

1. 1999 BUDGET REVIEW SCHEDULE

SUB-COMMITTEE RECOMMENDATION

That Council approve the proposed 1999 Budget Review Schedule.

DOCUMENTATION:

1. Proposed 1999 Budget Review Schedule is immediately attached.
2. Council Motion Nos. 239 and 296, Regional Council meetings of 23 Sept 98 and 25 Nov 98, immediately follows.
3. Extract of Draft Minutes, 30 Nov 98, follows and includes a record of the vote.

1999 BUDGET REVIEW SCHEDULE

Corporate Services and Economic Development Committee	19 January 1999
OC Transpo	20 January 1999
Planning and Environment Committee	26 January 1999
Community Services Committee	28 January 1999
Transportation Committee	29 January 1999
Council	10 February 1999

Please note all budget review meetings will begin at 9:00 a.m. in the Champlain Room. Council Budget Review will begin at 9:00 a.m. in the Council Chambers.

MOTION NO. 239

Moved by Councillor D. Holmes

Seconded by Councillor M. Meilleur

RESOLVED THAT Item 6 of Corporate Services and Economic Development Committee Report No. 20, be further amended to add that staff, through the Budget Review Board, prepare draft estimates to the Budget Sub-Committee, which will review and comment on the draft estimate through the public sub-committee process; and further that pursuant to Council's Procedure By-law and standard practices, each standing committee will review that proposed estimates along side the comments of the Budget Sub-Committee.

MOTION NO. 296

Moved by Councillor D. Beamish

Seconded by Councillor A. Munter

RESOLVED THAT staff, in consultation with the Budget Sub-Committee, prepare a schedule for approving the 1999 budget, pursuant to the process outlined in Council Motion No. 239 (23 September 1998) and;

FURTHER THAT this revised schedule be presented to Council for approval at the next regular Council meeting.

2. Council Motion No. 296
 - Regional Council Meeting 25 Nov 98
 - Regional Council Motion No. 239 (23 Sep 98)

Jack LeBelle, Finance Commissioner, noted some discussion needs to take place with respect to developing a strategy and a timetable for the 1999 budget. The budget report tabled at the Council meeting of 25 Nov 98, *1999 Draft Estimates- Executive Summary of Expenditure and Taxation Requirements*, was designed by staff to preserve, to the extent possible, Council's options with respect to potential assistance provided by the Province. He felt the conclusions in this matter would establish very clearly for the Sub-Committee and Council the actual budget shortfall being faced by the Region.

Mr. LeBelle opined it would be difficult to attempt to try to solve the budget problem until it is known what the status is with respect to Bill 79 and what assistance the Provincial Government will be offering. He felt this type of information would probably be confirmed around the Christmas break, as was the case in 1998.

He noted the issues the Sub-Committee needs to focus on are whether to pursue a change in the budget strategy and determine a timetable for budget review.

Councillor Holmes asked for clarification on the impact of Bill 79 with respect to the budget. Mr. LeBelle, referring to the report tabled at Council, *Annex A*, noted the budget shortfall pre-Bill 79 is estimated to be approximately \$30 million and \$53 million with Bill 79.

Mr. LeBelle confirmed for Councillor Holmes that he felt the Region should be attempting to receive MCOR funding as was available last year. He noted staff recently reviewed the various documents from the Province over the last year and a half with respect to MCOR and found the information to be very conflicting. Some of the news releases indicated it was a four year, \$800 million fund, whereas other documents indicated MCOR was a one-time fund and the Premier was quoted as saying it was a three year fund. He felt information from the Minister of Municipal Affairs and Housing (MMAH) on several occasions indicated that MCOR was a multi-year program and if money was received from MCOR for 1998, which it was at the Region, then the Region would be eligible for this funding in the subsequent years of the program.

Councillor Hunter felt the Sub-Committee should put their efforts into reviewing the expenditure side of the budget and look at the services the Region provides that are not mandated and classify or prioritize them. He felt in the event Provincial assistance does not come forward then program and service cuts can be

made relatively quickly. He noted any delay in doing this work will make it difficult should the Sub-Committee make these types of cuts into the 1999 fiscal year. It was his opinion that it would be too late to wait to deal with the budget shortfall for confirmation from the Province on potential funding and Bill 79. He felt it is better to have everything understood; where, if necessary, cuts will have to come from and in what order.

Committee Chair van den Ham asked Mr. Beckstead if the Corporate Review documents from 1996 in which all programs and services were ranked mandatory and discretionary, are still available. Mr. Beckstead indicated the reports are still available and applicable. However, he reminded the Sub-Committee that the Region is now operating in a much different environment in that operational or administrative efficiencies are no longer available. Staff have accomplished the majority of the changes in those areas as a result of Corporate Review and now have to look at specific program and service cuts. He added the Corporate Review documents may need to be updated and would form the basis to start that process.

Councillor Holmes felt only those services and/or programs that are mandated by legislation should be listed as mandatory; everything else should be discretionary, which includes traffic signals, snow clearing, etc. She added there are very few services and/or programs that are actually mandated.

She also felt that looking immediately to cutting grants to food banks, shelters, etc. and putting those most vulnerable residents of the Region into a panic is not the way to handle this situation. She felt Council should keep with the strategy to pressure the Province for MCOR funding and resolution of the issues surrounding Bill 79.

Councillor Kreling agreed with Councillor Hunter's strategy and understands clearly all the pitfalls that surround that. Although he was not overly comfortable with alarming the public and Regional employees of possible cuts, he noted the reality is there is a large budget shortfall and without Provincial assistance these cuts will be necessary. He noted his disappointment with the Provincial Government in their handling of downloading services and their lack of entering into a true partnership. He also felt there is a lack of understanding in the communities of the Region of what a \$50 million budget shortfall could mean and by identifying cuts now, they can be involved with the tough decisions to be made ahead, and at the same time, clearly show the public the magnitude of the problem.

Committee Chair van den Ham reminded the Sub-Committee their task at this meeting is to determine a budget review schedule as was directed by Council in Motion No. 296. He noted staff's recommendation is to wait to resolve the

Payments-in-Lieu (PIL) situation first. He asked Mr. LeBelle if the Sub-Committee puts definite dates in place for the review, then some assumptions must be made with respect to a budget scenario for work to begin.

Mr. Beckstead commented that before Bill 79 was introduced, staff were working with a budget shortfall of approximately \$30 million and had hoped to receive some major contributions from the Province. Staff looked at a strategy to attempt to reduce the size of the organization through program cuts and internal reductions, to the extent possible, to accommodate approximately half of the shortfall, including Police and OC Transpo. He informed the Sub-Committee staff are continuing to work on identifying cuts and expect to have information available by the end of the week.

Mr. LeBelle, commenting on work staff completed regarding ranking programs mandatory and discretionary, noted there are very few programs, either in totality or part that are truly described as core mandatory. Some examples are General Welfare Assistance, debt charges, etc. He noted out of a \$1.2 billion budget, he estimated that approximately 30 to 40 percent would be described core mandatory, therefore, there will be approximately \$800 million worth of programs described to be discretionary. He felt the difficulty faced by staff and Council is the need for a good tool to use to prioritize programs and services in an organization that delivers such a diverse range of services into the community. It is extremely difficult to have a tool to determine whether it is more important to remove snow from Elgin Street or to provide shelters in Social Services.

To illustrate the magnitude of a \$50 million budget shortfall, Mr. LeBelle noted the Health Department, Homes for the Aged Department, Land Ambulance and all of the external agency grants do not add up to \$50 million.

Councillor Hunter felt, with respect to Bill 79, he does not consider any increase to the other tax groups that would result in Bill 79 as a true tax increase, but a reapportionment of the tax burden where tax increase limits are set on one part of one class and must be shared by the other classes. He noted it is the same as was done with the education portion of taxation and when the Region changed the ratio for multi-residential to residential. That was not considered a tax increase for the single family residential properties, it was considered a reapportionment. He felt Bill 79, if passed, means other classes of property will be paying more of their share of the burden for 1999, however, it is not a tax increase as if the Region were increasing expenditures.

Although Mr. LeBelle understood Concillor Hunter's approach, he felt that the community will only see their 1999 tax rate is higher than 1998 and it may be

difficult to explain that it is not a tax increase, but rather a reapportionment to recoup lost revenues on the PILs.

Councillor Legendre was surprised to hear the core mandatory programs and services would be 30 to 40 percent of the total budget. He recalled last year during budget review there were elements that were considered core mandatory, where Council had no discretion to make cuts, which totaled \$250 million. He asked Mr. LeBelle to explain.

Mr. LeBelle explained the message last year to Council was to clarify the misconception that the entire \$1.2 billion budget was on the table, as well, the Province indicated to the Region a savings target of \$43 million and they felt it was a small percentage of the total operating budget. Staff, to put the savings target into context, extracted the core mandatory programs that could not be cut and then took out the programs that were almost mandatory, however, not required by law i.e. mass transit. He indicated these were programs that Council have considered to be fundamental in terms of the community.

Councillor Legendre felt Council, even in the absence of definite information from the Province, should begin work on the budget looking at all programs and set a timetable for the various committee and Council reviews.

Councillor Hume felt that budget pressures for 2000 will be equally as challenging as 1999 and 1998. It was his view that the Sub-Committee, when the 1999 budget is approved, should remain an ad-hoc committee of Council and begin work immediately on the 2000 budget as it is known at this time what some of the 2000 budget pressures will be. He felt the Sub-Committee should be looking at all services and evaluating and prioritizing them.

Committee Chair van den Ham agreed with Councillor Hume in that work on the 2000 budget should begin as early as possible.

Councillor Beamish also agreed with Councillor Hume. It was his opinion that a timetable and review exercise cannot be undertaken without definite numbers from the Province. He felt that setting the budget review in January would give time to receive provincial information and allow Councillors to hold their public consultation meetings. He added that once a decision is made and Council goes through the budget review exercise, he does not think there is anything requiring Council to pass tax rate by-laws immediately; this step could be delayed in the event that information from the Province is still not confirmed after Council reviews the budget.

Extract of Draft Minute
1999 Budget Sub-Committee
30 November 1998

Councillor Beamish, in the absence of definite information, felt Council should go ahead and assume MCOR funds will be received as was the case in 1998, make the necessary cuts to accommodate the remaining budget shortfall and if the Province does not give the Region any MCOR funds the result will be a tax increase.

Committee Chair van den Ham agreed Council needs to determine a budget strategy, possibly one of the scenarios in the Finance report outlined in *Annex A*.

Mr. LeBelle, referring to *Annex D* of the Finance Report, wished to note for the Sub-Committee there is not enough taxation to support the programs and services the Region provides once the Provincial downloading is completed.

Discussion ensued regarding setting the Committee review either the last two weeks of January or the first two weeks of February. Some members of the Sub-Committee felt that the end of January does not leave a lot of time for public consultation because of Christmas holidays.

The Committee Chair pointed out that with only one Council meeting in December, where the schedule will be approved, a budget strategy would have to go the 13 January 1999 Council meeting leaving little time to prepare for public consultation and Committee review in late January.

Councillor Holmes put forward a motion to hold the Committee Budget Review during the first two weeks of February. She felt in the interest of getting information out to the public with time for them to review, the end of January would be difficult.

Mr. LeBelle noted, in response to some Sub-Committee members concern regarding the Council approval being two months into the year, staff could look to some one-time items to be used to offset the budgetary requirement in the current year knowing it will be annualized in the year following. He felt that for one or two months that would be available as an option.

Councillor McGoldrick-Larsen felt the last two weeks of January would be better as she is concerned with proceeding to far into 1999 without an approved budget. She will not be supporting Councillor Holmes' motion.

There being no further discussion, the Sub-Committee voted on Councillor Holmes' motion.

Extract of Draft Minute
1999 Budget Sub-Committee
30 November 1998

Moved by D. Holmes

That the 1999 Committee Budget Review be scheduled during the first two weeks of February and Council Budget Review at the regular meeting of 24 February 1999.

LOST

NAYS: Councillors G. Hunter, H. Kreling and M. McGoldrick-Larsen
YEAS: Councillors D. Holmes and R. van den Ham

Councillor Kreling then put forward a motion to hold the reviews during the last two weeks of January.

Moved by H. Kreling

That the 1999 Committee Budget Review be scheduled during the last two weeks of January and Council Budget Review at the regular meeting of 10 February 1999.

CARRIED (D. Holmes
and R van den Ham
dissent.)