



REGIONAL MUNICIPALITY OF WATERLOO BUDGET COMMITTEE MINUTES

Wednesday February 2, 2011

3:10 p.m.

Council Chambers, 2nd Floor
150 Frederick Street, Kitchener

Present were: Chair T. Galloway, L. Armstrong, J. Brewer, T. Cowan, D. Craig, R. Deutschmann, *J. Haalboom, B. Halloran, R. Kelterborn, G. Lorentz, *J. Mitchell, K. Seiling, *S. Strickland, J. Wideman and C. Zehr

Members absent: C. Millar

DECLARATIONS OF PECUNIARY INTEREST UNDER THE MUNICIPAL CONFLICT OF INTEREST ACT

R. Deutschmann declared a non-pecuniary interest with respect to discussions of rapid transit, and with respect to the Regional Transportation Master Plan owing to the numerous linkages between the Plan and development of rapid transit, due to he and his spouse being shareholders of corporations that have an interest in a property at 10 Duke Street West, Kitchener

OPENING REMARKS (T. Galloway)

Chair T. Galloway thanked the Committee for adjusting the starting time, owing to the expected winter storm. He provided an overview of the listed agenda items and the business anticipated to be taken up.

*J. Mitchell entered the meeting at 3:13 p.m.

OPENING REMARKS (M. Murray)

Mike Murray, Chief Administrative Officer, noted that the preliminary budget book has been circulated to Committee members, and that staff has made efforts to identify \$2.5 million in savings in the base budget on top of significant reductions in previous years. He observed that the Region is benefiting from uploading of various social service costs to the province, and identified that one reason for the uploading is to provide municipalities with the financial capacity to fund their own needs and priorities. He affirmed that the challenge in the budget process is finding the balance between funding needs and maintaining reasonable/affordable property tax rates. He identified a number of significant issues that will be presented to the Committee for their consideration in the budget process.

*J. Haalboom entered the meeting at 3:15 p.m.

BUDGET UPDATE (L. Ryan)

F-11-007 Executive Summary – Budget 2011 was received for information.

Larry Ryan, Chief Financial Officer, provided a presentation to the Committee including:

- Base budget position and base budget review;
- Upload savings from provincial uploading;
- Assessment growth;
- Long-term roads funding;
- Ontario Works expenditures;
- Fuel prices and inflation;
- Police Services budget;
- New Issues – categorized by staff in Appendices A through E;
- Regional Transportation Master Plan;
- Responses to Councillors' requests from January 19, 2011 meeting;
- Stormwater management fees in Kitchener and Waterloo; and
- 2010 preliminary surplus, and policy for surplus transfer.

The presentation is attached to the original minutes.

The Committee clarified the opening position of the base budget with L. Ryan, and the inclusion of assessment growth in the opening position.

The Committee confirmed with L. Ryan, that when including assessment growth, the year-over-year increase to the total Regional budget is approximately 4%.

L. Ryan explained that projected 2011 revenues related to Provincial Offenses (POA) Court are based on 2010 activity levels, emphasizing that the increase was largely due to the operation of red light cameras.

The Committee observed the budgeted increase in OMERS contributions in 2011, and L. Ryan described that a 1% increase is fixed through 2013.

The Committee ascertained that the average price for fuel in 2010 was 84 cents per litre, and L. Ryan noted that fuel forecasts are difficult to rely upon. The Region's budgeted fuel costs would apply to police vehicles. Staff intend to bring a fuel hedging policy to an upcoming meeting of the Administration & Finance Committee.

The Committee obtained clarification that the average residential property for budget purposes was one with an assessed value of \$225,000. An updated average residential property will be presented as part of the 2011 tax policy discussions.

The Committee noted that there is a budget issue for \$150,000 for the Community Sustainability Fund. It was noted that the fund was a Council directive. Gary Sosnoski, Commissioner, Corporate Resources, provided an overview of the Community Sustainability Fund, indicating that its terms of reference remain to be developed and that the Fund in its final form remains to be approved by Council.

The Committee remarked upon the proposed increase in full-time equivalent positions (FTEs) in the presented base budget, and asked if any attention is devoted to reduction of FTEs. L. Ryan responded that the Region's internal audit function and program reviews undertake to analyze optimal staffing requirements, and that a reduction in FTEs has been seen in previous years' base budgets. The Committee observed that a full review of staffing requirements had not been instigated in recent years.

The Committee asked the purpose of requesting a new FTE to assist in moving the Region's budget process toward the PSAB 3150 standard. L. Ryan noted the considerable effort and transformation required in the systems, and affirmed the significant educational component and

potential financial implications in adopting PSAB 3150 (TCA Accounting) into future budget processes.

The Committee requested information on the demand for specialized transit services, including the numbers of unfulfilled requests.

The Committee inquired as to the reason MobilityPLUS was not included in the Regional Transportation Master Plan (RTMP). M. Murray suggested that since the RTMP did not deal with service expansion for Mobility Plus, any service improvements to specialized transit would need to be done outside the RTMP process. Graham Vincent, Director, Transportation Planning, indicated that the RTMP deals mainly with general mobility with a focus on conventional transportation systems, and affirmed that MobilityPLUS is presently working through a five-year business plan. Members of the Committee suggested direction could be given to staff that the establishment of a reserve fund under the RTMP include the budget implications of MobilityPLUS.

The Committee asked how decisions were made regarding the recommended issues vs. those not recommended in the base budget. L. Ryan responded that an analysis of external factors and gaps in service are the primary determinants in those decisions.

The Committee questioned whether the issue paper on enhancing performance measures and budget processes stemmed from actions of the Audit Committee. L. Ryan responded in the negative, indicating that the issue paper is staff-initiated and aims to standardize and improve the budget process while updating the accounting and financial reporting of the Region.

The Committee observed that the issues listed as having no direct impact on the base budget may have implications to the budget in chargebacks to departments. L. Ryan responded that there are no chargebacks into the operating budget but rather that certain staff are fully charged out to capital projects, and noted the issue paper for an Accommodation Technician where a business decision is being made to suggest moving the external contracting of services into an in-house position.

The Committee discussed the potential for staff providing a rank order list for the new operating budget issues. The Committee noted that decisions of what new issues are approved are made by Council after the base budget has been introduced, and it was recognized that rank-ordering of staff recommendations would help inform those decisions. M. Murray indicated that staff would attempt to rank the new budget issues within each of the Strategic Focus areas. It would be more difficult to rank the issues across the different focus areas – and ultimately that ranking would need to be a political decision made by Council. Chair T. Galloway explained the general process of considering issue papers, and how amendments may be made in final budget decisions.

The Committee requested a history of base budget review activity in previous years, specifically with regard to changes in FTEs and commensurate changes in Regional revenues.

The Committee confirmed with M. Murray that the savings realized in the review of the 2011 base budget did not generate staff reductions, though staff reductions were seen in previous program reviews. It was noted that staffing reductions occurred follow program reviews of community housing and POA. Rob Horne, Commissioner, Planning, Housing and Community Services, observed that aggregate savings of \$390,000 have been realized in community housing, as per staff expectations.

The Committee clarified that staff will respond to the request for budget impacts with respect to dedicated bus lanes.

The Committee commented on the budget increase related to MPAC, and requested the five-year history of funding for MPAC.

The Committee requested a five year history of supplementary taxes, noting the inconvenience to property owners who are billed for prior years' taxes. L. Ryan noted that the issue of the timing of supplementary taxes is on the agenda at every Area Treasurers' meeting, and that progress is being made on the matter. The Committee requested that representatives of MPAC be invited to a future meeting of the Administration and Finance Committee for a discussion on the services offered by MPAC to municipalities.

The Committee ascertained that approximately \$4.5 million would be required to raise the balance of the Tax Rate Stabilization Fund to \$10 million, which could potentially leave \$3 million to go into the Capital Levy Reserve Fund to reduce future debentures for capital projects. L. Ryan noted that the Capital Levy Reserve Fund balance is close to zero, and its source of funds is the Region's annual surplus which has in recent years been directed to the Tax Rate Stabilization Fund to help fund increased costs due to the spike in the Ontario Works caseload.

BUDGET PRESENTATIONS

Regional Transportation Master Plan

Graham Vincent, Director, Transportation Planning, provided a presentation to the Committee, including:

- Community growth since the last RTMP, and attendant pressure on roads;
- Options to resolve problems by 2031;
- Details of plan - Moving Forward 2031;
- Realignment of transit routes for rapid transit, and new transit service;
- Strategic road network, potential for widening/upgrades and transit lane priority;
- Recommended Financing Plan for RTMP;
- Transit and iXpress ridership, with comparisons between municipalities;
- Proposed 2011 service improvements for transit, and resource requirements;
- Details on Grand River Transit business plan;
- Funding sources for roads and transit;
- RTMP reserve fund proposal;
- Operating cost recovery trends from 2000-2009;
- Fares, including affordability programs;
- 2011-2015 Business Plan for future fare increases, and
- Proposed ten year plans through 2021.

The presentation is attached to the original minutes.

The Committee asked when the iXpress will be going down Fischer-Hallman Road. John Cicuttin, Manager, Transportation Planning, responded that plan would see the route going on Fischer-Hallman Road in 2011, with further priorities set in the GRT business plan thereafter.

The Committee suggested that the map used to display future express transit routes would be a useful tool in future public communication on transit expansion.

The Committee requested information on the impacts of service enhancements to the various projected future iXpress routes as they relate to expected increased ridership and fares. G. Vincent indicated that the RTMP examined that issue on a high level, and that staff would supply the Committee with available route-by-route information; the Fischer-Hallman route is the only new iXpress route proposed in the 2011 budget.

The Committee noted the issue of overcrowding on the iXpress, and asked the safety implications for capacity busing. G. Vincent related the definition of capacity on the Region's transit fleet, and Eric Gillespie, Director, Transit Services, observed that the *Highway Traffic Act* has no requirements for standing riders on public transit vehicles.

The Committee confirmed with G. Vincent that while no service for Doon South are planned for 2011, there will likely be a proposal for service in 2012. The Committee requested to see the tax implications of adding transit service to Doon South.

The Committee clarified the RTMP-related future budget increases with G. Vincent, who noted that the RTMP recommends a 1.2% annual tax increase over the 20 year period of the plan to fund the resource intensive improvements to transit. He noted that the RTMP includes the operating costs of the Rapid Transit initiative, and that requirements will be expected to vary in future years with regard to FTE's and/or capital requirements.

The Committee learned that staff will be reviewing the rural transit strategy in the medium term, with staff presently looking at service to Elmira then planning to subsequently examine Wilmot, North Dumfries, Wellesley, and other places in Woolwich. The Deer Ridge area of Kitchener is not presently anticipated to specifically receive service in the near term, but an examination of service in the area could be seen in 5-10 years.

The Committee clarified that the RTMP calls for a 1.2% tax increase whereas staff recommends a 1.25% tax increase. G. Vincent noted that the request incorporates the capital and operating costs for transit and also operating costs for rapid transit as described in the RTMP, but that the staff recommendation includes capital contributions to a reserve fund for rapid transit if approved and the RTMP. The Committee affirmed the need for explanations of such divergences from the figures set out in the RTMP for the present and future budget cycles.

The Committee noted that the increasing size of Grand River Transit brings about the question of if or when the Region might look at a special purpose body for transit in lieu of municipal oversight. M. Murray responded that staff have not examined any such possibility, while noting the example of OC Transpo in Ottawa recently moving to a commission from municipal oversight. The Committee confirmed that, in Toronto, the TTC budget is approved by Toronto's council in the same manner as the Police Services budget is approved. It was observed that examination of such a possibility would be significant and would require greater attention than being an ordinary agenda item at a regular meeting. A member of the Committee provided their view of the efficacy of transit commissions.

The Committee asked how a future anticipated implementation of rapid transit to Cambridge affects the building and allocation of the reserves being built up through the RTMP. M. Murray responded that staff is focusing with the 2011 budget implications of RTMP as they apply to the present budget process, and that future budget decisions involving rapid transit may well address the implementation of rapid transit throughout the three cities. The Committee noted that the long-term financing of rapid transit will primarily be rooted in its basis in the Regional budget, and that funding announcements from senior levels of government have described that funds could be for either light rail or bus rapid transit.

The Committee confirmed with G. Vincent that the Region's fare revenue recovery figure includes all transit-related revenues except the provincial subsidy.

The Committee asked if the tax levy for RTMP could be mitigated if the Region were to receive approval for a special development charge levy, as occurred in York Region. L. Ryan responded that some mitigation could be expected depending on the scope of the transit projects, while noting that those decisions would be made in the future and thus no firm conclusion can be reached presently.

The Committee requested a sensitivity analysis with respect to transit fares, transit ridership, and overall revenues.

A member of the Committee expressed apprehension as to whether expansions to transit service will cause people to switch from automobile use to public transit, and asked the proportion of the Region's population using transit. G. Vincent responded that the transit mode share is approximately, and that choice riders are increasing; he drew a parallel to similar trends seen with transit expansion in Ottawa in the 1970's. A member of the Committee indicated their concern with moving too quickly on transit expansion as it relates to cost and implementation; the Committee pointed out that such perceptions will be a part of the final debate by Councillors approving the budget.

The Committee confirmed with G. Vincent that when changing the use or capacity of a given transportation facility, in general the Region must undertake an Environmental Assessment prior to doing so, and when an EA is not required a public process is still undertaken.

The Committee ascertained through E. Gillespie that staff is requesting and prepared to hire 44 new transit operators by the end of 2011, and that the new operators would be funded from the 1.25% increase in the levy for RTMP.

User Rates (Water & Wastewater)

Nancy Kodousek, Director, Water Services, provided a presentation to the Committee including:

- Responsibilities and goals of Water Services;
- Overview of systems and regulatory compliance;
- Highlights of levy and capital budget items;
 - Upgrades to SCADA;
 - Ten year capital program;
 - New facilities and efficiency programs;
- Initiatives with respect to *Clean Water Act*;
- Details on wastewater operations and capital program;
- Water and Wastewater Budgets – operating and capital;
 - Decreased water demands;
 - Flat wastewater flows;
- Household impact of wholesale rate increases = total \$23 per household;
- Household impact of wholesale rate increases = total \$66 per household;
- Increases to budgets re: water distribution and wastewater collection.

The presentation is attached to the original minutes.

The Committee noted the relationship between the wholesale and retail wastewater rates.

*The Committee recessed at 6:09 p.m., and reconvened at 8:32 p.m.

*S. Strickland was not present when the meeting reconvened.

The Committee requested a four-year projection of water and wastewater rates. L. Ryan responded that this can be provided, with the caveat that assumptions would need to be made for retail rates. The Committee discussed the comparability of user rates, with N. Kodousek noting that the two-tier system in the Region yields few comparator municipalities. She noted that based on national benchmarking, the Region's wastewater rate is among the lowest while the water rate is somewhat higher due to the complexity of the water system. The Committee observed that retail rates will be set for 2011 by area municipalities in the near term which will help in providing projections, and that combining wholesale and retail rates could yield more comparators. It was noted that the lower consumption rates in the Region can be worked into a comparative analysis of user rates. The Committee observed that the wholesale water rate is only about 50% of the users' bill, with the balance of the retail rate coming from the area municipalities which differ in the aggressiveness of their capital programs.

The Committee requested information on the wastewater capacity for facilities throughout the Region, noting that a report on the matter is anticipated to be brought forward in April 2011. Thomas Schmidt, Commissioner, Transportation and Environmental Services, related that a number of facilities are undergoing master planning for potential expansions. The Committee noted that capacity issues are slowing development below its potential pace in some areas, and T. Schmidt responded that the environmental assessment process and liaison with other stakeholders must occur before constructing new facilities. The Committee also noted that inflow and infiltration issues are related to capacity issues, particularly as those issues relate to facilities in Woolwich.

The Committee asked why wastewater rates have dropped 2% below projections while the water rate has not. N. Kodousek related the opinion of staff that water user rate is not yet sustainable, while wastewater appears to be a more sustainable user rate. She noted that lower demand drives up the unit cost of user rates, while also providing the benefit to forgoing other potential projects to meet demand such as a pipeline.

A member of the Committee discussed capacity issues at the New Hamburg facilities and the implications for development in that area.

OTHER BUSINESS

J. Haalboom requested the percentage of the budget devoted to arts, culture and heritage

ADJOURN

MOVED by J. Brewer
SECONDED by B. Halloran

THAT the meeting adjourn at 8:50 p.m.

CARRIED

COMMITTEE CHAIR, *T. Galloway*

COMMITTEE CLERK, *M. Grivicic*