



REGIONAL MUNICIPALITY OF WATERLOO BUDGET COMMITTEE AGENDA

Wednesday October 26, 2011
4:00 – 6:00 p.m.
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. **OPENING REMARKS** (M. Murray)
4. **BUDGET UPDATE** (M. Murray/A. Hinchberger)
[F-11-071 Executive Summary – Budget 2012](#) 1
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5. **CLOSED SESSION**
(motion required)
6. **ADJOURN**



REGION OF WATERLOO

FINANCE DEPARTMENT Administration Division

Report: F-11-071

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

DATE: October 26, 2011 **FILE CODE:** F05-30

SUBJECT: EXECUTIVE SUMMARY – BUDGET 2012

RECOMMENDATION:

For Discussion

SUMMARY:

The objective of the first Budget Committee meeting is to provide a high level overview of the 2012 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. Earlier this year, staff recognized that the 2012 budget would be a challenging one as the Region is facing a number of base budget cost drivers including cost of living (COLA), OMERS rate increases, debt charges, utility pressures, annualization and funding for the Regional Transportation Master Plan (RTMP). Staff's objective for the 2012 budget process is to present the lowest base budget opening position without impacting services levels. To accomplish that objective, staff started the 2012 budget process earlier than usual and introduced a number of new initiatives which included a Major Capital Budget Review, tracking of operating savings achieved through the purchasing process, and an employee suggestion initiative. Other budget strategies implemented over the past few months include a detailed review of Reserves and Reserve Funds, consideration of increases to user fees for various Regional programs and services and a continuation of the detailed program budget reviews by the CFO and CAO.

The opening position for the 2012 base budget for direct Regional programs is a tax rate increase of 1.29% (excluding Police). This increase is generated by a number of factors including COLA, OMERS rate increase, debt charges, annualization of new issues from the 2011 budget, the long term funding strategy for roads, waste collection and fuel costs. The base budget reduction strategies noted above resulted in tax rate savings of 1.07% and a revised opening base budget position of 0.22%. After allowing for the 2012 upload savings, the 2012 reduction for debt retirement on Regional buildings and the contribution to the RTMP Reserve Fund approved in June of this year, (net impact of 1.02%), the base budget tax rate position is 1.24% excluding Police and new issues. Staff is recommending that 0.20% be allocated to fund new, critical and essential service enhancements in 2012. That would generate a tax rate increase of 1.44% excluding Police Services.

REPORT:

2012 Base Budget Opening Position

The 2012 base budget is the amount of funding required to deliver the Council approved level of service. Adjustments to the base typically include COLA, benefits, inflation, annualization of prior

year's approved initiatives, debt charges and provincially mandated changes. The opening base budget position for direct Regional programs is a tax rate increase of 1.29%. This amount includes increased revenues from payments-in-lieu (\$400,000), supplementary taxes (\$500,000) and Transit Provincial Gas Tax Revenue. Appendix A shows the major cost drivers impacting the 2012 opening base budget position. Further details on base budget changes will be provided for the November 18th Budget Committee meeting when the preliminary base budget book is circulated to Budget Committee. The preliminary budget book details the base budget changes for all Regional programs.

As previously noted, this Regional base budget opening position does not include budget impacts for Waterloo Regional Police Services or any funds for new initiatives. For information on the status of budgets for the Associated Agencies, please refer to the information paper included in the budget agenda package.

The opening base budget position includes an estimate of 1.8% assessment growth pro-rated between Regional Services and Police Services. This assumption is based on information currently available from the MPAC data base and estimates for a 4th supplementary tax run that was recently added for 2011. The 4th run will be completed in early November and staff anticipates an updated and more accurate estimate for the November Budget Committee meeting.

CLT Budget Reduction Strategy

During the 2011 budget process, staff developed a forecast of potential tax increases over the next five years. That forecast indicated that the opening base budget for 2012 would likely generate a tax rate increase significantly higher than the Region's tax rate increases over the past few years. In response to these base budget pressures, staff implemented a number of new budget strategies for 2012. A major capital budget review was completed in June of 2011. The review focused on 2011 capital projects and the timing for completion of the capital works. Approximately \$25 million of capital projects were deferred from 2011 resulting in a subsequent deferral of debt charges beyond 2012 and a reduction in the base budget for 2012. Another budget reduction strategy for the 2012 budget was an employee suggestion initiative launched in June of 2011. The intent of this program is to tap into the creative ideas of all staff to achieve permanent and sustainable budget savings. The program generated over 170 unique suggestions. Some suggestions have already been incorporated into base budgets while others are currently under review. Other suggestions will be reviewed over the coming months. Suggestions implemented to date include taking advantage of volume pricing for employment ads, charging fees for access permit applications beginning in 2012, greater use of electronic communications and a resultant reduction of printed materials and reduced costs for refreshments for Corporate Training. Staff also tracked ongoing operating savings identified through the purchasing process to ensure the savings were reflected in the 2012 base budget. A detailed review of reserves and reserve funds enabled the elimination of some reserves and reserve funds and the use of the balances to fund portions of the 2011 capital program thereby reducing debt charges in the 2012 budget. Another strategy involved tasking all Regional programs to find budget reductions for 2012 and to consider increases to user fees for various Regional programs and services subject to market conditions and/or affordability. A final strategy was the continued use of the base budget reviews by the CFO and CAO.

The Region has successfully utilized base budget reviews in past years in order to bring forward reasonable base budget increases. Similar to past years, the Corporate Leadership Team (CLT) continued these reviews for 2012. The review focused on historical budget to actual experience and the list of potential budget reductions identified by each program area. The base budgets for all program areas were reviewed by the CAO, Acting CFO, Commissioners, program staff and Finance staff. Collectively, this process identified sustainable base budget reductions of \$2.14 million representing a tax rate decrease of 0.56%. These reductions are quite varied and include revenue

adjustments, changes in subsidy assumptions, and base budget reductions. Overall, the revised base budgets also include a reduction of 7.5 FTEs from vacant positions in several program areas. A number of the revenue adjustments are for increased user fees for Regional programs including Waste Management. A comprehensive Information Paper detailing the revenue changes is planned for the November Budget Committee meeting.

The chart below highlights the history of base budget reductions since 2005, including 2012.

	2005	2006	2007	2008	2009	2010	2011	2012	Total
Base Budget Review Reductions (\$M's)	\$1.1	\$5.4	\$0.95	\$0.85	\$3.4	\$2.1	\$2.4	\$2.1	\$18.3

Base budget reviews have generated \$18.3 million in budget savings since 2005. These sustainable budget reductions have generated 5.11% in permanent tax reductions over this period. The depth of the previous reviews may limit the opportunity for staff to capture further reductions in subsequent years. As always, one particular challenge for base budget reviews is the significant level of mandatory or non-discretionary programs such as Ontario Works, Housing, Police, payments to contractors (waste collection and roads) and debt charges. Once the mandatory and non-discretionary programs have been factored out of the reviews, the remaining discretionary budget is approximately 20% of the Regional tax levy. This reduced pool of Regional discretionary programs makes the task of finding further budget reductions increasingly more challenging.

In total, the budget reduction strategies for the Major Capital Review, the Reserve and Reserve Fund Review and the Budget Reviews have resulted in base budget reductions of \$4.1 million representing a 1.07% tax rate reduction.

Revised Base Budget Position

The following table shows the continuity of the 2012 budget from the opening position to the revised base budget position including budget reduction strategies.

	2012 Tax Rate Impact
Opening Base Budget Position	1.29%
Less: Budget Review Strategies	
- Capital Review	(0.41)
- Admin Review	(0.40)
- Waste Management Fees	(0.16)
- Debt Savings / Reserve Fund Review	<u>(0.10)</u>
	<u>(1.07)</u>
Revised Base Budget Position (before RTMP)	<u>0.22%</u>

It is important to note that any significant reductions beyond those outlined above can only be achieved through service reductions.

Regional Transportation Master Plan (RTMP)

The 2012 base budget includes a contribution to the RTMP Reserve Fund (1.5% levy increase) as approved by Regional Council on June 15, 2011. This consists of 1.2% to fund the proposed Rapid Transit project and 0.3% to fund GRT service enhancements. The approved Rapid Transit (RT) implementation option approved funding for the Region's portion of Stage 1 capital costs and operating and maintenance costs, subject to annual deliberations, based on an annual tax rate

increase of 1.2% per year (2012-2018) area rated to the urban transit service area and, funding for improvements to Grand River Transit, subject to annual budget deliberations, based on an annual tax rate increase of 0.3% per year (2012-2018) also area rated to the urban transit service area. The 1.5% funding is being contributed to the RTMP Reserve Fund to be then drawn upon to fund the RT project and GRT services. Also on June 15th, Regional Council approved, subject to annual budget deliberations, that budget reductions resulting from the retirement of debt on regional buildings at 150 Frederick and 99 Regina Streets and the uploading of social assistance costs (2012-2018) be allocated to fund a portion of the RT capital and maintenance and operating costs. The debt retirement and upload savings average 0.5% per year from 2012 to 2018. For 2012, the reduction from the debt retirement is \$591,000 or a 0.16% tax rate reduction.

2012 Upload Savings

The Province and municipalities are currently in the fifth year of “uploading” the costs of several cost shared programs. This process is recognition that the costs of income redistribution programs such as Ontario Works (OW) and the Ontario Disability Support Program (ODSP) are more appropriately funded by provincial taxes rather than municipal property taxes. The first component of uploading was initially announced in 2007 and involved the transfer of the ODSP back to the Province. This first phase was implemented over a four year period beginning in 2008. The vast majority of the savings were achieved in 2010 and 2011. This report will focus solely on the 2012 impacts. For additional information regarding the history and future impacts of provincial uploading, please refer to the information paper included in the Budget Committee Agenda.

The 2012 budget impact from upload savings is \$1.2 million or 0.32% as the cost sharing ratio for Ontario Works changes to 82.8% / 17.2%. These savings are being incorporated into the 2012 base budget. The 2012 budget year also marks the first year of uploading for Court Security. Court Security costs will be uploaded at a rate of \$0.5 million per year for seven years (2012-2018). The benefit arising from the uploading of Court Security costs will be reflected in the Waterloo Regional Police Services budget where the costs for Court Security reside.

Current Base Budget Position

The table below shows the continuity of the 2012 budget from the opening position to the current position, including RTMP, the 2012 uploading of social assistance costs, and the 2012 impacts for debt retirement for 150 Frederick and 99 Regina Streets but prior to new issues.

	2012 Tax Rate Impact
Opening Base Budget Position	1.29%
Less: Budget Review Strategies	
- Capital Review	(0.41)
- Admin Review	(0.40)
- Waste Management Fees	(0.16)
- Debt Savings / Reserve Fund Review	<u>(0.10)</u>
	<u>(1.07)</u>
Revised Base Budget Position Before RTMP	0.22%
Approved Commitment - RTMP Reserve Fund Contribution	1.50
Less: OW Upload Savings	(0.32)
Less: Debt Retirement	<u>(0.16)</u>
Net Impact for RTMP	1.02%
Revised Base Budget Including RTMP	<u>1.24%</u>

Base Budget Information Updates

There are several areas of the budget that staff continues to monitor including assessment growth (as noted above), status of the associated agencies, fuel costs, and Ontario Works caseload. Information will be brought forward to Budget Committee as the 2012 budget process progresses. As noted previously, the base budget includes a number of revenue adjustments. Some of the adjustments are increases to reflect actual or expected revenues while other adjustments reflect fee increases such as those for Waste Management. A budget information paper detailing the revenue changes is planned for the Budget Committee meeting in November.

Budget Issues

Budget issues are expansion requests driven by changing regulations, growth pressures and increasing demands for service. Staff has identified a very limited number of budget issues for 2012 having regard for the challenging 2012 budget and the current, unsettled state of the economy. A package of the new budget issue papers will be circulated to Budget Committee for the November 18th meeting. Some of the new issues identified by staff include EMS Master Plan, Affordable Transportation For Persons With Low income, Child Care Fee Subsidy Funding, Capital Levy Funding and Funding for Community Sustainability Issues. Details will be provided in the 2012 budget issue package for the November meeting. Staff is recommending that an allowance of 0.2% for these critical service enhancements be provided in the 2012 budget.

Potential Position Including New Issues

The table below shows the continuity of the 2012 budget from the opening position to the current potential position including new issues.

	2012 Tax Rate Impact
Opening Base Budget Position	1.29%
Less: Budget Review Strategies	
- Capital Review	(0.41)
- Admin Review	(0.40)
- Waste Management Fees	(0.16)
- Debt Savings / Reserve Fund Review	<u>(0.10)</u>
	<u>(1.07)</u>
Revised Base Budget Position Before RTMP	0.22%
Approved Commitment -RTMP Reserve Fund Contribution	1.50
Less: OW Upload Savings	(0.32)
Less: Debt Retirement	<u>(0.16)</u>
Net Impact for RTMP	1.02%
Revised Base Budget Including RTMP	1.24%
Potential Service Enhancements	0.20%
Potential Budget – Direct Regional Programs	1.44%

Budget Schedule

Future budget meetings are scheduled and shown below.

<u>PURPOSE OF THE BUDGET SESSION</u>	<u>PLANNED DATE</u>	<u>PLANNED TIME</u>
Budget Overview Session - 2012 base budget overview	October 26, 2011	4:00 pm – 6:00 pm
Detailed Budget Review – Day One - User Rate Overview - Review base budget	November 18, 2011	12:00 pm - 5:00 pm
Public Input – Budget Delegations	November 18, 2011	6:00 pm
Detailed Budget Review – Day Two - Associated Agencies (Police and GRCA) - Approval of User Rates - Develop preliminary final position for 2012	December 14, 2011	12:00 pm - 5:00 pm
Public Input – Budget Delegations	December 14, 2011	6:00 pm
Final Budget Approval	January 18, 2012	3:00 – 6:00 pm

As noted previously, the October 26th budget session will provide Budget Committee with the opportunity to provide feedback and direction on the 2012 budget.

CORPORATE STRATEGIC PLAN:

The 2012 budget is reflective of the 2011-2014 Corporate Strategic Plan.

FINANCIAL IMPLICATIONS:

The purpose of this report is to provide high level overview information as a starting point in assisting Budget Committee in establishing the 2012 budget. It is important to note that a 1% tax rate increase results in a \$16.08 annual increase to the average residential property owner. In addition, a 1% tax rate increase generates additional \$3.81 million in tax revenue.

OTHER DEPARTMENT CONSULTATIONS/CONCURRENCE:

All departments and the Waterloo Regional Police Service are involved in the development of the Region of Waterloo Budget.

ATTACHMENTS:

Appendix A – Base Budget Continuity Schedule

PREPARED BY: *A. Hinchberger*, Acting Chief Financial Officer

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

2012 Operating Budget
Tax Levy Continuity Schedule
(in thousands)

	2012 Preliminary Budget
Opening Net General Levy	\$381,035
 Other Base Adjustments:	
Debt Costs (1)	3,481
COLA (2)	3,464
Benefits (3)	1,823
LT Funding Strategy - Roads (4)	1,143
Annualization of 2011 Expansion in 2012	986
Waste Collection (5)	962
Inflation - Gasoline/Diesel \$1.00 per litre) (6)	525
Inflation & volume changes (Electricity, Natural Gas, Other) (7)	413
Child Care Rate Increase	369
Transportation - City Maintenance & Plant Adjustment	235
Assessment Agency	183
Museum Operating	150
Housing Funding Model Adjustments	(266)
Base Budget Adjustments	(955)
Airport Revenue	(444)
Transit Provincial Gas Tax Revenue	(500)
Transit Ridership Revenue	(1,027)
Payment-In-Lieu Revenues	(400)
Supplementary Taxes	(500)
● Subtotal Region	\$9,642
	2.53%
Less: Assessment Growth for 2012 (1.8% total - Region share 1.24%)	1.24%
Tax Rate Impact	
Preliminary Base Budget Position	1.29%

- 1) The 2012 debt charges resulting from the 2011 debenture issue.
- 2) COLA amount is based on existing contracts, obligations and a provision for contracts currently being negotiated.
- 3) Benefits increase due to an increase in OMERS rates.
- 4) The Long Term Roads Funding Strategy calls for 0.30% to be added to the base budget each year for rehabilitation (\$1,143,000 in 2012).
- 5) Increased stops and contract adjustments
- 6) The 2012 increase is due to the forecast increase in diesel fuel from \$0.88 to \$1.00 (the current October 2011 price is \$1.03)
- 7) Inflation increases on Electricity 1.19% (\$173K), Natural Gas -16.85% (-\$623K), General and Other Inflation 1.22% (\$729K).

2012 – 2015 BUDGET

2012 BUDGET INFORMATION

INFORMATION: ASSESSMENT GROWTH

Estimated Assessment Growth

The 2012 preliminary property tax budget includes estimated assessment growth of 1.8%. Assessment growth to-date (October 14th, 2011), net of the impact of requests for reconsideration and appeals settled and adjusted to October 14th is 1.30%. Data from the third supplementary tax run continues to be added to the roll and the Municipal Property Assessment Corporation has recently advised that a fourth supplementary tax run will occur for this Region. The focus of that supplementary tax run will be business assessment in the three cities.

A history of assessment growth for the years 1990 through 2011 plus the estimated growth for 2012 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. Assessment growth for 2011 was 2.15% and lower assessment growth was anticipated for 2012 due to a slow down in economic activity.

Staff will be monitoring assessment data over the next few weeks and providing updated information for each Budget Committee Meeting.

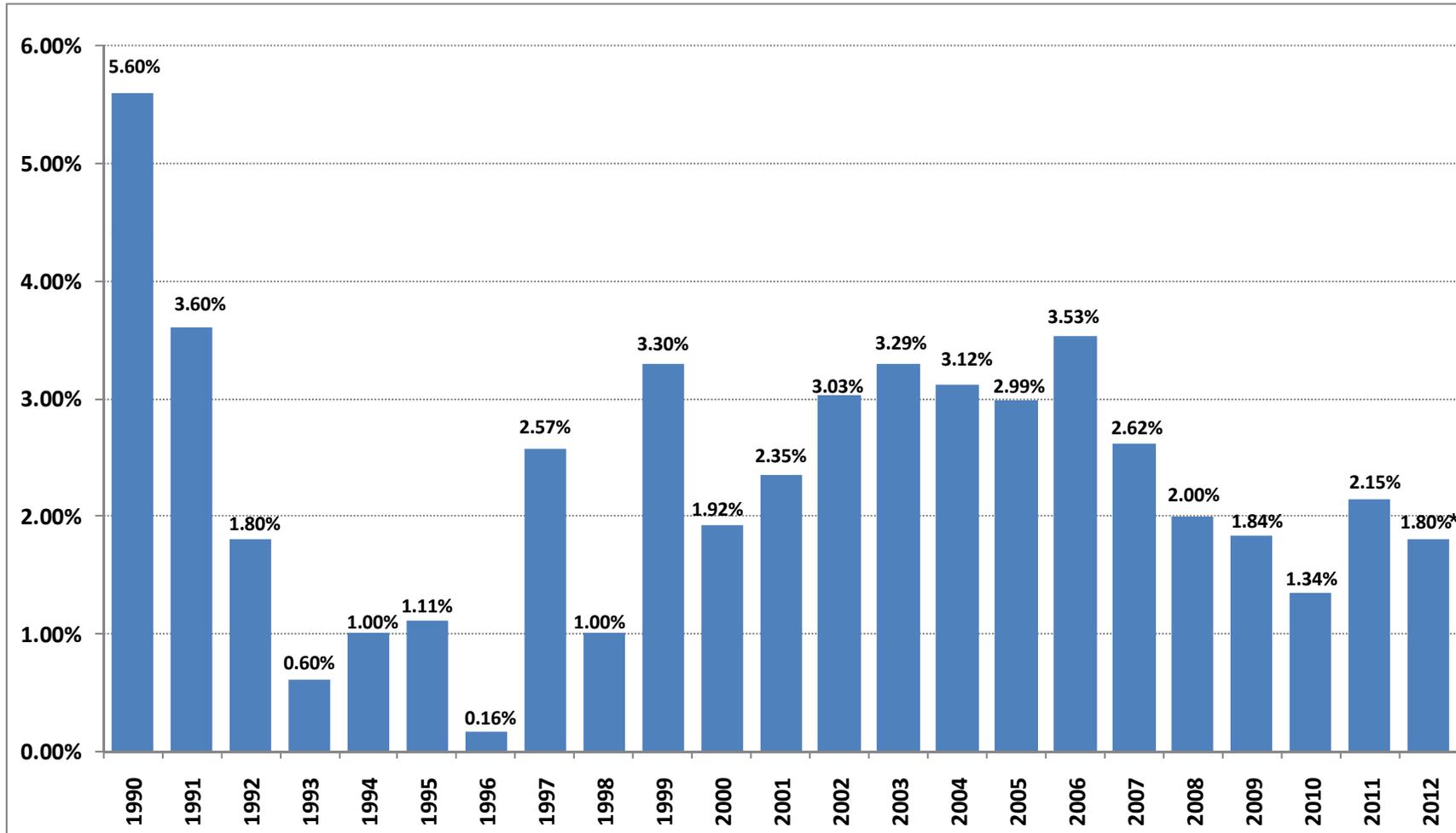
Four Year Assessment Phase-in

All properties in Ontario were reassessed at January 2008 values for the 2009 taxation year. The last 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 fourth year of the phase-in will take effect for 2012 and the impacts are likely to be similar to a reassessment. There may be some minor shifts between property classes and the value of the average residential property will need to be recalculated. Impacts resulting from the phase-in will be reported once they are known.

Financial Implications

The preliminary 2012 base budget includes estimated assessment growth of 1.8% which equates to approximately \$6.8 million of Regional revenue. Assessment growth of 1.0% equals \$3.8 million revenue to the Region. Final assessment growth should be known by mid December.

2012 Regional Budget History Of Assessment Growth



* estimate

2012 BUDGET

2012 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 2012 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 2.0%)

a) General Levy

GRCA staff is in the process of presenting its 2012 Budget to its Committee of the Whole with final approval scheduled for February 24, 2012. Draft One of the budget, considered on October 13, 2011, projects an increase of 3.0% or \$284,000 in the general levy for 2012. 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 for all of GRCA's planned Source Protection expenditure in 2012.

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 2012 is based on the 2011 assessment data). Under this formula, the Region's share of the 2012 general levy will be 56.5%. This is slightly higher than the Region's 2011 share of 56.3%. The preliminary 3.0% increase in the GRCA general levy results in an increase of 3.4% or \$181,156 on the Region's share (from \$5.334 million to \$5.515 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 Region's preliminary 2012 Operating Budget for water and wastewater includes a 2% increase in the Region's contribution to the GRCA. In order to achieve a 2% increase in the general levy, a reduction of \$95,000 would be required from the current draft of the budget. After the impact of assessment changes, a 2% increase in the GRCA levy would result in an increase of \$123,447 to Waterloo Region or 2.3% over the 2011 levy.

2012 BUDGET

2012 BUDGET INFORMATION

INFORMATION: STATUS OF ASSOCIATED AGENCIES CONT'D

Municipal Property Assessment Corporation (Preliminary Budget Increase 3.0%)

The Region's 2011 costs for assessment delivery services, as established by the Board of Directors for the Municipal Property Assessment Corporation (MPAC) was \$6,089,052. This amount is based on the total budget for MPAC and the Region's proportionate share of total assessment and number of properties as compared to totals for the Province. The 2012 provision is \$6,271,724, an increase of \$182,672 or approximately 3% over the 2011 costs. Costs for 2012 are expected to take into account increased operating expenses related to property inspections and other data collection activities as well as inflationary pressures. The final cost will be confirmed in late January. 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 3.0%)

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, \$447,000 in 2010 and \$454,000 in 2011. The 2012 preliminary base budget includes funding of \$468,000 for CTT. This equates to an increase of \$14,000 or 3.0% for the organization.

Waterloo Region Tourism and Marketing Corporation (Preliminary Base Budget Increase 10%)

The Waterloo Region Tourism and Marketing Corporation (WRTMC) is a tourism destination marketing organization developed in 2006 and 2007 by a Steering Committee that included Chief Administrative Officers from the Region and 5 Area Municipalities. The WRTMC is public-private partnership modeled after CTT Inc. It has a budget of approximately \$830,000 funded through Region and Area Municipal contributions, paid memberships, and member participation in collaborative marketing opportunities. The WRTMC has over 180 paid memberships and provides a number of benefits to the tourism industry and the community through its provision of tourism-related services and destination marketing. For the past several years, the Region has funded its share of the costs, in the amount of \$300,000, through annual operating budget funding of \$250,000 and one-time capital funding of \$50,000. Regional staff recommends that the Region continue funding of \$300,000 per year for WRTMC and that the base operating budget be increased by \$25,000 in 2012, and a further \$25,000 in 2013 to reach the \$300,000 level in the operating budget. This will result in the Region's funding for WRTMC being \$275,000 in 2012. This reduction of \$25,000 in funding for 2012 should only have minimal impact on WRTMC's operation.

2012 BUDGET

2012 BUDGET INFORMATION

INFORMATION: STATUS OF ASSOCIATED AGENCIES CONT'D

Communitech (Preliminary Budget Increase 0.0%)

The 2012 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 1.66%)

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 Committee. The 2012 base budget includes funding of \$110,200 for the Waterloo Regional Heritage Foundation based on 20 cents per capita and an updated year end population estimate of 551,000. The 2012 budget amount is \$1,800 higher (+1.66%) than the approved 2011 funding of \$108,400.

Region of Waterloo Arts Fund (Preliminary Budget Increase 16.42%)

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. 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. As part of the 2011 grant process, the Region allocated unused funds of \$32,000 from the Arts, Culture and Community Organization budget to the Region of Waterloo Arts Fund and approved the funds be included in the 2012 base budget. The 2012 base budget of \$252,400 is \$35,600 (+16.42%) higher than the approved 2011 funding of \$216,800 and equates to 45.8 cents per capita based on the updated year end population estimate of 551,000.

2012 BUDGET

2012 BUDGET INFORMATION

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 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 totaled \$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 \$12.1 million. In 2011, the Province implemented a new funding approach to support Ontario Works Administration. While not part of the original uploading projection, it has been included in the uploading calculation.

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	\$10.2								\$22.8
OW			0.5	0.4	1.2	1.5	1.7	1.7	1.7	1.7	1.7	12.1
OW Admin				2.7								2.7
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	\$13.3	\$1.7	\$2.0	\$2.2	\$2.2	\$2.2	\$2.2	\$2.2	\$41.1

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.

2012 BUDGET

2012 BUDGET INFORMATION

INFORMATION: PROVINCIAL UPLOADING CONT'D

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.

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.

In 2011, \$13.3 million in savings was used to reduce property taxes, fund new issues and the Regional Transportation Master Plan

2012 Budget

Beginning in January 2012, the cost sharing ratio for Ontario Works will change to 82.8%:17.2%. In a stable caseload environment, the resulting savings would be \$1.429 million. These savings have been incorporated into the 2012 Base Budget.

Beginning in January 2012, the Region will begin to cost share the 1% rate adjustment for Ontario Works recipients. This rate adjustment increases the Region's contribution by \$121,000.

Uploaded Court Security costs will form part of the Police Services Board Budget.

Further information on the Ontario Works caseload, including caseload scenarios and the impact on the 2012 Budget will be presented in future budget meetings.