



REGIONAL MUNICIPALITY OF WATERLOO BUDGET COMMITTEE AGENDA

Wednesday, January 19, 2011
3:00 – 6:00 p.m.
Council Chambers, 2nd Floor
150 Frederick Street, Kitchener

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1. **DECLARATIONS OF PECUNIARY INTEREST UNDER THE MUNICIPAL CONFLICT OF INTEREST ACT**
2. **OPENING REMARKS** (T. Galloway)
3. **OPENING REMARKS** (M. Murray)
4. **BUDGET UPDATE** (L. Ryan)
 - F-11-003 Executive Summary – Budget 2011 1
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5. **CLOSED SESSION**
(motion required)
6. **ADJOURN**



REGION OF WATERLOO
FINANCE DEPARTMENT
Administration Division

Report: F-11-003

TO: Chair T. Galloway and Members of the Budget Committee

DATE: January 19, 2011

FILE CODE: F05-30

SUBJECT: EXECUTIVE SUMMARY - BUDGET 2011

RECOMMENDATION:

For Discussion

SUMMARY:

The objective of the first Budget Committee meeting is to provide a high level overview of the 2011 budget. Subsequent Budget Committee meetings will provide an opportunity for further detailed discussion on both the base budget and new issues.

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. The opening position for the base budget for direct Regional programs for 2011 was a tax rate increase of 2.64% (excluding Police). This increase is generated by a number of factors including COLA, increased costs for benefits including OMERS, external contracts, and debt charges. This amount increases to 3.51% when adding in the previously approved commitments of Green Bin and the History Museum. Regional staff, in response to the opening position, initiated a comprehensive base budget review. Although this approach has been utilized in the past, this year's review focused on budget to actual history from 2007 to 2010. In addition, the CAO, CFO, Commissioners and program staff scheduled special budget meetings, primarily to focus on historical spending (and revenues). In total, the base budget review for 2011 generated \$2.4 million in sustainable savings.

In addition, the Region will experience net upload savings of \$11.8 million in 2011. These savings have been applied to the base budget. The base budget review reductions coupled with the upload savings result in a 2011 potential tax rate decrease of 0.56% (excluding Police and new issues). Staff is recommending that a new funding plan be established in 2011 for the Regional Transportation Master Plan (RTMP). 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 0.54% 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) would generate a tax rate increase of 1.23%.

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 2.64%. This amount increases to 3.51% when adding in the previously approved commitments of Green Bin and the History Museum. Appendix A includes a continuity of major cost drivers impacting the 2011 budget. Further details on base budget changes will be provided on February 2nd when the preliminary base budget book will be circulated to Budget Committee. This book will detail the base budget changes for all Regional programs.

Again, it should be noted that this amount does not include the budget impacts for Police Services and any funds for new initiatives. For additional information regarding the Police Services Budget or budgets of other Associated Agencies, please refer to the information paper included within this budget package.

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 within this 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. One particular challenge for base budget reviews is the significant level of mandatory or non discretionary programs. Once mandatory or non discretionary programs have been factored out of the review (such as Ontario Works, Housing, Police, payments to contractors {waste collections and roads}, debt charges...) the remaining discretionary budget equals approximately 20% of the Regional tax levy. This reduced pool of Regional discretionary programs makes the task of finding further budget reductions ever more challenging.

Although potential budget reductions are limited, the Corporate Leadership Team (CLT) did implement a base budget review for 2011. This review focussed 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. These reductions, which are summarized in Appendix 2, are quite varied and include revenue adjustments, budget to actual adjustments and a number of small base budget adjustments. Some of the more significant changes included adjustments for POA revenues (\$693,000), transit revenue adjustment

(\$400,000), and Housing budget to actual adjustment (\$336,000). Again all these adjustments are permanent and sustainable.

A new capital budget review component was added to the base budget review process for 2011. All program areas met with the CAO, CFO and Commissioners to discuss the 2011 proposed capital budget. All projects were reviewed to ensure that these projects remained a priority. In addition, timing was discussed to ensure the capital program was achievable. A number of capital projects were deferred during this process which will provide some modest savings in future budget years.

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. 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 these items were adjusted/eliminated 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 is a recognition 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 transfers 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. For additional information regarding the history and future implications of provincial uploading, please refer to the information paper included within this budget package.

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 this month. 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 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	2.64%
Add Increased Costs for Approved Commitments	
- Green Bin	0.42%
- History Museum	<u>0.45%</u>
Opening Base Budget Position	<u>3.51%</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>-0.56%</u>

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. This will allow 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,

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.

Budget Issues

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 it is planned to table a package of new budget issue papers on February 2nd. All of these issues are essential/critical enhancements. Some of the new issues recommended by staff include: EMS service expansion to maintain response times, increased funding for Environmental programs, expanded child care services for Christopher Child Care Centre, additional arts and culture funding and enhanced MobilityPlus services. Again all details will be provided on February 2nd through the 2011 budget issue paper package.

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	2.64%
Add Increased Costs for Approved Commitments	
- Green Bin	0.42%
- History Museum	<u>0.45%</u>
Opening Base Budget Position	<u>3.51%</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	-0.56%
Regional Transportation Master Plan (RTMP)	1.25%
New Issues - Essential/Critical Service Enhancements	<u>0.54%</u>
Potential Tax Rate Increase Regional Programs (Excl. Police)	<u>1.23%</u>

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

Budget Schedule

The following budget schedule has been approved by Council:

<u>PURPOSE OF BUDGET SESSION</u>	<u>PLANNED DATE</u>	<u>TIME</u>
Budget Overview Session - 2011 base budget overview	January 19 th	3:00 pm – 6:00 pm
Detailed Budget Review - Day One - Review base budget	February 2 nd	12:00 pm – 5:00 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	12:00 pm – 5:00 pm
Public Input - Budget Delegations	February 23 rd	6:00 pm
Final Budget Approval	March 23 rd	3:00 pm – 6:00 pm

The budget session scheduled for January 19th will provide Budget Committee with the opportunity to provide feedback and direction on the 2011 budget.

Tax Policy

The 2011 year is the third year of the four year assessment phase-in. Administration and Finance Committee will address reassessment impacts (phase-in), tax ratios and property tax capping once the Regional budget is approved.

CORPORATE STRATEGIC PLAN:

The 2011 budget will be 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 Regional Budget.

ATTACHMENTS:

Appendix A – Base Budget Continuity Schedule
Appendix B – 2011 Base Budget Reductions

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

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

2011 Operating Budget
Tax Levy Continuity Schedule
(in thousands)

Appendix A

	2011 Preliminary Budget
Opening Net General Levy	\$367,624
Other Base Adjustments:	
COLA & Other Compensation (1)	4,319
Debt Costs (2)	2,843
Benefits (3)	2,147
Waste Management (4)	1,573
LT Funding Strategy - Roads (5)	1,103
Inflation (Electricity, Natural Gas, HST, Other) (6)	850
Investment Income (7)	500
Fuel - Gasoline/Diesel 88 Cents Per Litre (8)	427
Annualization of 2010 Expansion in 2011	378
Child Care Rate Increase	268
Assessment Agency	253
GRT Fuel Volume Adjustment	170
Transportation - City Maintenance & Plant Adjustment	159
Other Base Adjustments	176
● Subtotal Region	\$15,166
	4.13%
Less: Assessment Growth for 2011 (2.15% total - Police 0.66%)	1.49%
Preliminary Base Budget Position	2.64%

- 1) The COLA amount is based on existing contracts, obligations and a provision for contracts currently being negotiated.
- 2) The 2011 debt charges resulting from the 2010 debenture issue.
- 3) Benefits increase due to 1% increase in OMERS rates and higher costs for extended health and dental.
- 4) Increased stops, increased volume of yard waste and contract adjustments.
- 5) The Long Term Roads Funding Strategy calls for 0.30% to be added to the base budget each year for rehabilitation (\$1,103,000 in 2011).
- 6) Inflation increases on Electricity 5.76% (\$310K), Natural Gas 2.76% (\$75K), General and Other Inflation 1.9% (\$491K). After a detailed review HST savings from the operating budget amounted to \$26,000.
- 7) Budget adjustment due to low interest rates and increased cash flow requirements to cover greater than anticipated expenditures in the first few months of the year.
- 8) The 2011 increase is due to the forecast increase in diesel fuel from \$0.84 to \$0.88 (the January 2011 price is \$0.95 cents).

2011 Base Budget Review

<u>Division</u>	<u>Adjustment</u>	<u>2011 Base Adjustment</u>
Waste	Reduced Blue Box Purchases	(54,000)
Waste	Increase ICI Tipping Fee from \$70 to \$72/tonne	(280,000)
Transportation	Reduce Plant Adjustment	(51,129)
Airport	Hire PT Staff Reduce Security Cost	(22,000)
GRT	Increase in Revenue	(400,000)
D&C	Revenue Increase	(2,020)
Planning	Supplies	(5,000)
Planning	Communications, Training, Service	(25,000)
Housing	Various	(336,000)
HR	Temp Salaries for Students	(15,000)
HR	Health and Safety Training	(15,000)
HR	Other Purchased Services (Security)	(20,000)
PH	Vector Borne Diseases	(10,000)
PH	General Programs	(27,549)
PH	Additional Fees from Clinics	(10,035)
EMS	Reduce Expenses	(4,860)
CAO	Various	(11,963)
FIN	Fees	(22,000)
FIN	A/R Interest Revenue	(3,000)
FIN	Misc Performance Measurement	(1,000)
FIN	Treasury Services - Staff Training	(1,000)
FIN	Financial Services - Communications	(1,000)
Social Planning	Reduce Office Supplies	(2,906)
E&IS	Reduce Tuition Refunds	(10,000)
Children Services	Reduce Taxis and Other Transportation	(7,000)
C&AS	Reduce Expenses/Increase revenues	(114,000)
Facilities & Transit	Review Natural Gas Usage	(140,000)
POA	Increase POA Revenues	(693,000)
POA	Expense Reductions	(26,327)
Legal	Reduce Office Supplies	(2,000)
Legal	Reduce Fees	(5,000)
Legal	Reduce Travel	(4,500)
Legal	Reduce Communications & various	(3,500)
IT	Reduce Rents	(17,568)
IT	Reduce Communications	(38,983)
IT	Reserve Fund Contribution	(25,000)
IT	Defer Expenditures Over 2 Years	(14,850)
CR Admin	Office Supp, Maint & Rep, Memberships	(2,000)
Corporately	Review Photocopier Charges	(7,654)
	Total	(2,431,844)

2011 BUDGET

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INFORMATION: ASSESSMENT GROWTH

Assessment Growth for 2011

Weighted assessment growth across the Region has been finalized at 2.15% for the 2011 budget. The 2.15% growth is higher than anticipated back in the fall of 2010 and reflects solid growth in the residential class at 2.41% and the broad commercial class at 4.01% offset by reduced weighted assessment for the multi-residential and industrial classes.

Assessment growth by area municipality for 2011 is as follows:

Cambridge	1.77%
Kitchener	2.08%
Waterloo	2.48%
Wilmot	2.84%
Wellesley	2.74%
Woolwich	2.87%
N. Dumfries	1.24%

A history of assessment growth for the years 1990 through 2011 is attached as Appendix 1. Over the past few years, assessment growth has ranged from a high of 5.60% in 1990 to a low of 0.16% in 1996. The 2.15% assessment growth for 2011 is the highest growth for the last four years and considerably higher than the growth of 1.34% for 2010.

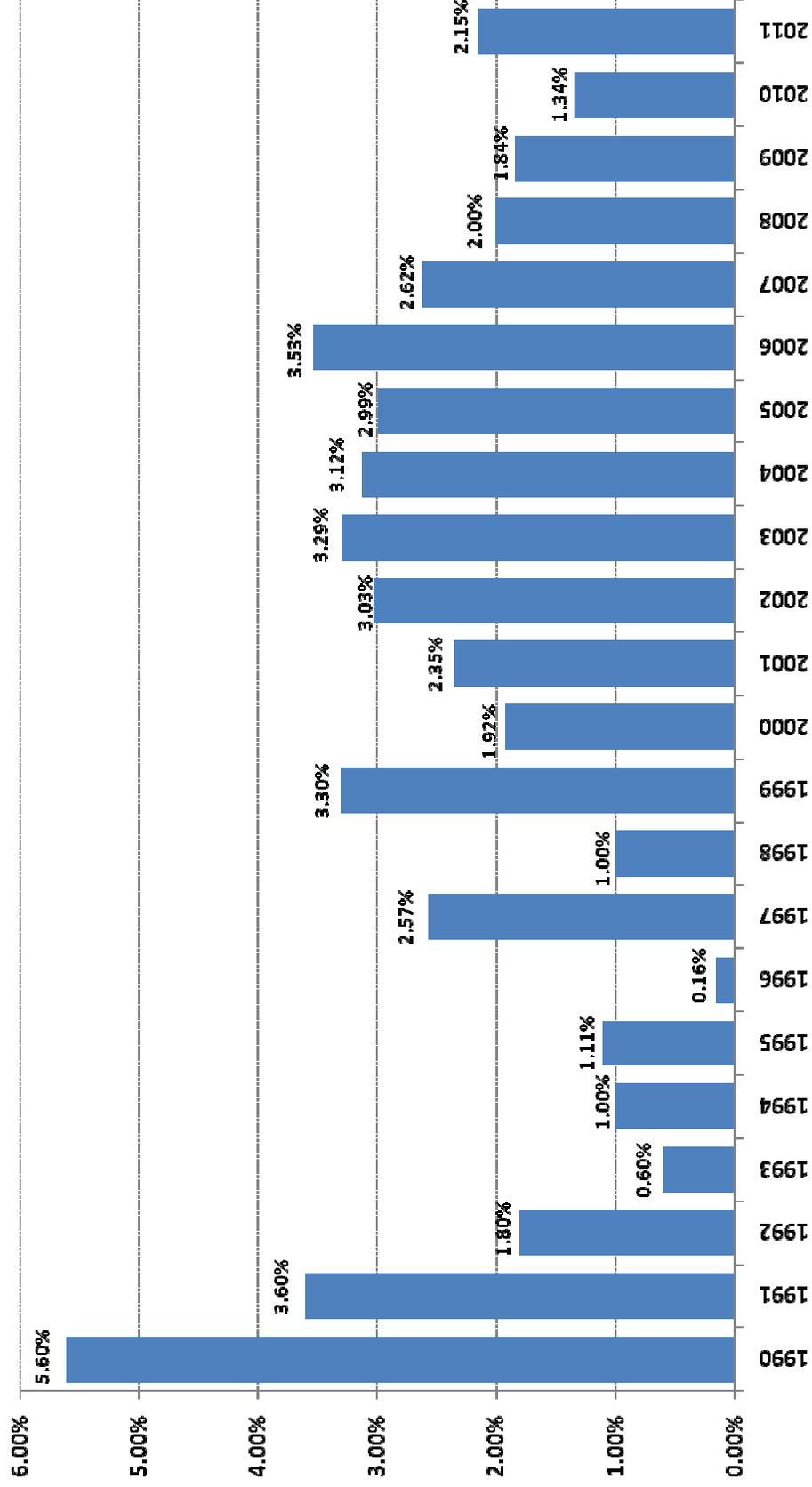
Four Year Assessment Phase-in

All properties in Ontario were reassessed at January 2008 values for the 2009 taxation year. The previous reassessment was for the 2006 tax year when properties were reassessed at January 2005 values. Reassessment increases are being phased-in over four (4) years while reassessment decreases occurred immediately for 2009. The third year of the phase-in will take effect for 2011 and the impacts will be similar to a reassessment. There will be some minor shifts between property classes and the value of the average residential property will be recalculated.

Financial Implications

The 2011 budget information includes assessment growth of 2.15% which equates to approximately \$7.9 million of Regional revenue. Assessment growth is allocated between the Region and Police Services for the calculation of budget impacts.

2011 Regional Budget History Of Assessment Growth



2011 BUDGET

2011 BUDGET INFORMATION

INFORMATION: STATUS OF ASSOCIATED AGENCIES

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

Waterloo Regional Police Services (Preliminary Budget Increase TBD)

The 2011 budget for Waterloo Regional Police Services is currently being reviewed by Police staff and the Police Services Board. Information will be forwarded to Budget Committee when it becomes available.

Grand River Conservation Authority (Preliminary Budget Increase 3.0%)

a) General Levy

GRCA staff will be presenting the fourth draft of the 2011 budget to its Committee of the Whole on January 13, 2011. The budget currently includes an increase of 3.0% or \$277,000 in the general levy for 2011. 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). 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. The GRCA Committee of the Whole will continue to review the budget with final member approval scheduled for February 25, 2011.

b) Apportionment

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.

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INFORMATION: STATUS OF ASSOCIATED AGENCIES CONT'D

Municipal Property Assessment Corporation (Preliminary Budget Increase 4.34%)

The Region's 2010 costs for assessment delivery services, as established by the Board of Directors for the Municipal Property Assessment Corporation (MPAC) was \$5,835,720. This amount was based on the total budget for MPAC and the Region's proportionate share of total assessment and number of properties as compared to the totals for the Province. The MPAC Board has approved a 3.9% increase in MPAC's funding requirements for 2011 to take into account increased operating expenses related to property inspections and other data collection activities as well as inflationary pressures. Based on preliminary assessment data, the Region's share of 2011 MPAC costs will be approximately \$6,089,052. The final cost will be confirmed in late January. At present, the 2011 base budget includes \$6,089,052, an increase of \$253,332 or 4.34% over 2010. The Region's base budget will be updated as final assessment data, including the Region's share of total assessment and number of properties relative to the Province becomes available.

Canada's Technology Triangle (Preliminary Budget Increase 1.57%)

Canada's Technology Triangle (CTT) is currently funded by the Region and the Cities of Kitchener, Waterloo and Cambridge. For several years, the Region had been providing \$400,000 per year in funding for CTT with the level of funding increasing to \$416,000 in 2007, \$429,000 in 2008, \$436,000 in 2009 and \$447,000 in 2010. CTT has requested funding in the amount of \$454,000 for 2011, an increase of \$7,000 or 1.57% over 2010. The \$454,000 has been included in the 2011 base budget.

Communitech (Preliminary Budget Increase 0.0%)

The 2011 base budget includes a \$35,000 contribution to the Communitech Technology Association. Communitech is a not-for-profit, member supported organization that is recognized as the voice of the technology industry for Canada's Technology Triangle. Communitech brings together the initiatives and the people needed for the continued development of a critical mass for the technology industry. The \$35,000 includes \$5,000 for the Region's corporate membership in the Association and funding for various Communitech programs and initiatives. The Region has been providing \$35,000 in annual funding since 2003.

Waterloo Regional Heritage Foundation (Preliminary Budget Increase 0.56%)

The Waterloo Region Heritage Foundation was created to encourage and promote interest in the preservation of the heritage and culture of Waterloo Region. While the Waterloo Regional Heritage Foundation was included in the grants to voluntary organizations budget through 2000, a separate budget was established for this organization in 2001 as recommended by the Grants

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INFORMATION: STATUS OF ASSOCIATED AGENCIES CONT'D

Committee. The 2011 base budget includes funding of \$108,400 for the Waterloo Regional Heritage Foundation based on 20 cents per capita and an updated year end population estimate of 542,000. The 2011 budget amount is \$600 higher than the approved 2010 funding of \$107,800. The 2011 budget increase is lower than the increase for the prior year as the 2010 funding was based on preliminary population estimates of 539,000 at year end 2009 while final population estimates were 534,900.

Region of Waterloo Arts Fund (Preliminary Budget Increase 0.56%)

During 2001, Regional Council approved the creation of the Region of Waterloo Arts Fund to provide arm's length funding for the performing, visual and literary arts in the Region of Waterloo. Similar to the Waterloo Regional Heritage Foundation, the Arts Fund is funded by an annual per capita grant from the Region of Waterloo. In 2006, Regional Council increased the grant to the Arts Fund to 30 cents per capita. During the 2008 budget process, the Region of Waterloo Arts Fund requested an increase in funding up to the range of 48 cents to 50 cents per capita over two years. As part of the 2008 Grants review, Regional Council approved additional funding to the level of 40 cents per capita. The 2011 base budget includes funding of \$216,800 based on 40 cents per capita and an updated year end population estimate of 542,000. The 2011 budget amount is \$1,200 higher than the approved 2010 funding of \$215,600. The 2011 budget increase is lower than the increase for the prior year as the 2010 funding was based on preliminary population estimates of 539,000 at year end 2009 while final population estimates were 534,900.

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INFORMATION: PROVINCIAL UPLOADING

Background

In 2007, the Province announced the upload of the Ontario Disability Support Program (ODSP) Administration, benefits and support payments over 2008-2011 as a first step in the Provincial-Municipal Fiscal and Service Delivery Review. This was a recognition that the costs of income redistribution programs (such as OW and ODSP) are more appropriately funded by provincial taxes than by municipal property taxes. These costs were downloaded to the Region by the Province in 1998. The savings to the Region total \$22.8 million when fully implemented in 2011.

The final consensus report of the Provincial-Municipal Fiscal and Service Delivery Review was released in October 2008. This announcement included additional uploads, Court Security, Ontario Works Payments and Employment Assistance Costs. The Court Security upload is phased in beginning in 2012 and ending in 2018. This upload totals approximately \$3.5 million. The Ontario Works upload began in 2010 and extends over a nine year period ending in 2018. Similar to the ODSP upload, the tangible benefits are experienced in the later part of the phase-in period. The OW upload savings is estimated at \$12.2 million. Tabled below is the projected impact of the ODSP, OW and the Court Security upload for the Region of Waterloo:

\$ Millions

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Total
ODSP	\$3.4	\$0.7	\$8.5	\$10.167								\$22.8
OW *			0.5	0.351	1.0	1.8	1.7	1.7	1.7	1.7	1.7	12.2
Court Security					0.5	0.5	0.5	0.5	0.5	0.5	0.5	3.5
Total	\$3.4	\$0.7	\$9.0	\$10.518	\$1.5	\$2.3	\$2.2	\$2.2	\$2.2	\$2.3	\$2.2	\$38.5

*OW Projection based on 2009 approved budget

Previous Budget Decisions

The 2008 net savings from the upload of the Ontario Drug Program (an ODSP Benefit) were applied to the budget to reduce the property tax levy.

In 2009, Council established a Long Term Budget Strategy Working Group to develop a strategy to deal with future savings. The Working Group recommended that the Regional History Museum and the Green Bin Program have first call on the future savings as both of these programs were being implemented and would incur costs in 2009. In addition, the Working Group recommended that a provision for Arts and Culture Funding of \$500,000 be established beginning in 2009, phased-in over two years. The total future commitment for all three programs is \$13.6 million, \$3.21 million of which was required for 2009.

As the savings from uploading in 2009 were \$710,000, there was a shortfall of \$2.5 million between the program requirements and savings available. Regional Council directed that in 2009 the \$2.5 million shortfall be funded from the Tax Stabilization Reserve Fund (TSRF) and that savings from future years be used to fund these programs on a permanent basis.

2011 BUDGET

2011 BUDGET INFORMATION

INFORMATION: PROVINCIAL UPLOADING CONT'D

In 2010, \$2.5 million of the total savings were used to permanently fund the 2009 programs that were funded by the TSRF. In addition there were additional costs totaling \$3.3 million for these programs. The balance of the savings, \$2.94 million, was used to reduce property taxes and fund new issues.

2011 Budget

In 2011, the Region will no longer be required to cost share the ODSP program with the Province of Ontario. The resulting savings of \$10.2 million have been incorporated into the Region's 2011 base budget. This amounts to a tax rate reduction of 2.77%.

Beginning in January 2011, the cost sharing ratio for Ontario Works will change to 81.2%:18.8%. In a stable caseload environment, the resulting savings would be \$351,000. 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).

As Council is aware, the Ontario Works caseload has been impacted by the economic downturn and, as previously reported, caseloads have exceeded the Region's budgeted caseload of 6,400 cases per month. As of December, 2010 the Ontario Works caseload was 8,528 cases and the average for 2010 was 8,551 cases.

In addition to the caseload being greater than the approved budget, beginning in January 2011 the Region will begin to cost share the 1% rate adjustment for Ontario Works recipients. 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.

In each 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. By reducing the Region's budget for Ontario Works, there will be increased reliance on the TSRF in 2011 due to higher caseloads and cost per case.

It is anticipated that the Region's 2010 year-end surplus will be sufficient to replenish the TSRF.

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

Further information on the Ontario Works caseload, including caseload scenarios and the impact on the 2011 Budget will be presented in future budget meetings.

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2011 BUDGET INFORMATION

INFORMATION: PROVINCIAL UPLOADING CONT'D

Cost of Administration Funding

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. In addition to a 2011 impact, there will be increased funding in 2010 which will impact the Region's 2010 year-end. The combined impact of this announcement along with the ODSP upload reduces the Region's budget by \$11.8 million which equates to a 3.21% tax rate decrease.