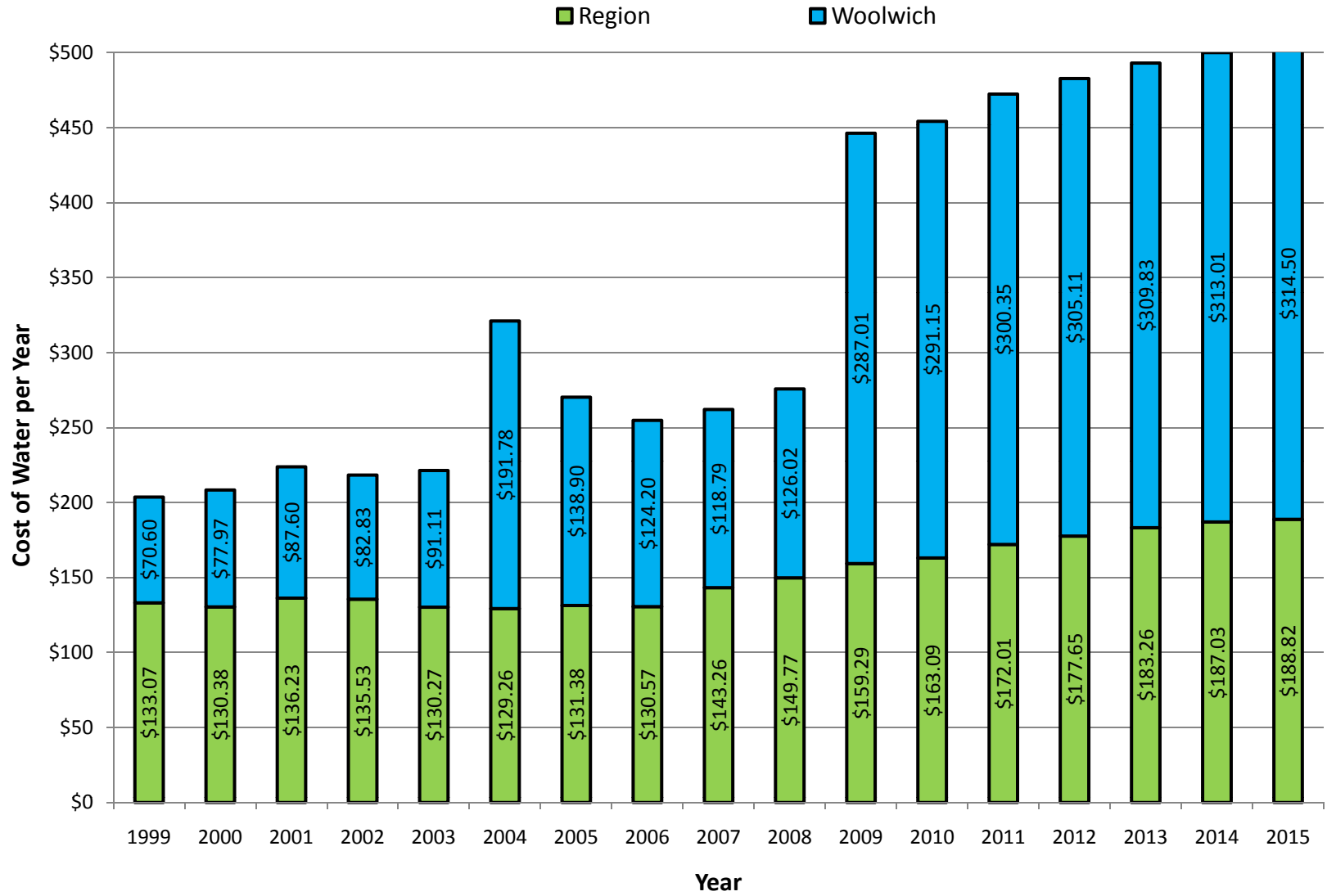
Average Annual Cost of Water in the City of Waterloo Per Household 1999-2015



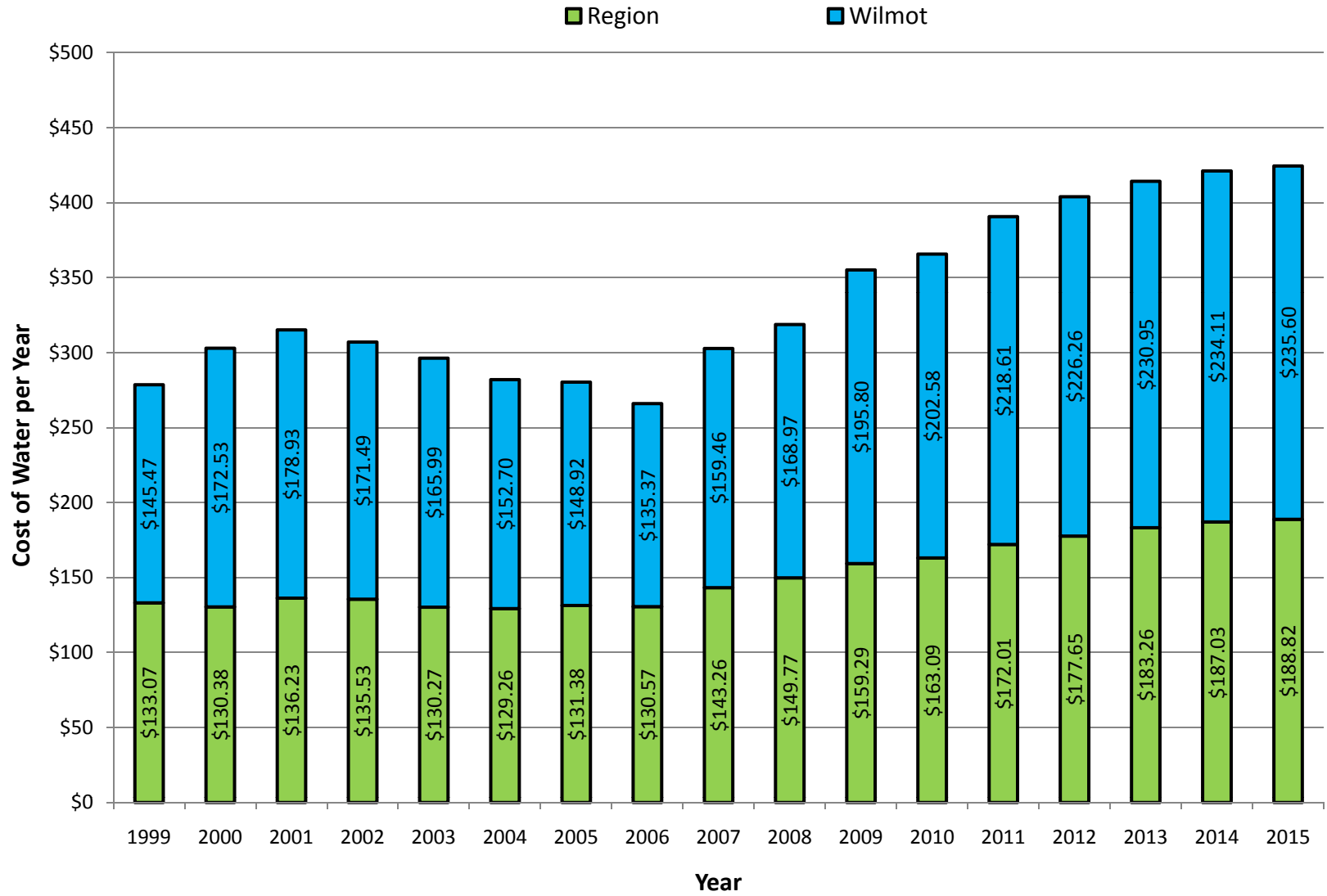
Average Annual Cost of Water in the City of Cambridge Per Household 1999-2015



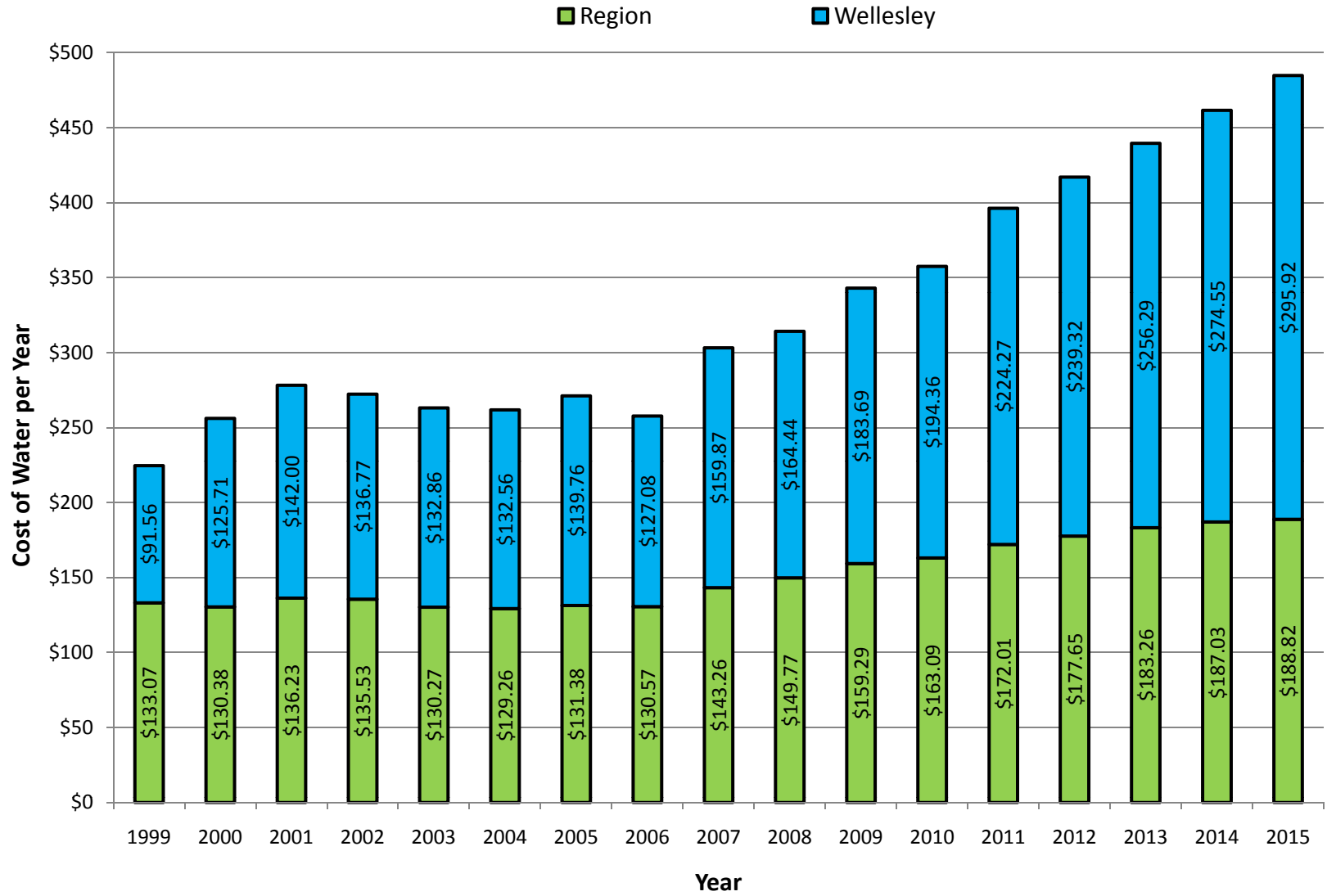
Average Annual Cost of Water in the Township of Woolwich Per Household 1999-2015



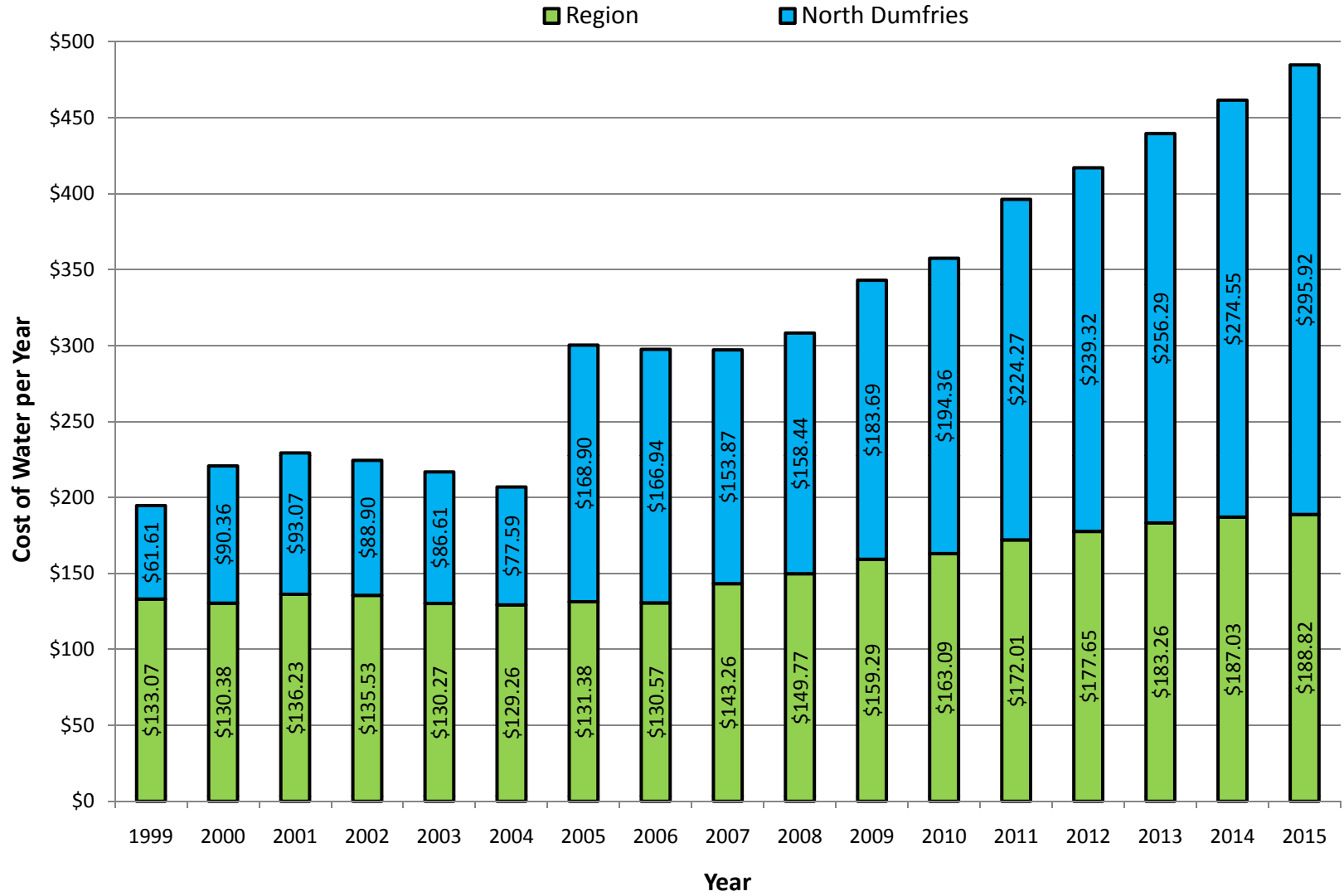
Average Annual Cost of Water in the Township of Wilmot Per Household 1999-2015



Average Annual Cost of Water in the Township of Wellesley Per Household 1999-2015



Average Annual Cost of Water in the Township of North Dumfries Per Household 1999-2015



2011 BUDGET

2011 BUDGET INFORMATION

INFORMATION: SUPPLEMENTARY INFORMATION RELATED TO RTMP FUNDING

A number of questions were posed by Councillors and members of the public during the Feb 2, 2011 council session related to the proposed RTMP implementation and current GRT route performance. This memo addresses these issues.

Crowding on GRT Routes

An analysis was presented at the budget meeting demonstrating that almost 50% of afternoon peak period trips on iXpress have a peak load greater than 40 which is slightly higher than the 37 seats on a standard low floor bus. The GRT measure of an overcrowded trip is 150% of seated capacity, as per Regional service standards, which is approximately 55 passengers. iXpress exceeded this standard on 18.8% of trips during fall 2010. No other GRT routes exceeded this standard. During the same period, 2.4% of iXpress trips had a peak load greater than 70 passengers and 0.6% of iXpress trips exceeded a peak load of 75 passengers.

Expected Performance of New Service

Ridership forecasting methods for new transit service vary depending on the type of service being proposed. In the case of a limited stop express route like that proposed for Fischer-Hallman Road, the analysis is focused on the service's ability to deliver competitive travel times compared to auto use. Accordingly, staff used an analysis of a.m. peak period travel within the proposed route's coverage area combined with an approximate mode share based on data from the 2006 Transportation Tomorrow Survey to predict an annual ridership of approximately 900,000 by Year 5. Based on experience with ridership growth on new GRT service, it is anticipated that the ridership would approach 630,000 in the first year of operation and would grow as the new service matures and its competitiveness attracts new riders.

	Total Ridership	Expected Cost Recovery Ratio (R/C)
Year 1	630,000	32%
Year 5	900,000	44%

Cost for Local Service in Doon South

GRT has used BusPLUS service when introducing new transit service into residential areas. BusPLUS is a contracted service that uses small transit vehicles that can accommodate 19 passengers. Typically, initial service would be provided during the weekday morning and afternoon peak periods only. This service could operate as a 30 minute round trip, linking Doon South residential areas with GRT express service on Pioneer Drive at Old Carriage Drive. Final routing would be developed in consultation with area residents. The total annual operating cost of this service would be \$75,077. Expanding this service to all-day on weekdays would increase the cost to \$126,850. Expected operating cost recovery of this service would be approximately 15%. Transit service for Doon is proposed for the 2012 budget and as such was not included in the current (2011) budget request.

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INFORMATION: SUPPLEMENTARY INFORMATION RELATED TO RTMP FUNDING CONT'D

The Effect of Transit Fare Changes on Ridership Growth

There are two variables that can impact ridership growth - fare and service changes.

Fare Changes - The transit industry standard practice is to anticipate that a 10% increase in fares will cause a 3% decrease in ridership. The GRT fare structure offers a wide range of discount fare types that reward the frequent rider. As fares increase, riders may choose to switch to a different fare type that offers a better value. In practice this has meant that a small fare increase does not cause large negative effects on ridership.

To ensure reliable financial projections, staff uses the industry standard elasticity of -0.33 (10% fare increase would result in a 3% decrease in ridership), together with actual GRT ridership and revenue data to project the effect of fare changes on ridership growth. Staff anticipates that a 5% fare increase (effective July 1, 2011) would create a 0.9% (180,000 annual rides) short-term reduction in ridership growth.

Service Changes - Research suggests that the supply elasticity for transit service is in the 0.5 to 0.7 range in the short term (in real terms, a 10% increase in service provided would lead to a 5-7% increase in ridership). Since the magnitude of the supply elasticity exceeds both the theoretical and actual price elasticities, implementing the proposed 2011 service improvement plan would more than offset the effect of the fare change, resulting in increased ridership.

Staff undertook an analysis of the effect of fare changes on GRT ridership in the fall of 2008. At that time staff found that:

- immediately after the fare increases, there was a slight reduction in ridership growth;
- modest increases to the price of discount fares caused switching between fare types with a slight short term reduction in ridership;
- increases to the cash fare primarily increased demand for discounted fare media;
- in the long-term, ridership growth from ongoing service improvements outweighed the decrease in ridership caused by a modest fare increase.

We have found that this methodology has been reliable for predicting ridership growth in Waterloo Region.

Costs of Additional iXpress Stations

It was requested that staff review the cost of additional iXpress stops at the intersection of King Street and Victoria Street and at the Kitchener Market.

A typical iXpress station of the type used in the Central Transit Corridor costs approximately \$44,000 excluding taxes and including installation. This consists of:

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INFORMATION: SUPPLEMENTARY INFORMATION RELATED TO RTMP FUNDING CONT'D

Pad	10,000
Cantilevered Shelter (5X20)	20,000
Variable Message Sign (VMS)	7,000
VMS enclosure	1,500
Electrical	5,000
Bike Racks (2)	400
Total	43,900

Staff has reviewed the potential for a stop at King Street and Victoria Street and believes it can be implemented with no additional operating or vehicle capital costs. Staff is working with the Rapid Transit team to determine the appropriate timing and design for this additional stop as it would be affected by the King & Victoria Transit Hub.

Staff has received a number of requests for different stop locations along the iXpress route since its implementation. Because of the need to balance the speed of the service with the frequency of stops that maximize the number of customers that it can serve, staff has been reluctant to add additional stop locations.

Each additional stop increases travel times for transit customers. Locations have been selected to service major nodes or to act as a transfer location. In most cases, as at the Kitchener Market, there are other routes that can connect with the iXpress and provide a quick link to those locations not directly at an iXpress stop.

Costs of 24hr Service on Key Routes

The following table approximates the additional annual service hours and variable operating costs to expand GRT service on base routes to 24 hour operations on weekdays. This would provide a minimum network, connecting key terminals. To provide an effective overnight service, this network would need to be supported by connecting local routes.

Route	Additional Service Hours Required	Total Variable Cost
1	2,268	\$ 210,000
7	12,096	1,120,000
8	10,584	990,000
12	15,120	1,410,000
25	3,024	280,000
51	3,024	280,000
52	4,536	420,000
iXpress	8,820	820,000
Total	59,472	\$5,530,000

2011 BUDGET

2011 BUDGET INFORMATION

INFORMATION: SUPPLEMENTARY INFORMATION RELATED TO RTMP FUNDING CONT'D

The service described above is based on providing 30 minute frequency overnight, for five days per week, year round. The total cost could be reduced to \$2.75 million per year operating with a 60 minute frequency between 1 a.m. and 5 a.m.

Cost of the Proposed Coronation Boulevard iXpress

The proposed iXpress route connecting Ainslie Street Terminal to Fairview Mall along King Street & Coronation Boulevard in Cambridge would require approximately 23,000 annual hours of service to operate from 6 a.m. to 11 p.m. on weekdays with 15 minute service during morning and afternoon peaks and 30 minute service at other times, and every 30 minutes from 7:30 a.m. to 11 p.m. on weekends. This service would require six additional buses.

If this service were implemented as an upgrade to the level of service recommended for the current Route 52 FAIRVIEW PARK/AINSLIE STREET in 2011, restructuring of this route could reduce the resource requirement to 13,000 annual hours and four buses. The operating and capital costs of the service are outlined below.

	New Service – Net Operating Costs	Incremental Debt Service (Buses)	Total
Implemented independently	\$1,494,000	\$303,120	\$1,797,120
Implemented as an expansion of 2011 recommended level of service for Route 52	\$845,000	\$202,080	\$1,047,080

The Coronation Boulevard iXpress is not included in the 2011 budget request. The GRT Business Plan will be prioritizing additional iXpress routes to 2014 including Coronation Boulevard.

Cost Recovery/ Ride for U-Pass Programs

In 2010, the four U-Pass programs returned \$4.08 million, representing 18.6% of total passenger revenue while participating students represented 23% of total GRT ridership in 2010. Accordingly, the U-Pass programs returned a lower than system average Operating Cost Recovery (R/C ratio) of 28% in 2010. Staff is currently in discussion with student groups to develop new agreements to be effective September 1, 2011.

2011 BUDGET

2011 BUDGET INFORMATION

INFORMATION: SUPPLEMENTARY INFORMATION RELATED TO RTMP FUNDING CONT'D

Stop Spacing for Local Service

A comment was made that some existing stops are spaced too closely together (100 to 200 metres). It is acknowledged that historically there are stops that are spaced closely. Typically, bus stops should be located in the range of 250 metres apart on average. This distance may be less in core areas and further apart in suburban areas.

As routes are reviewed, and as new service is developed, staff uses Geographic Information System (GIS) mapping tools to determine the optimal stop locations to maximize the accessibility of the service. An analysis of the spacing of stops along King Street in Kitchener and Waterloo performed as part of 2011 service planning, will likely lead to the adjustment or removal of some stops in summer 2011.

Redesign of Route 7 MAINLINE

A comprehensive redesign of Route 7 was evaluated during the development of the 2011 service improvement plan to reduce its operating complexity and improve customer comprehension, improve schedule reliability and add capacity along the Columbia Street corridor. The comprehensive redesign was determined to be too costly to implement in a single phase. Instead staff recommends gradually adding service to Route 7 until the incremental cost of the improvements is achievable. In 2011, staff recommends adding 5,300 hours of service to Route 7 to improve service in afternoons and evenings.

Sidewalks Along Proposed 2011 Route 12 Alignment

A concern was raised regarding the lack of sidewalks on some sections of Westmount Road. A sidewalk is not present on the west side of Westmount Road between Union Street and John Street, and is not present on either side north of Longfellow Drive near the University of Waterloo. Only the former section is adjacent to the proposed route, and there are no current stops in the area. The Region is planning to install sidewalks in this area in 2014. Staff would consider sidewalk locations when selecting stop locations for the new Route 12 service.

Vehicle Cleanliness

Every night, GRT vehicles receive an exterior wash while the interiors are given a light cleaning which includes the floors and other hard surfaces along with the removal of any trash. Then, at three month intervals, each vehicle receives an intensive detailed interior cleaning. Recently, as a result of staff shortages, the detailed cleaning program was not fully achieved at a time of heightened seasonal demand. However this situation has been resolved and the detailed cleaning schedule has been fully reinstated.

2011 BUDGET

2011 BUDGET INFORMATION

INFORMATION: SUPPLEMENTARY INFORMATION RELATED TO RTMP FUNDING CONT'D

Marketing and Communications for New Service

A question was raised about resources to market new service. The existing GRT operating budget includes some funds for marketing new transit service. There is one full-time marketing technician included in the RTMP budget issue paper to assist with increasing demands to market new transit services and traveler information systems.

MobilityPLUS Unfulfilled Trips

In 2010, there were approximately 1,500 unfulfilled trips in the combined urban and rural service areas where specialized transit services are offered. These unfulfilled trips include only cases where the customer could not be accommodated on a specific date and do not include cases where by allowing some flexibility they were accommodated at a different time of the day. This number also does not capture cases where customers may have stopped requesting rides for specific busier times of the day based on previous experience.

2011 BUDGET

2011 BUDGET INFORMATION

INFORMATION: PERCENTAGE OF REGIONAL BUDGET FOR ARTS, CULTURE AND HERITAGE

The following table shows the net amounts included in the Region's operating budget for arts, culture and heritage, in total and as a percentage of the Region's general levy, for the past several years. The 2011 base budget amounts do not include the budget issues currently under review.

Expenditures	2008 Budget	2009 Budget	2010 Budget	2011 Base Budget
Arts & Culture Grants	\$250,000	\$515,100	\$769,266	\$792,000
Region Historic Sites /Museums	2,732,297	3,596,645	5,089,623	7,138,996
Waterloo Region Heritage Foundation	102,400	104,400	107,800	108,400
Region of Waterloo Arts Fund	153,600	208,800	215,600	216,800
Public Art at Regional Facilities	65,000	65,000	65,000	65,000
Total	\$3,303,297	\$4,489,945	\$6,247,289	\$8,321,196
% of Region General Levy	0.98%	1.27%	1.70%	2.24%

2011 BUDGET

2011 BUDGET INFORMATION

INFORMATION: MUNICIPAL PROPERTY ASSESSMENT CORPORATION

A summary of the increase in the Regional Budget for the Municipal Property Assessment Corporation for the last five years is shown below.

Year	MPAC Cost	\$ Increase	% Increase
2011	\$6,089,052	\$253,332	4.34%
2010	5,835,720	166,383	2.93
2009	5,669,337	206,223	3.77
2008	5,463,114	219,064	4.18
2007	5,244,050	300,261	6.07
2006	4,943,789	--	--

The Municipal Property Assessment Corporation (MPAC) administers a uniform, province-wide property assessment system and provides municipalities with a range of services including the preparation of annual assessment rolls, assessment and classification of more than 4.7 million properties and the preparation of preliminary lists of electors for municipal and school board elections. MPAC is funded by all 444 municipalities in Ontario. A municipality's annual cost for assessment services is based on the total budget for MPAC operations and the municipality's share of total assessment and total number of properties as compared to the totals for the Province. The average increase in MPAC costs for the Region over the last five years from 2006-2011 is \$229,053 or 4.26%.

MPAC staff will be attending the March 8th Administration and Finance Committee meeting to address MPAC service and budget issues raised at previous Budget Committee meetings.

2011 BUDGET

2011 BUDGET INFORMATION

INFORMATION: NET SUPPLEMENTARY TAXES

Supplementary taxes are taxes resulting from increased assessment for a property or the addition of new properties to the assessment roll. Tax write-offs occur due to a change in the status of a property, successful requests for reconsideration or appeals for reduced assessment or demolitions. "Net supplementary taxes" are supplementary taxes less write-offs for a given year. The Municipal Property Assessment Corporation (MPAC) establishes the timing of three supplementary tax runs for each year. Following each "supp run," MPAC forwards the supplementary tax information to the Area Municipalities who then issue tax bills for the outstanding taxes. The Region receives information relative to its share of net supplementary taxes periodically throughout the year with final amounts confirmed during the year-end reconciliation process in mid to late February. Payments generally follow a few weeks after the year end reconciliation.

Volatility and Risk

Net supplementary taxes can vary widely from year to year. Appendix 1 shows the budget to actual history of net supplementary taxes over the past 24 years. While net supplementary taxes are generally a "contributor" to the Region's year end surplus, there have been a number of years where there has been a budget deficit. In reviewing the history, it is very evident that net supplementary tax revenue is quite unpredictable and volatile as seen in the \$8.5 million variation between the best and worst years (pre 2010). Net supplementary tax revenue is also susceptible to economic cycles as evidenced by the deficits in the 1990's. The strong net supplementary tax position of the mid 2000's was largely due to good economic conditions in the Region as well as a concerted effort on behalf of MPAC to ensure the back-log of un-assessed properties was added to the roll. This trend appears to have weakened in recent years as MPAC completed its work on the back-log and growth in the economy appeared to be slowing. Net supplementary taxes were \$7.2 million for 2005, decreasing to \$5.9 million for 2006 and ranged between \$3.9 million and \$3.3 million for 2007-2009. The net supplementary tax surplus is expected to be \$8.75 million for 2010 subject to final confirmation with the Area Municipalities as part of the year end process. Of that amount, approximately 60% relates to 2010 while 40% relates to prior years.

Net supplementary taxes are difficult to predict. One might assume that building permits would be an indicator of supplementary taxes however that is not the case as there is limited direct correlation between permit values, supplementary taxes and assessment growth. Permit values may include things that are not assessable or have no impact on the assessed value of the property; some permits are not acted upon, lapse and construction never happens; and some permits (i.e. demolition permits) actually result in tax write-offs. Timing is also a factor as permits issued in 2010 will not necessarily result in supplementary taxes in 2010 or even 2011 as the increased assessment which generates supplementary taxes does not take effect until occupancy and the subsequent assessment by MPAC. It is difficult to project when construction will be completed, occupancy will occur and the assessment completed by MPAC.

2011 BUDGET

2011 BUDGET INFORMATION

INFORMATION: NET SUPPLEMENTARY TAXES CONT'D

Reassessments can also have an impact on net supplementary taxes as requests for reconsideration and assessment appeals increase as a result of general reassessments; subsequent write-offs then reduce net supplementary taxes. Assessments for 2011 are based on year three (3) of a four (4) year phase in cycle. The next reassessment will occur in 2012 for the 2013 taxation year.

Increasing the budget for net supplementary taxes involves an element of risk as there is no certainty that the level of net supplementary taxes achieved in one year or that the average of recent years will be attainable in subsequent years. This was the case in 1990, 1991 and 1993 as shown on Appendix 1. The budget was increased significantly for 1990 and 1991 based on the actual experience for 1988 and 1989 however both years resulted in a deficit for this revenue. Further deficits occurred in the four (4) years following despite additional budget reductions. Budgets for net supplementary tax revenue should not be based on one year but rather, on historical trends, consideration of economic cycles and lags and the collective comfort for risk. Budgets should utilize the sustainability principle to set an appropriate budget level as deficits in supplementary tax revenue could lead to an overall operating deficit for the Region.

Utilization of Operating Surplus

As noted above, net supplementary taxes have often been a contributor to the Region's surplus. The Region's surplus policy requires the first \$600,000 of surplus to be transferred to the subsequent year's operating budget and the next \$500,000 to the Roads Rehabilitation Reserve Fund. The remaining surplus is then transferred to the Tax Stabilization Reserve Fund (TSRF) and the Working Funds Reserve as necessary to the maximum level of \$10 million for each. Any remaining surplus is then allocated to the Capital Levy Reserve Fund and used as source of funding for one-time projects and capital projects. The use of surplus for one-time and capital projects reduces debenture requirements and reduces the operating budget for debt costs over a period of ten (10) years. In the absence of a committed source of sufficient funding for the Capital Levy Reserve Fund, there is a need for net supplementary taxes to fund one-time and capital projects.

Summary

Net supplementary taxes have been a source of financial flexibility over the years to fund operating budgets, roads rehabilitation, the Tax Stabilization Reserve Fund, working funds reserve, one-time and capital projects and other requirements. Funding for one-time and capital projects is important in the absence of a permanent funding source for those needs. Currently, the TSRF is financing approximately \$4.0 million per year of OW caseload over expenditures. Until the OW caseloads stabilize or the OW caseload is fully uploaded, the surplus generated by net supplementary taxes will be needed to offset the over expenditures. In the end, budgets for net supplementary taxes should be based on several years of history, consider economic cycles and lags, utilize the sustainability principle as deficits in supplementary tax revenue could lead to an overall deficit for the Region, and provide for some financial flexibility.

**THE REGIONAL MUNICIPALITY OF WATERLOO
HISTORY OF NET SUPPLEMENTARY TAX REVENUE**

Year	Budget	Actual	Surplus /(Deficit)
1987	\$600,000	\$751,993	\$151,993
1988	750,000	1,502,310	752,310
1989	850,000	1,459,756	609,756
1990	1,200,000	1,030,742	-169,258 Note 3
1991	1,200,000	712,863	-487,137 Note 3
1992	700,000	167,979	-532,021 Note 3
1993	900,000	-226,996	-1,126,996 Note 3
1994	650,000	6,322	-643,678 Note 3
1995	650,000	-765,725	-1,415,725 Note 3
1996	650,000	1,322,497	672,497
1997	650,000	300,114	-349,886 Note 3
1998	Note 1 650,000	1,137,682	487,682
1999	-420,000 Note 2	960,403	1,380,403
2000	0	465,365	465,365
2001	Note 1 0	5,793,435	5,793,435
2002	0	6,417,296	6,417,296
2003	Note 1 500,000	4,391,281	3,891,281
2004	Note 1 800,000	7,200,325	6,400,325
2005	800,000	7,984,722	7,184,722
2006	Note 1 800,000	6,736,288	5,936,288
2007	800,000	4,713,234	3,913,234
2008	800,000	4,295,537	3,495,537
2009	800,000	4,118,995	3,318,995
2010	800,000	9,550,000 Note 4	8,750,000

Note 1: Reassessment occurred for that tax year

Note 2: 1999 budget reduced in anticipation of appeals arising from new assessment / classification system which was implemented in 1998

Note 3: Deficit for net supplementary taxes

Note 4: Subject to final confirmation and year end reconciliation

2011 BUDGET

2011 BUDGET INFORMATION

INFORMATION: PROVINCIAL SUBSIDY FOR INFANT AND CHILD DEVELOPMENT AND CINOT PROGRAMS

Background

During the preparation of the 2011 Base Budget, two programs were impacted by changes in provincial subsidy; the Infant and Child Development Program (Social Services) and the CINOT program expansion (Public Health).

The Region's definition for the base budget is the funding required to provide the Council approved level of service. Based on this definition, it was decided to include the approved provincial subsidy in the 2011 Base Budget and provide Regional funding through the property tax levy.

The purpose of this information paper is to advise Budget Committee on the impact of these changes in provincial funding on the Region's 2011 Budget.

Infant and Child Development Program

The Region's Infant and Child Development Program (ICDP) is operated by the Children's Services Division of the Social Services Department (page 192 of the preliminary budget book). For a number of years, the Province has not increased the approved subsidy of \$648,243 for the program. The ICDP cost sharing formula is 100% provincial funding. In 2011, the base budget expenditures for the program are \$1,036,627, resulting in a funding shortfall of \$388,384.

In the past, it was possible to compensate for the provincial under funding through several temporary funding sources including the National Child Benefit reinvestment funds, the Consolidated Verification Process funds and Best Start funding. These funding sources and program restraints enabled the program to maintain service levels. These funding sources are no longer available to fund the provincial shortfall.

In 2010, Council approved a budget issue paper for \$200,000 to support the program from the property tax levy. This item was requested by Community Services Committee to be brought forward during the 2011 budget process. The balance of the shortfall (\$188,400) was funded from the Region's allocation from the Consolidated Verification Program.

Due to a change in the funding of the Ontario Works Administration funding, municipalities now have to apply CVP funding, to the OW Administration program. The 2011 Base Budget for Ontario Works Administration includes increased revenue of \$291,711 over the 2010 budget, resulting in a reduction of the 2011 property tax levy. The 2011 Base Budget for ICDP includes a contribution of \$388,384 from the Region's Property Tax Levy, an increase of \$186,801 over the 2010 property tax levy. However, when the inclusion of the former CVP revenue in the EIS Division is taken into account, the net impact is an overall decrease of \$91,311 over the 2010 Budget.

2011 BUDGET

2011 BUDGET INFORMATION

INFORMATION: PROVINCIAL SUBSIDY FOR INFANT AND CHILD DEVELOPMENT AND CINOT PROGRAMS CONT'D

Children in Need of Treatment

In 2009, the Province of Ontario expanded the Children in Need of Treatment (CINOT) program to include children up to their 18th birthday (up from 13 or grade 8), provide general anesthetic coverage and added specialty fees for Dental Anaesthetists. Waterloo Region's allocation for the program enhancement was \$314,052 and was fully funded by the Province. The CINOT program is included on page 204 of the preliminary budget book.

In the January 6, 2009 CSC report "Expansion of CINOT program," Council was informed that the Province's intention was to fund the CINOT expansion at 100% temporarily, and that 75/25 cost shared funding was anticipated in 2010. So this shift in funding has been expected and planned from the inception of the expansion program. Confirmation of the timing for the shift to cost shared funding came too late last year to be included in the 2010 budget process

As reported during 2010, the Province changed the funding of the program to 75/25 effective January 1, 2010. As a result of this change, the entire CINOT program is funded on a 75/25 basis. The change was confirmed on March 22, 2010; too late to be included in the 2010 budget. The Region's share was funded from within the overall Public Health budget. The change in the cost sharing formula has been incorporated into the 2011 Base Budget with the Region contributing 25% of the cost of the program. The Region's share of the program expansion is \$78,513.

Both these programs support the 2007-2010 strategic objective of enhancing our child care and family support systems in order to support the healthy growth and development of children and youth.

Financial Implications

The 2011 Budget currently before Budget Committee includes a provision of \$388,384 for Infant and Child Development (\$200,000 approved in 2010 and \$188,384 resulting from the change in the CVP program) and an additional \$78,513 for the CINOT expansion (the Region's 25% share the previously 100% funded program). Should Budget Committee direct that property tax funding for these programs be removed, either other sources of funding would have to be identified or program reductions would have to be implemented, impacting children and youth in the community.