The Halton Region 2011 Budget and Business Plan includes:

- The 2011 Tax Supported Operating and Capital Budget and Forecast
- The 2011 Water and Wastewater Rate Supported Operating and Capital Budget and Forecast.

The 2011 Tax Supported Budget focuses on the Regional Services which Halton Regional Council manages. The Halton Regional Police Service (Police Services) Budget is included in some of the summary tables as the *Police Services Act* requires that Regional Council approve the total Regional Tax Supported Budget including Police Services. The detailed Police Services budget is approved by the Halton Regional Police Services Board.

Additional information related to the Tax and Rate Supported Operating and Capital Budgets are contained in the “Tax Overview”, “Rate Overview” and “Detailed Budget” sections of the 2011 Budget and Business Plan.

2011 RECOMMENDED BUDGET IMPACTS

The primary objective of the 2011 Budget is to maintain levels of service to the community while minimizing impacts to property taxes and water and wastewater rates.

The proposed 2011 Budget for Regional Tax Supported Services is a reduction of 0.2%. The annual property taxes paid for a typical household with an assessed value of $350,000 will be $894.57, which is a $1.50 reduction in property taxes from 2010. The impact of Police Services in addition to the Regional Services is a 1.4% increase ($19.35 increase for the typical household or $5.53 per $100,000 of assessment).

PROPERTY TAX IMPACT
OF REGIONAL GOVERNMENT SERVICES

(Typical Residential Home: $350,000 cva)*

	2010 Actual	2011 Budget	Change $	Change %
Regional Services	$ 896.07	$ 894.57	$ (1.50)	(0.2)%
Police Services **	$ 460.71	$ 480.97	20.26	4.4%
Total Regional Taxes * **	**$ 1,356.78**	**$ 1,375.54**	**$ 18.76**	**1.4%**

* Based on 2009 assessment roll
** Approved by the Police Services Board
*** 2011 Regional Tax Increase per $100,000 CVA is $5.36 or Total Regional Taxes of $393.01 based on 2.44% assessment growth per most recent MPAC information

The following table provides the breakdown of the $895 in property taxes for Regional Services by major program area for the typical Halton household in 2011.

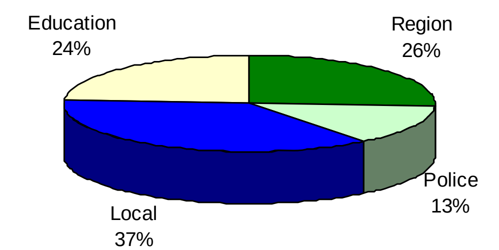
ANNUAL COST PER TYPICAL HOUSEHOLD FOR REGIONAL SERVICES
(Typical Residential Home: $350,000 cva)

PROGRAM AREA	2010 ANNUAL COST	2011 ANNUAL COST	CHANGE
Social Services	$296	$294	($2)
Waste Management	$149	$146	($3)
Transportation	$161	$164	$3
Public Health	$43	$49	$6
Emergency Medical Services	$52	$57	$5
Planning & Economic Development	$37	$40	$2
Conservation Authorities	$31	$32	$1
Non-Program & Financial Transactions	$126	$112	($13)
TOTAL COST PER HOUSEHOLD	$896	$895	($2)

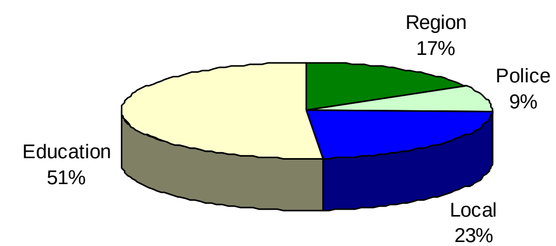
* Table may not add due to rounding

The property tax bill received by residents includes Regional Services, Police Services, Local Municipal Services and Provincial Education Services. Regional Services account for on average 26% of residential property tax costs and 17% of industrial property tax costs.

Residential Property Tax Bill



Non Residential Property Tax Bill



The proposed 2011 Water and Wastewater Rate Supported Budget is a 4.1% increase. The 2011 water and wastewater costs for a household with an annual consumption of 300 m^3 will be $798.30 which is an increase of $31.10 from 2010. Water and wastewater charges are not funded from property taxes, they are collected based on the volume of water consumed. In Halton, water and wastewater charges are billed on behalf of the Region on the electricity bills.

RATE IMPACTS
OF REGIONAL GOVERNMENT SERVICES

(Assumes 300 m3 Annual Consumption)

	2010 Actual	2011 Budget	Change $	Change %
Water & Wastewater Rates *	$ 767.20	$ 798.30	31.10	4.1%

2011 BUDGET OVERVIEW

The proposed 2011 operating budget is $719 million including Police Services. The 2011 capital budget totals $214.4 million.

2011 BUDGET OF REGIONAL GOVERNMENT SERVICES ($000)

($ 000's)	Tax Budget	Rate Budget	Total Budget
Regional Services	$ 430,583	$ 164,993	$ 595,576
Police Services	$ 123,435		$ 123,435
Total Operating Budget	**$ 554,018**	**$ 164,993**	**$ 719,011**
Capital Budget	**$ 150,909**	**$ 63,451**	**$ 214,360**

The $595.6 million in gross operating expenditures for Regional services includes $430.6 million in tax-supported programs and $165.0 million in rate supported services. The following tables show the proportion of expenditures by program on a gross and net expenditure basis. Social Services, including Employment and Social Services, Children's Services, Housing and Long-Term Care is the largest program with 39% of gross expenditures and 33% of net expenditures.

GROSS AND NET OPERATING EXPENDITURES BY MAJOR PROGRAM AREA - TAX

Program Area ($000's)	2011 Gross $	% of Total	2011 Net $	% of Total
Social Services	169,978	39%	70,567	33%
Waste Management	41,804	10%	35,109	16%
Transportation	39,729	9%	39,485	18%
Public Health	35,303	8%	11,808	5%
Emergency Medical Services	25,982	6%	13,606	6%
Planning & Economic Development	10,756	2%	9,556	4%
Conservation Authorities	7,792	2%	7,792	4%
Non-Program & Financial Transactions	99,238	23%	27,012	13%
Total Program Areas	**430,583**	**100%**	**214,934**	**100%**

The $165 million for rate-supported Regional Services funds water and wastewater services.

GROSS AND NET OPERATING EXPENDITURES BY MAJOR PROGRAM AREA - RATE

Program Area ($000's)	2011 Gross $	% of Total	2011 Net $	% of Total
Water	81,681	49.5%	70,471	49.6%
Wastewater	83,313	50.5%	71,467	50.4%
Total Program Areas	**164,993**	**100.0%**	**141,938**	**100.0%**

The net expenditures are the amounts that must be collected from property taxes or water and wastewater rates. The difference between the gross expenditures and net expenditures are revenues or transfers from reserve that reduce the requirement for property tax or water and wastewater revenues.

The $595.6 million of gross expenditures are funded from various sources as shown in the table below.

Approximately 60% of the gross expenditures are funded from property taxes and water and wastewater rates. The other 40% of the funding is from Provincial and Federal subsidies, user fees and investment income.

TAX AND RATE GROSS OPERATING REVENUES BY FUNDING SOURCE

(000's)	2011 $	% of Total
Property Tax Revenue	214,934	36%
Water and Wastewater Rate Revenue	141,938	24%
Provincial Subsidies	118,469	20%
Federal Subsidies	14,122	2%
Program Revenues	31,891	5%
Other	18,923	3%
Investment Income	46,699	8%
Supplementary Taxes	8,600	1%
TOTAL REVENUE	**595,576**	**100%**

The year-over-year change in each revenue source is shown in the following table:

TAX AND RATE GROSS OPERATING REVENUES BY FUNDING SOURCE 2010 v 2011 COMPARISON

(000's)	2010 $	2011 $	Change $	Change %
Property Tax Revenue	210,132	214,934	4,802	2.3%
Water and Wastewater Rate Revenue	144,578	141,938	(2,640)	(1.8)%
Provincial Subsidies	123,617	118,469	(5,148)	(4.2)%
Federal Subsidies	12,481	14,122	1,641	13.1%
Program Revenues	30,498	31,891	1,393	4.6%
Other	18,079	18,923	843	4.7%
Investment Income	43,050	46,699	3,649	8.5%
Supplementary Taxes	7,800	8,600	800	10.3%
TOTAL REVENUE	**590,236**	**595,576**	**5,341**	**0.9%**

* Table may not add due to rounding

Overall revenues are expected to increase by $5.3 million or 0.9% in the 2011 budget. This includes a $4.8 million increase in property taxes as a result of assessment growth of 2.44%, a $3.6 million increase in investment income as a result of growth in the investment portfolio and a $1.6 million increase in Federal subsidies including the Federal Gas Tax.

These increases in revenue are offset by a $2.6 million reduction in budgeted water and wastewater rate revenue related to reduced water consumption patterns and a $5.1 million reduction in Provincial subsidies as a result of reduced budgeted caseloads in the Ontario Works social assistance program and the elimination of one-time funding for the Social Housing Rehabilitation and Retrofit Program (SHRRP). There are also significant Provincial funding pressures in EMS and Public Health in the 2011 budget.

The following table summarizes the 2011 budget by program.

OPERATING BUDGET FOR TAX SUPPORTED SERVICES (excluding Police)
COMPARISON OF TOTAL GROSS EXPENDITURES AND NET IMPACT - 2011 TO 2010

($ 000's)	2010 TOTAL GROSS EXPENDITURES $	2010 NET IMPACT $	2011 TOTAL GROSS EXPENDITURES $	2011 TOTAL REVENUE $	2011 NET IMPACT $	CHANGE TOTAL GROSS EXPENDITURES $	CHANGE TOTAL GROSS EXPENDITURES %	CHANGE NET IMPACT $	CHANGE NET IMPACT %
Social Services	174,204	69,440	169,978	(99,411)	70,567	(4,226)	(2.4)%	1,127	1.6%
Waste Management	40,975	34,973	41,804	(6,695)	35,109	829	2.0%	136	0.4%
Transportation	37,963	37,757	39,729	(245)	39,485	1,766	4.7%	1,727	4.6%
Public Health	32,655	10,154	35,303	(23,495)	11,808	2,648	8.1%	1,653	16.3%
Emergency Medical Services	24,323	12,209	25,982	(12,376)	13,606	1,659	6.8%	1,396	11.4%
Planning & Economic Development	10,084	8,766	10,756	(1,200)	9,556	672	6.7%	790	9.0%
Conservation Authorities	7,323	7,323	7,792	-	7,792	469	6.4%	469	6.4%
Non-Program & Financial Transactions	98,468	29,509	99,238	(72,226)	27,012	770	0.8%	(2,497)	(8.5)%
NET REGIONAL IMPACT	**425,996**	**210,132**	**430,583**	**(215,649)**	**214,934**	**4,587**	**1.1%**	**4,802**	**2.3%**
2010 ASSESSMENT GROWTH								**(5,127)**	**2.44%**
NET REGIONAL IMPACT	**425,996**	**210,132**	**430,583**	**(215,649)**	**214,934**	**4,587**	**1.1%**	**(325)**	**(0.2)%**

OPERATING BUDGET FOR RATE SUPPORTED SERVICES
COMPARISON OF TOTAL GROSS EXPENDITURES AND NET IMPACT - 2011 TO 2010

($ 000's)	2010 TOTAL GROSS EXPENDITURES $	2010 NET IMPACT $	2011 TOTAL GROSS EXPENDITURES $	2011 TOTAL REVENUE $	2011 NET IMPACT $	CHANGE TOTAL GROSS EXPENDITURES $	CHANGE TOTAL GROSS EXPENDITURES %	CHANGE NET IMPACT $	CHANGE NET IMPACT %
Water	80,157	69,675	81,356	(11,209)	70,152	1,199	1.5%	477	0.7%
Wastewater	84,083	74,903	83,637	(11,846)	71,786	(446)	(0.5)%	(3,117)	(4.2)%
TOTAL RATE SUPPORTED	**164,240**	**144,578**	**164,993**	**(23,055)**	**141,938**	**753**	**0.5%**	**(2,641)**	**(1.8)%**
CONSUMPTION ADJUSTMENT								**(7,826)**	**(5.90)%**
RESIDENTIAL WATER AND WASTEWATER RATE INCREASE								**5,186**	**4.1%**

2011 BUDGET HIGHLIGHTS

The 2011 Budget focuses on maintaining services levels for Halton's growing communities. The global economic conditions continue to influence directions in the 2011 Budget as they have since the global recession began in 2009. While economists indicate that Canada's economy is in recovery, the recovery remains fragile due to the lack of employment growth, the slow economic recovery in the United States and global economic concerns.

The Region responded to the recession in 2009 and 2010 by:

- eliminating 53.2 staff positions and effectively freezing staffing at 2008 levels for Regionally funded programs;
- expanding the service capacity of Income and Employment, Children Services and Public Health programs to address demands in the community;
- initiating a broad cost containment and efficiency program;
- updating the Development Financing Plan (CS-73-08/PWE31-08 and CS-49-09/PW-20-08/LPS80-09) to ensure all growth related capital costs are recovered from development;
- and participating in the Federal and Provincial stimulus programs for Infrastructure ($147 million) and Housing ($17.7 million).

The 2009 and 2010 tax rate impacts for Regional Services (excluding Police) were 1.7% and -0.1% respectively.

The overarching priority of the 2011 Budget and Business Plan is ensuring that service levels for the Region's core services are maintained to keep pace with the growth in the community, while minimizing the property tax and water and wastewater rate impacts.

The budget strategies used in 2011 are consistent with the Region's core financial planning principles to ensure long-term financial sustainability. These strategies include:

- **Utilizing stabilization/recession reserves** strategically to offset temporary, short term impacts. The Region has established these reserves to provide the financial flexibility to effectively respond to economic or other temporary or unplanned circumstances. Stabilization reserves should not be used to offset base budget increases as this financing cannot be sustained and will negatively impact future budgets.

- **Refinancing the capital program** where there are opportunities to minimize current year impacts without causing significant impacts in future years' budgets, the Region's debt capacity or committed capital reserves.

- **Implementing Development Financing Plans** which ensure that growth continues to pay for its share of the costs with minimal impact on taxpayers while providing capacity for the Region's major infrastructure program to continue. The Region also makes significant investments in servicing employment lands through these financing plans to foster economic strength.

- **Assessing the multi-year impacts** of all budget decisions in the context of the 10-year operating and capital budgets to ensure decisions are made with full understanding of immediate and future impacts.

The key directions in the 2011 Budget include:

* Maintaining existing service levels – program efficiency and cost containment;
* Re-investing in Social Services and Public Health programs to meet the needs in the community;
* Implementing the Region's Official Plan;
* Financing the capital infrastructure program.

Maintaining Existing Service Levels

Program Efficiency and Cost Containment

Achieving efficiencies in the base budget for Regional programs has been critical to minimizing the impact of Regional programs while responding to the increasing demand for services. This has included process reviews to identify opportunities to create efficiencies and in some cases resulted in reorganizations to better align functions and accountabilities. Examples in 2010 include:

* Responsibility for the operations of the Halton Community Housing Corporation was moved from Social Services to Corporate Services to leverage the asset management expertise in Corporate Services
* Responsibility for the Child Health program was consolidated within the Public Health Department streamlining services for families
* The Financial Policy and Internal Audit Division in Corporate Services was eliminated and the functions were re-assigned to other Divisions which created better alignment of finance functions and efficiencies
* The Legislative and Planning Services Department has been restructured to better implement and support Sustainable Halton (ROPA 38), to further the Region's sustainability initiatives and to position resources to support the Urban and Rural areas within the Region
* Continued implementation of the Public Works Department's repositioning to improve accountabilities and to provide the capacity to deliver the capital program
* Social and Community Services Department is currently undergoing a reorganization which will be implemented in early 2011 to more effectively deliver required services to the community.

Additional process reviews and organizational changes are planned in 2011 consistent with the goal of on-going continuous improvement.

Provincial Subsidies – Public Health and EMS

The Health Department receives funding for its programs from the Provincial and Federal governments. There are two groups of funded programs in Public Health: programs that receive Provincial grant funding towards a cost-sharing arrangement (75% cost-shared programs) and programs which are intended to be funded 100% by the Provincial or Federal governments. For Emergency Medical Services (EMS), the Province provides grant funding intending to achieve a 50% cost-sharing arrangement with the Region.

For several years, the Provincial and Federal approved funding allocations have not kept pace with the increases in expenditure and enhancement growth for the Health Department's programs. In response to this, Regional Council approved regional tax funding greater than its required contribution to cover the funding shortfall.

The 2011 gross expenditures for **Public Health** are $35.3 million. Gross expenditures have increased $2.6 million in 2011 (8.1%) which includes $800,000 for the Healthy Smiles Ontario expanded dental health program, $335,000 for the Burlington Sexual Health Clinic and the Oakville Sexual Health Clinic as well as additional resources for the Baby Parent Health Program.

The 2011 net Regional costs for Public Health are $11.8 million which is an increase of $1.7 million or 16.3%. This increase in the net Regional costs is a result of shortfalls in the Provincial funding for these programs. Provincial funding is based on guidelines established for the Province. In the past several years, given Provincial budget constraints, the Provincial guidelines have not been sufficient to maintain service levels in a growing community like Halton.

The 2010 Budget for Public Health anticipated a 5.3% increase in Provincial subsidy, consistent with previous years. The actual 2010 increase subsidy increase was 3% resulting in a 2010 subsidy shortfall of $362,000 as reported in Report CS-65-10, the August variance report.

The 2011 Budget anticipates a 3% subsidy increase based on communication received from the Province. Based on the costs for the 2011 Public Health program, the 2010 subsidy shortfall, and the expected 2011 subsidy the Region will be required to contribute an additional $1.7 million to maintain service levels for the Public Health programs.

The 2011 gross expenditure for **EMS** are $26.0 million. Gross expenditure has increased $1.7 million (6.8%) which includes additional front-line and supervisory staff and enhanced technology.

EMS is intended to be cost-shared with the Province of Ontario on a 50/50 basis for “eligible expenses”. The 2011 net Regional cost for EMS is $13.6 million, an increase of $1.4 million or 11.4%. Part of the increased Regional share is that the Ministry of Health and Long-Term Care made changes to the eligibility of certain types of expenditures for subsidy, particularly with respect to the funding for capital expenditures such as ambulance vehicles. Staff are projecting a 2010 year-end unfavourable variance of approximately $500,000 as indicated in Report CS-65-10, the August variance report.

Based on the increased costs of the 2011 EMS program, the 2010 subsidy shortfall and the expected 2011 subsidy given the revised definition of eligible costs, the Region will be required to contribute an additional $1.4 million to the EMS program.

The table below illustrates the share of Provincial and Federal funding and anticipated funding shortfalls in 2011. The Provincial funding grant assumed for EMS in the 2011 budget was determined using a revised funding formula which increased the portion of costs that are no longer eligible for subsidy. In summary, the 2011 budgeted shortfall for Public Health is expected to increase by $1.2 million over 2010 and for EMS the budgeted shortfall is expected to increase by $0.7 million over 2010.

In total in 2011, the Region is contributing $6.0 million to the Public Health and EMS programs in excess of the expected cost sharing as summarized below. The table below is based on subsidy as a percent of total program costs, not the Province’s definition of eligible costs.

HEALTH DEPARTMENT PROGRAMS
FUNDING SHORTFALLS

	2010 Provincial / Federal Funding Share	2011 Provincial / Federal Funding Share	2011 Anticipated Shortfall	2010 Anticipated Shortfall	(Decrease in Shortfall)/ Increase in Shortfall (2011 to 2010)
75% Cost-Shared Programs	67%	64%	$ 3,024,512	$ 1,991,376	$ 1,033,135
100% Funded Programs	68%	73%	$ 2,033,140	$ 1,817,777	$ 215,363
Total Public Health	68%	66%	**$ 5,057,652**	**$ 3,809,153**	**$ 1,248,498**
Emergency Medical Services	49%	46%	**$ 916,696**	**$ 223,629**	**$ 693,067**
HEALTH DEPARTMENT	60%	58%	**$ 5,974,347**	**$ 4,032,782**	**$ 1,941,565**

Responding to Demands for Service - Social Services

The gross expenditures for **Social Services** in the 2011 Budget are $170 million. The gross expenditures are $4.2 million (2.4%) lower than the 2010 Budget. The 2011 Net Regional expenditures are $70.6 million which are $1.1 million higher than the 2010 Budget. The following table provides the gross and net expenditures for the major Social Services programs.

OPERATING BUDGET FOR SOCIAL AND COMMUNITY SERVICES
COMPARISON OF TOTAL GROSS EXPENDITURES AND NET IMPACT - 2011 TO 2010

($ 000's)	2010 TOTAL GROSS EXPENDITURES	2010 NET IMPACT	2011 TOTAL GROSS EXPENDITURES	2011 TOTAL REVENUE	2011 NET IMPACT	CHANGE TOTAL GROSS EXPENDITURES		CHANGE NET IMPACT	
	$	$	$	$	$	$	%	$	%
Intervention & Business Services	7,865	5,770	8,424	(2,599)	5,825	559	7.1%	55	1.0%
Children's Services	38,439	10,009	39,672	(29,340)	10,332	1,233	3.2%	323	3.2%
Employment & Social Services	37,229	13,411	30,126	(20,738)	9,387	(7,103)	(19.1)%	(4,024)	(30.0)%
Housing	32,941	22,255	31,523	(5,700)	25,824	(1,417)	(4.3)%	3,569	16.0%
Services for Seniors	57,028	17,292	59,411	(40,916)	18,496	2,383	4.2%	1,204	7.0%
Healthy Community Fund Framework	703	703	822	(119)	703	119	17.0%	-	0.0%
Total Social & Community Services	**174,204**	**69,440**	**169,978**	**(99,411)**	**70,567**	**(4,226)**	**(2.4)%**	**1,127**	**1.6%**

The $7.1 million reduction in gross expenditures for Employment and Social Services reflects a projected $3.2 million (14%) reduction in **Ontario Works** (OW) budgeted caseloads from the 2010 Budget based on actual experience during 2010. It is important to note that caseloads continue to increase moderately, however they did not reach the caseload levels projected in the 2010 budget. In addition, 2011 will be the second year of the gradual uploading of Ontario Works costs to the Province resulting in a net savings of $117,800. The program will be fully funded by the Province by 2018.

In 2011, the Province will assume full funding responsibility for the **Ontario Disability Support Program** (ODSP) and Ontario Drug Benefit (ODB) expenses. This will result in a reduction of almost $4.7 million in gross costs and $4.7 million reduction in the Region’s contribution toward these program costs.

The $1.4 million reduction in gross expenditures for the **Housing** program relates to one-time funding received in 2010 related to the Provincial Social Housing Rehabilitation and Retrofit Program (SHRRP). The funding for this program ends in March 2011. The increase in net expenditures for housing is driven by new and expanded program initiatives recommended as part of the 2011 budget to meet the demand for assisted housing in the Region. These new programs are described in more detail in the section titled “Re-investing in Social Services”.

The $2.4 million increase in gross expenditures ($1.2 million net) for the **Services for Seniors’** Long Term Care program is the result of resources required to comply with new Ministry requirements to assist in meeting the new *Long Term Care (LTC) Act* requirements and will mitigate risks of resident elopement, by improving resident security.

The $1.2 million increase in gross expenditures ($0.3 million net) for the **Children Services** relates to maintaining subsidized child care spaces and provides new extended day program to meet community demand.

Maintaining Service Levels - Waste Management and Transportation

The 2011 **Waste Management** gross expenditures are $41.8 million ($35.1 million net). The net Regional expenditures are increasing $0.1 million in the 2011 Budget primarily due to the elimination of the $1.2 million market premium related to market prices for the sale of recyclable materials and a $1.5 million increase in revenues from Waste Diversion Ontario (WDO) revenues to offset the increased program costs of the Region’s diversion program.

The Solid Waste Management Strategy which is currently in development will priorize and recommend new initiatives which will be addressed as part of the 2012 budget process.

The 2011 **Transportation** gross expenditures are $39.7 million ($39.5 million net). The program is increasing $1.8 million in 2011 to reflect increased program costs related to additional infrastructure and additional resources required to support the growing capital program.

The Transportation Master plan is being updated in 2011. Any additional costs identified in the Master plan will be addressed in the 2012 Budget.

Responding to growth – Water and Wastewater

The preparation of the 2011 **Water and Wastewater** rate-supported budget was particularly challenging. The water and wastewater system continues to expand as the Region grows. There are new operating costs and resource requirements associated with the expanded infrastructure. While there are additional households and businesses using the infrastructure, as a result of new building code requirements and water conservation initiatives, the consumption patterns of the new and existing customers has been decreasing. The combination of additional costs, reduced water and wastewater rate revenues and Regional Council's objective to minimize rate increases was a significant challenge in preparing the 2011 Budget and Business Plan.

The 2011 gross expenditures for the water and wastewater program are $165 million which is an increase of $0.8 million (0.1%) over the 2010 gross expenditures. There were, however, significant pressures in the water and wastewater program budget particularly related to the operating costs of the expanded system as new infrastructure is built. These pressures include:

- $1.9 million increased plant maintenance costs driven by the expanded program
- $1.2 million increased hydro costs as a result of rate increases and the expanded program
- $1.5 million in additional staff resources to support the new infrastructure and to respond to legislated requirements.

These increased cost pressures were offset by $3.3 million in savings generated by refinancing the water and wastewater capital budget. The refinancing included increased use of reserves to reduce debt requirements, adjusting financing to align with the updated timing of the capital program and reduced operating transfers to capital as a result of increased Gas Tax funding.

In addition to these savings, the 2011 budget has additional revenues in the water and wastewater program including:

- $1.5 million of investment revenue as a result of the increased size of the Region's investment portfolio
- $1.3 million in Gas Tax revenue.

As a result, the 2011 net expenditures for the water and wastewater program are $142 million, which is a $2.6 million reduction from the 2010 budget.

The issue with respect to reduced **water consumption** patterns and the impact of the water and wastewater budgeted revenues was identified in 2008 and in the 2009 Budget and Business Plan, Council approved a three-year plan to adjust budgeted consumption to reflect actual consumption. The plan involved the introduction of an annual -2.1% growth adjustment for 2009, 2010 and 2011. In the Operating Budget Variance Report for the Period ending August 31, 2010 (Report CS-65-10) it was identified that with water conservation and the impact of the economy on the industrial sector, actual water consumption continues to be lower than budget. The 2010 budget was based on total water consumption of 59,100,000 m^3 while the expected 2011 consumption is 54,500,000 m^3. As indicated in the 2011 Budget Outlook Report (CA-08-10/CS-55-10), a one-time $7.8 million consumption adjustment is required in the 2011 budget.

The combined impact of the $2.6 million budget reduction and the $7.8 million consumption adjustment is a 4.1% rate increase.

Non-Program Expenditures

The non-program expenditures are reducing by $2.5 million in 2011. Budget reductions are the result of the following:

- an increase in the budget for supplementary taxes by $0.8 million over the 2010 budgeted amount to $8.6 million. This represents the average actual supplementary taxes received over the last three years
- a reduction of $0.1 million in personnel costs
- a forecasted increase in investment earnings of $0.5 million for the tax-supported budget as a result of higher portfolio balances
- and the 2011 budget has been reduced by $5.8 million to reflect the phase out of Halton's contribution to the City of Toronto's social assistance and social housing costs.

These budget savings and additional revenues are offset by increased transfers to reserve in accordance with the approved Development Financing Plan Framework (Report CS-73-08/PWE31-08) and increased costs related to assessment services from the Municipal Property Assessment Corporation (MPAC).

Re-Investment in Social Services and Public Health

In 2007, Regional Council successfully lobbied the Provincial Government to eliminate the requirement for GTA Region's to contribute to social service costs for the City of Toronto. Council identified the need to invest in Regional infrastructure and social services programs. The Province committed to uploading these costs over seven years (2007 to 2013). The 2011 Budget recommends reinvesting a portion of these savings in the following social services and public health programs:

- $1.5 million - increased financing for new **social housing** units

This investment is an enhancement to the existing $33 million 10-year program previously approved by Regional Council through the Comprehensive Housing Strategy in 2008. The objective of this program is to deliver 60 to 100 new social housing units per year in the Region. Given the level of support available from Federal and Provincial Governments, additional Regional contribution is required. This challenge was identified to Council in Reports SS-30-06 (A Comprehensive Housing Strategy for Halton) and SS-05-10 which requested Provincial funding for 40 units of the Ontario Street Affordable Housing Program Extension project.

- $319,700 grant program to provide **assisted housing** for the two new Seniors buildings opening in 2011 owned by Halton Community Housing Corporation (HCHC)

The New Horizons and Ontario Street projects were approved as part of the Canada-Ontario Affordable Housing Program Extension (AHPE). The Region approved a $16.2 million capital contribution to these projects which had a total budget of $31.1 million (SS-55-09 and CS-35-10). The financing of the AFP is structured to provide rents at 80% of market rents. The challenge is that many seniors requiring Social Housing require a much greater subsidy. On average, seniors on the Social Housing waitlist require a subsidy of 50% of market rents. This grant program will allow the New Horizons and Ontario Street projects to offer rents on average of 50% of market rents and be administered similar to rent-geared-to-income.

- $393,800 HCHC Grant Program to increase availability of **rent-geared-to-income housing units** in existing housing stock

This grant program to HCHC will provide funding to allow HCHC to administer existing market rent units as rent geared to income. HCHC currently have 180 units in their portfolio that pay market rents. It is estimated that this grant will provide for approximately 60 of these units to be rent-geared-to-income and therefore available to people on the Social Housing waitlist. This program will be evaluated in 2011 and if successful, may be expanded in future budgets.

- $335,000 **Low Income Initiatives Support**

This program is recommended to build on the success of the Quick Wins for Housing program in 2009 and reported in Report SS-46-09. The Quick Wins for Housing Program provided community groups with one-time funding to address specific needs in the community identified by the Region. This new program recommended in 2011 would provide funding to continue some of the programs in the Quick Wins that are coming to an end in 2011 and would address specific Social Service requirements. Examples of potential initiatives could include transit assistance for low income residents, ongoing funding to community agencies currently receiving one-time grants through the Immediate Housing Solutions program, Domiciliary Hostels assistance or funding to address specific Social Services needs in the community identified by the Region.

- $221,500 **Burlington Sexual Health Clinic**

In the 2010 Budget, Regional Council approved a new Sexual Health Clinic to be located in Oakville. As was identified at that time and in the 2009 budget, there is a requirement to relocate and expand the Burlington clinic. The existing clinic is no longer meeting the needs of its clients. It is recommended in the 2011 Budget that the

Burlington Sexual Health Clinic be relocated and expanded.

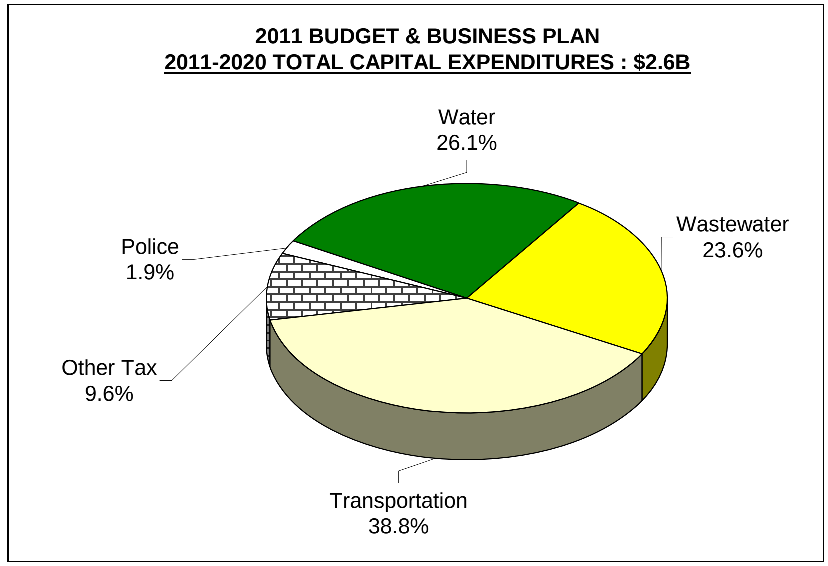
Implementing the Region's Official Plan

Regional Council approved a revised Regional Official Plan in 2009. The revised Plan has new and expanded requirements requiring specialized skill sets. $336,300 for additional **Planning resources** to address the objectives in the Regional Official Plan have been included in the 2011 Budget and Business Plan This program will ensure that the resources are in place to meet the objectives of the Official Plan related to agriculture, ecology and hydrogeology.

A comprehensive **employment survey** was conducted in 2010 and the data collected is essential background information for forecasting and planning of the Region's infrastructure and services for the residents and businesses of Halton. A program change for $150,000 is included in the 2011 budget to ensure the database is maintained and updated to reflect changes annually.

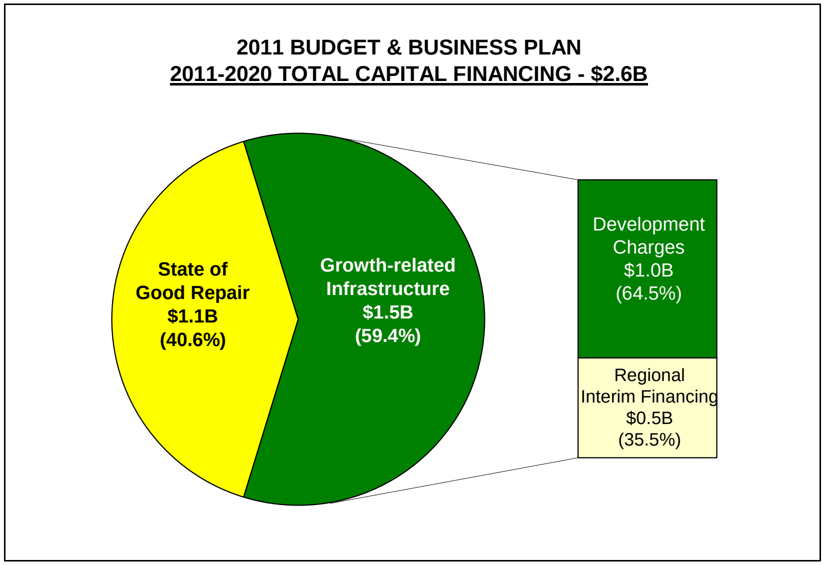
Financing of the Capital Infrastructure Program

The 2011 Business Plan incorporates the financing requirements for the Region's $2.6 billion 10-year capital infrastructure program. As illustrated below, the significant components ($2.3 billion or 88.5%) are committed to the water, wastewater and transportation programs.



As shown in the following chart (2011-2020 Total Capital Financing), the program includes $1.1 billion (40.6%) for the state-of-good-repair of existing infrastructure (e.g. replacement, upgrades and rehabilitation) and $1.5 billion (59.4%) for the new infrastructure required for growth.

The financing of the capital program requires a well balanced funding strategy involving Regional financing for the existing infrastructure and the development charges financing for the growth infrastructure.



For the existing infrastructure, the Region utilizes its own reserves (including operating contributions, investment earnings and Federal Gas Tax) to support the pay-as-you-go approach in financing the on-going or recurring life cycle requirements. Debenture financing is also utilized for significant upgrade and rehabilitation initiatives, ensuring that the operating impacts from the significant capital program remain smooth and that the timing of revenue recoveries from rate/tax payers is appropriately matched with the benefit of infrastructure.

For the growth-related infrastructure, development charges, combined with the Regional interim financing through the Infrastructure Investment Revolving Fund, Tax Capital Reserve and debt, are used consistent with the Development Financing Plan Framework (CS-73-08/PWE31-08 & CS-49-09/PW20-09/LPS80-09). The key principles of this Plan were:

- the development financing plan will not impact the 2009 or subsequent years forecasted tax and rate increases
- the development financing plan will not require the Region to exceed its own debt capacity levels
- the repayment assumptions for Regional interim financing will assume a conservative “slow growth” scenario to ensure that economic conditions do not create unexpected impacts to the Region
- all growth-related costs that can be recovered under the DC by-law from growth will be recovered
- Halton’s strong financial position and financial planning principles will not be compromised

The 2011 Budget and Business Plan continues to incorporate the principles and financial measures established under the Development Financing Plan Framework.

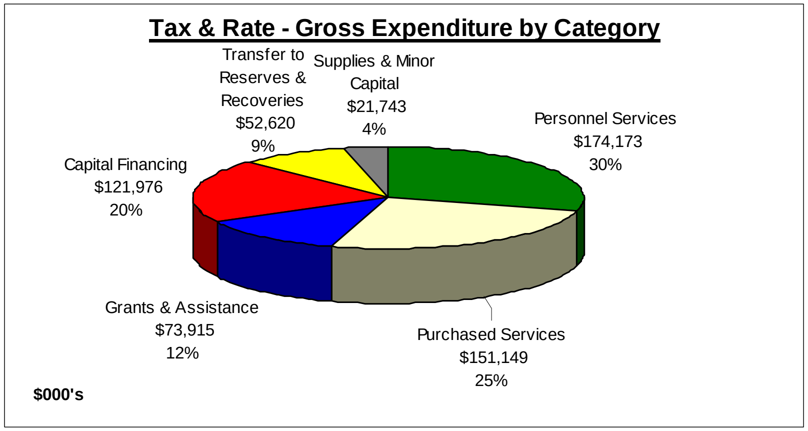
For the 2011 budget, refinancing of the capital program was undertaken through measures including the application of additional Gas Tax funding, increased use of reserves and updated financing to reflect the updated timing of the capital program. As a result, $3.3 million of savings were realized in the water and wastewater operating budget.

The 2011 budget provides for an additional $800,000 for the Transportation capital program to support the interim financing requirement for the employment lands consistent with the Region’s economic development objectives and the Transportation master plan update to be completed in 2011.

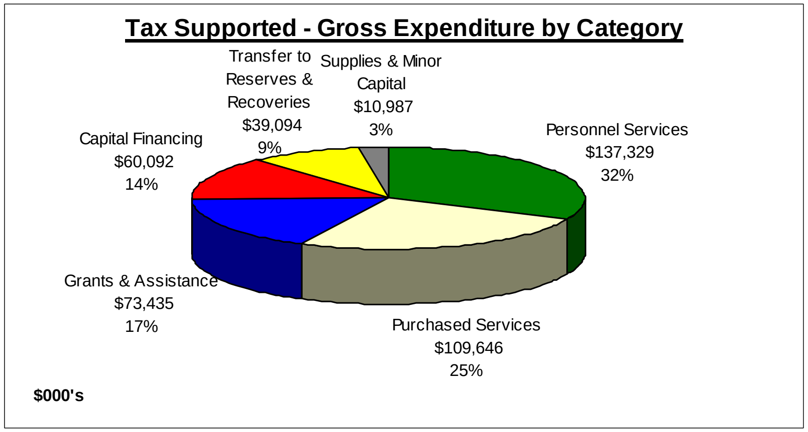
The Region is currently undertaking updates of the infrastructure master plans, which will be completed in early 2011. Any significant changes in the 10-year capital program will need to be assessed to determine the impact on the financing plans, and will be incorporated in future budget processes.

Gross Expenditure by Cost Category

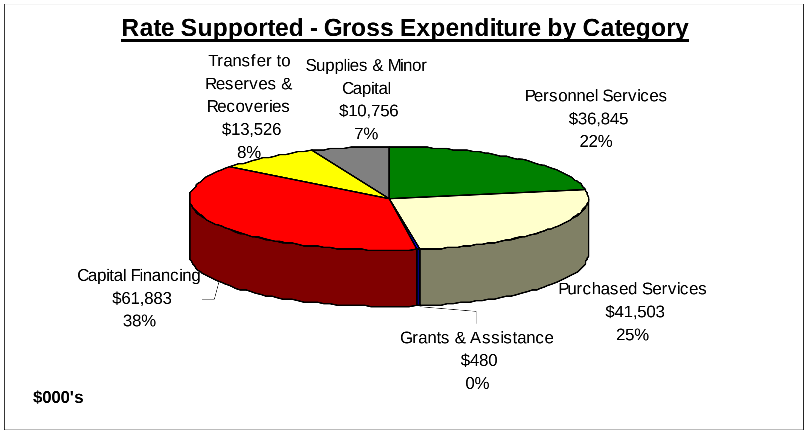
The chart below summarizes the Region's $595.6 million gross expenditures for Regional services by category.



The $430.6 million tax-supported operating budget includes the following gross expenditures by category:



The $165.0 million rate-supported operating budget is summarized as follows:



The breakdown of the expenditure categories differ between the tax and rate budgets given the significant differences in the services delivered. The tax budget includes significant Social Services and therefore has considerable expenditures related to grants and assistance (17%). The tax budget also has sizeable contracted services or purchased services (25%) including the waste collection services and road maintenance contracts with the Local Municipalities. The tax budget finances a large capital program particularly for the Transportation program (14%).

The water and wastewater rate budget however is driven by the capital program financing (38%). The rate budget also has significant contracted service and purchased services (25%) including utilities, biosolids haulage, billing contracts and infrastructure maintenance contracts.

Personnel Services are 30% or $174.2 million (32% for the tax budget and 22% for the rate budget) of the total gross expenditures for 2011.

As shown in the following table, compensation costs for Regional Services will increase by a total of 6.48% in 2011 as a result of:

- The salary/wage increase is based on a 2.25% increase to the salary grid for non-union and union groups whose collective agreements expire in 2011. Union-ratified agreements through 2011 have been budgeted at the ratified amounts. Salary/wage increases for staff are based on a pay for performance merit system.
- The compensation increase also includes a provision for premium increases of 10% for extended health care and 10% for dental costs. Also included is an additional $1.2 million to respond to a mandated 1% contribution increase for The Ontario Municipal Employees' Retirement System (OMERS).
- Adjustments to reflect temporary positions expiring or new fully-funded positions added during 2010 result in a reduction of 0.01%.
- 3.01% for additional staff identified in the 2011 budget to address operational requirements, community demands and new programs identified in the budget.

2011 COMPENSATION BUDGET SUMMARY (EXCLUDING HALTON REGIONAL POLICE SERVICES)	2010 Restated Compensation $	2011 Compensation Inc / (Dec) $	2011 Adjustments Inc / (Dec) $	2011 Program Changes $	TOTAL 2011 Budgeted Compensation $
TOTAL TAX SUPPORTED REGIONAL COMPENSATION	129,943,400	4,403,800	(400,600)	3,382,057	137,328,657
TOTAL RATE SUPPORTED - Water and Wastewater	33,810,500	1,099,700	384,800	1,549,800	36,844,800
TOTAL REGIONAL COMPENSATION	163,753,900	5,503,500	(15,800)	4,931,857	174,173,457
COMPENSATION INCREASE		3.36%	-0.01%	3.01%	6.36%

2011 COMPLEMENT SUMMARY (EXCLUDING HALTON REGIONAL POLICE SERVICES)	2010 Restated Staff Complement	2011 Adjustments	2011 Program Changes	2011 Budgeted Staff Complement
TOTAL TAX SUPPORTED REGIONAL STAFF	1,557.7	(4.5)	40.7	1,593.9
TOTAL RATE SUPPORTED - Water and Wastewater	374.0	-	19.0	393.0
TOTAL REGIONAL SERVICES STAFF	1,931.7	(4.5)	59.7	1,986.9
STAFF INCREASE		-0.2%	3.1%	2.9%

10-YEAR OPERATING BUDGET FORECAST

One of the Region's key budget principles is assessing the multi-year impacts of all budget decisions in the context of the 10-year operating and capital budgets to ensure decisions are made with full understanding of immediate and future impacts. The 10-year operating budget forecast considers the impacts of the program master plans and financing plans approved by Regional Council or incorporated in budget forecasts including EMS, Children Services, the Comprehensive Housing Strategy, the Solid Waste Management Strategy and the Accommodation Strategy. It also considers the financing of capital requirements for repair and maintenance and new infrastructure identified in master plans, including existing water, wastewater and transportation master plans. Specific program requirements and inflationary impacts are also considered.

<u>10 Year Tax Budget Forecast</u>

The 10-year forecast included in the 2010 Budget and Business Plan anticipated a 2.4% tax increase for Regional Services in 2011. That forecast was updated in July 2010 in Report CA-08-10/CS-55-10 "2011 Budget Outlook" to a 3.1% impact to recognize the recently announced increases to OMERS pension plan contributions and reductions to expected Provincial subsidies for EMS.

During the process of preparing the 2011 Budget, the following significant adjustments were made to reduce the forecasted 2011 budget impact to a 0.2% reduction:

- over $2.3 million due to program efficiencies and delayed new program implementation
- $1.2 million – reduced market premium for recyclables in the Waste Management program
- $1.5 million - Increased revenue from Waste Diversion Ontario
- $0.4 million – increased revenues from assessment growth of 2.44% rather than 2.25%
- $0.8 million - increased supplementary taxes revenue
- $0.5 million - increased revenues from investment earnings

The forecast assumes that the Province continues to honour its commitments related to the up-loading of Social Services costs and that cost sharing for subsidized program is maintained at the 2011 levels.

In 2011, Regional Council will be undertaking a Strategic Planning process and the master plans for many services will be updated to reflect Council's Strategic Plan. The 10-year forecast will need to be updated in the 2012 Budget process to reflect any financial implications from the master plan updates.

Multi-year financing plans have been developed for major programs and initiatives and are reflected in this forecast.

The following budget assumptions have been incorporated:

- inflation of 2.5%,
- interest on reserves of 4.0%,
- debt financing rate of 6.0% and
- assessment growth of 2.44% in 2011, 2.25% per year thereafter.

The following table sets out the Region's revised 10-year forecast for tax-supported services.

TEN YEAR PROJECTED OPERATING BUDGET FORECAST
FOR TAX SUPPORTED SERVICES

($ 000's)	2010 APPROVED BUDGET $	2011 REQUESTED BUDGET $	2012 FORECAST $	2013 FORECAST $	2014 FORECAST $	2015 FORECAST $	2016 FORECAST $	2017 FORECAST $	2018 FORECAST $	2019 FORECAST $	2020 FORECAST $
NET REGIONAL IMPACT EXPENDITURE	210,132	214,934	225,247	235,544	247,395	259,292	271,707	284,881	298,451	312,782	327,428
REGIONAL TAX IMPACT (after assessment)	(0.1)%	(0.2)%	2.4%	2.3%	2.7%	2.5%	2.5%	2.5%	2.5%	2.5%	2.4%
Halton Regional Police Services	108,885	116,446	123,353	130,215	137,767	145,120					
POLICE TAX IMPACT (after assessment)	0.1%	4.4%	3.6%	3.2%	3.5%	3.0%					
NET REGIONAL LEVY REQUIREMENT	319,017	331,380	348,600	365,758	385,162	404,412					
NET AVERAGE TAX IMPACT	(0.0)%	1.4%	2.8%	2.6%	3.0%	2.7%					
ASSESSMENT GROWTH ASSUMPTION	2.74%	2.44%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%

10 Year Rate Budget Forecast

The 10-year forecast included in the 2010 Budget and Business Plan anticipated a 6.9% increase in water and wastewater rates in 2011. That forecast was updated in July 2010 in Report CA-08-10/CS-55-10 "2011 Budget Outlook" to a 7.2% impact to recognize the recently announced increases to OMERS pension plan contributions. The Budget Outlook report identified that the planned 2.1% consumption adjustment would not be sufficient to correct the consumption issue. However, at that time it was not known how this adjustment would be made.

During the process of preparing the 2011 Budget, the following significant adjustments were made to reduce the planned 2011 budget impact to a 4.1% increase:

- over $1.0 million in reduced costs as a result of program efficiencies and delayed new program implementation
- $3.3 million – savings generated by refinancing the water and wastewater capital budget
- $1.7 million reduction in the cost of ferric chloride and other chemicals
- $1.2 million reduction by refinancing the plant maintenance capital program by increasing the use of reserves
- $1.3 million of Federal Gas Tax revenues to finance the water and wastewater capital program
- $1.5 million increase in investment revenue

These significant changes resulted in a 2011 water and wastewater rate increase of 4.1%.

As indicated above, Regional Council will be undertaking a Strategic Planning process and the master plans for many services will be updated to reflect Council's Strategic Plan. The 10-year forecast will need to be updated in the 2012 Budget process to reflect any financial implications from the master plan updates.

Multi-year financing plans have been developed for major programs and initiatives and are reflected in this forecast. The following budget assumptions have been incorporated:

- general inflation of 2.5%,
- chemical and hydro inflationary and growth increases of 9%,
- plant maintenance increases for infrastructure repair and replacement of 7.8%,
- interest on reserves of 4.0%,
- debt financing rate of 6.0%
- consumption growth of 0.8% per year.

The following table sets out the Region's revised 10-year forecast for rate-supported services.

TEN YEAR PROJECTED OPERATING BUDGET GUIDELINE
FOR REGIONAL WATER & WASTEWATER SYSTEMS

($ 000's)	2010 RESTATED BUDGET	2011 BUDGET	2012 FORECAST	2013 FORECAST	2014 FORECAST	2015 FORECAST	2016 FORECAST	2017 FORECAST	2018 FORECAST	2019 FORECAST	2020 FORECAST
	$	$	$	$	$	$	$	$	$	$	$
REGIONAL UTILITY RATE	144,578	141,938	150,727	160,105	170,151	179,524	190,763	202,835	215,619	229,171	243,627
ANNUAL CONSUMPTION GROWTH	-1.1%	-5.9%	0.0%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%
Residential Bill (300 m3 p.a.)	$ 767.20	$ 798.30	$ 838.61	$ 882.22	$ 928.10	$ 969.87	$1,020.30	$1,074.37	$1,131.32	$1,190.15	$1,253.22
$ Increase	$ -	$ 31.10	$ 40.31	$ 43.61	$ 45.88	$ 41.77	$ 50.43	$ 54.07	$ 56.95	$ 58.83	$ 63.07
Annual % Rate Increase	0.0%	4.1%	5.1%	5.2%	5.2%	4.5%	5.2%	5.3%	5.3%	5.2%	5.3%

CAPITAL BUDGET AND FORECAST

Overview

The capital program identifies the significant investments in infrastructure that are required to properly maintain and replace the Region's existing infrastructure assets (non-development) and to expand the infrastructure to meet the requirements of the growing community (development). The following table summarizes the 2011 capital budget and forecast.

2011 Capital Budget & Forecast
Summary of Total Capital Budget & Financing ($000's)

Programs	Gross Cost	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Program Expenditures:											
Water	**$ 688,976**	$ 41,455	$ 153,418	$ 221,198	$ 58,520	$ 49,416	$ 30,315	$ 33,513	$ 36,937	$ 32,543	$ 31,661
Wastewater	**623,479**	21,996	305,426	37,002	42,638	48,154	33,180	37,377	33,365	32,598	31,743
Transportation	**1,023,130**	132,565	150,248	133,477	119,504	119,189	93,074	117,988	52,697	64,277	40,111
Waste Mgmt	**46,030**	1,225	8,600	10,325	7,490	1,585	855	1,915	13,375	660	-
Facility Mgmt	**70,090**	2,620	45,550	2,475	2,120	3,555	2,440	2,530	2,600	2,600	3,600
Information Technology	**39,546**	3,647	3,429	3,324	3,448	3,354	5,389	4,185	3,843	4,250	4,677
Planning	**33,230**	2,053	4,903	4,353	3,303	2,303	3,053	3,153	1,653	3,653	4,803
Housing	**39,898**	100	175	3,827	4,730	4,921	4,964	5,086	5,286	5,339	5,470
Other Tax	**23,280**	3,542	4,316	1,890	1,822	1,987	2,838	1,761	1,874	1,484	1,766
Police	**49,776**	5,157	5,182	6,432	7,435	4,635	5,125	4,170	4,425	5,675	1,540
Total	**$ 2,637,435**	**$ 214,360**	**$ 681,247**	**$ 424,303**	**$ 251,010**	**$ 239,099**	**$ 181,233**	**$ 211,678**	**$ 156,055**	**$ 153,079**	**$ 125,371**
Financing:											
External Rcvry	**$ 575**	$ 185	$ 135	$ 100	$ -	$ 50	$ -	$ 50	$ -	$ 55	$ -
Tax Reserves	**687,232**	77,691	140,532	78,879	71,331	67,275	50,176	63,947	52,304	47,778	37,319
Rate Reserves	**529,446**	44,434	45,538	47,947	48,061	50,244	52,132	56,665	59,833	61,705	62,887
Dev't Charges - Resid.	**931,496**	73,063	291,285	185,757	79,175	85,589	52,750	71,369	33,013	37,403	22,092
Dev't Charges - Non-Res.	**78,298**	1,747	5,451	7,853	11,366	14,404	15,233	10,326	5,458	3,790	2,670
Infrstrctr Invstmt Revolving Fnd	**261,194**	1,485	151,243	83,028	8,039	11,315	1,003	2,271	1,997	677	136
Debentures	**149,194**	15,755	47,063	20,739	33,038	10,222	9,939	7,050	3,450	1,671	267
Total	**$ 2,637,435**	**$ 214,360**	**$ 681,247**	**$ 424,303**	**$ 251,010**	**$ 239,099**	**$ 181,233**	**$ 211,678**	**$ 156,055**	**$ 153,079**	**$ 125,371**

Note: Includes Financing Cost. Schedule may not add due to rounding.

As shown above, the Region's 10-year capital program between 2011 and 2020 is estimated at $2.6 billion, with $214.4 million allocated in 2011. The 10-year program includes $1.3 billion (49.8%) in Rate supported projects and $1.3 billion (50.2%) in Tax Supported projects.

The forecast is updated annually to reflect new information related to capital requirements, project timing and costs. This forecast represents the projected future requirements based on environmental assessments (EA's), detailed designs, existing master plans, Infrastructure Staging Plans, revised cost estimates and program objectives.

Financing of the capital program is based on Council approved financing plans, including Development Financing Plan Framework (CS-73-08/PWE31-08 & CS-49-09/PW20-09/LPS80-09), and the Budget Outlook Report (CA-08-10/CS-55-10). The estimated program costs and related financing plans for each capital program are discussed in detail in the Rate and Tax Overview sections of this book.

It should be noted that the Region is currently undertaking master plan updates for Water, Wastewater and Transportation services, which will be completed in early 2011. These updates will set out infrastructure requirements to 2031 in order to support the Region's growth plan (i.e. ROPA 38) approved by Council in 2009. Subsequently, the Region will update its Development Charges by-law (scheduled in 2011) based on the updated master plans, and its long-term financial plans. Accordingly, the revised capital needs and the related financial plans will be incorporated in future budgets.

The following provides an overview of the 2011 capital budget, 10-year forecast (2011-2020) and related financing plans.

2011 Capital Budget

The 2011 capital budget is $214.4 million, of which $63.5 million (29.6%) is for Rate supported services (Water and Wastewater) and $150.9 million (70.4%) is for Tax supported services. This budget reflects a $229.9 million decrease (51.7%) from the 2011 forecast included in the 2010 capital budget (2010 forecast), largely as a result of the revised timing of the development-related water and wastewater infrastructure. This development-related program will proceed following the adoption of an updated Development Charges by-law and the related financing plan. The following highlights significant projects in the 2011 capital budget.

- **$132.6 million 2011 Transportation capital program** reflects the revised infrastructure staging plan (CS-49-09/PW20-09/LPS80-09), revised cost estimates based on EAs and designs as well as the road rationalization outlined in report PW-02-10.

  The 2011 program includes:

- $29.4M for James Snow Parkway Rd. and grade separation construction (Boston Church - Tremaine, Louis St. Laurent - Britannia)
- $23.2M for Burnhamthorpe Rd. widening & EAs/design (Neyagawa - 9th line; RR25 -16 Mile Creek)
- $13.0M for Dundas St. widening & EAs/design (N. Hampton – Appleby; Neyagawa – W. HWY 403)
- $12.9M for Regional Rd. 25 (HWY 407 to Britannia)
- $2.0M for Derry Rd. (to initiate grade separation at Canadian National Railway crossing)

- **$63.5 million 2011 Water and Wastewater capital program** consists of $59.2 million for Non-development program to address the state-of-good-repair needs and $4.2 million for development-related program.

  The Non-development program has increased from the 2010 forecast by $0.7 million to provide radio trunking user equipment and to reflect updated cost estimates. The 2011 program includes significant investments for plant/facility upgrades & maintenance ($33.3M) and water/wastewater main replacements ($24.1M).

  The $4.2 million development-related program in 2011 provides funding required to continue infrastructure planning in existing urban areas including Acton and Georgetown.

- **$5.2 million 2011 Police capital program** represents a $7.4 million decrease from the 2010 forecast, due to a delay in budget timing for the Division 11 renovation and Central Service Facility construction.

- **$3.6 million 2011 Information Technology capital program** is $0.5 million lower than the 2010 forecast, which resulted from a capital and operating budget realignment process undertaken during 2010. The 2011 budget includes on-going upgrade/replacement needs of the Region's information infrastructure as well as funding for program-specific technology initiatives such as EMS Wireless.

- **$2.6 million 2011 Facilities Management capital program** is $6.9 million lower than the 2010 forecast due mainly to refined timing of funding required for the Regional Accommodation strategy. The 2011 budget includes the Region's on-going facility rehabilitation/replacement needs ($2.0M), leasehold improvements to facilitate interim space requirements ($0.5M), and sustainable energy program ($0.1M).

- **$2.1 million 2011 Planning capital program** is $2.4 million lower than the 2010 forecast due to revised timing of funding required for anticipated OMB hearings. The 2011 budget includes continued funding for OMB hearings ($1.1M) and the Green Fund ($0.5M).

- **$1.2 million 2011 Waste Management capital program** is $0.6 million higher than the 2010 forecast to provide a landfill GPS system and a potable water hook-up as addressed in report LPS-72-10 (re: Adoption of Regional Official Plan Amendment No. 40 - Servicing Public Uses Outside the Urban Area). In addition, the 2011 budget includes design funding for the Oakville landfill forcemain and Cell 3 east construction.

The financing of the capital program is outlined in detail within the Tax Budget Overview and the Rate Budget Overview sections of this book.

The following are the 10 largest dollar value projects included in the 2011 capital budget. These projects total $121.1 million and account for 56.5% of the 2011 capital budget.

2011 Capital Budget & Forecast
Top 10 Largest Capital Expenditures in 2011 ($Millions)

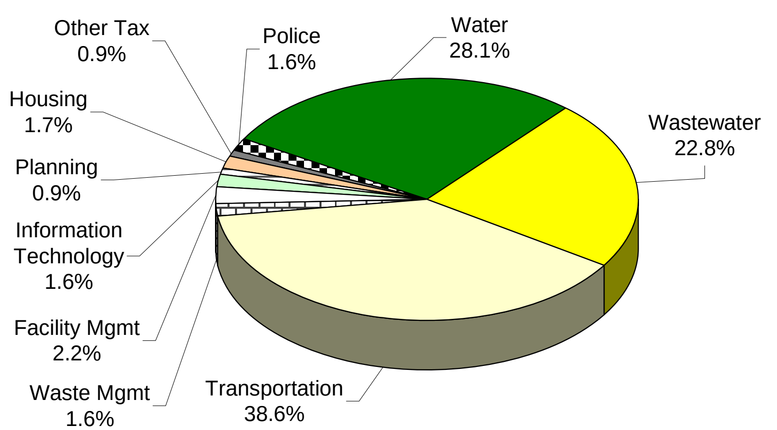
Prog.	Project Descriptions	2011 Cost
Road	James Snow Parkway - Widening	$ 29.4
Road	Burnhamthorpe Road - Widening	23.2
Road	Dundas Street - Widening	13.0
Road	Regional Rd 25 - Widening	12.9
Road	Steeles Avenue - Widening	10.0
Road	Tremaine Road - Widening	9.3
Water-ND	Washburn Booster Station Rehabilitation	8.3
Road	Trafalgar Road - Widening	5.1
Road	Winston Churchill Blvd - Widening	5.0
Road	Ninth Line - Widening	4.9
Total		**$ 121.1**

Note: D - Development-related / ND - Non-development related. Includes Financing Cost. Schedule may not add due to rounding.

10-YEAR CAPITAL BUDGET & FORECAST

The following charts illustrate the 2011 10-year expenditures compared to the 2010 forecast.

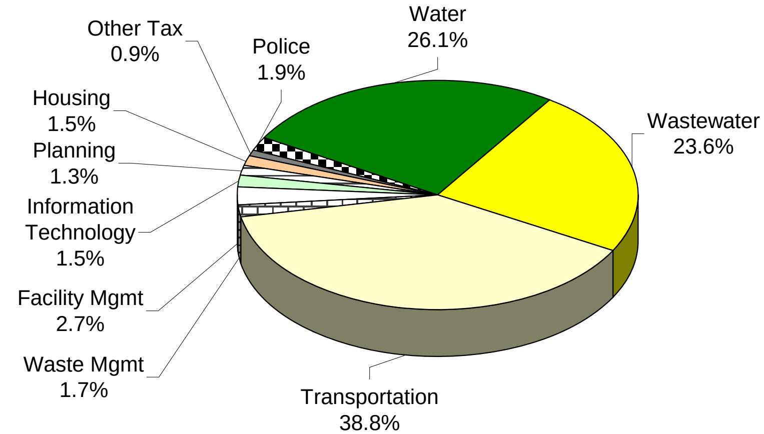
2010 BUDGET & BUSINESS PLAN
2010-2019 TOTAL CAPITAL EXPENDITURES : $2.8B



The 2011 10-year capital budget and forecast (2011-2020) totals $2.6 billion, which is $190.2 million lower than the 10-year program projected in the 2010 budget. This decline is largely as a result of significant capital projects that are being implemented in 2010, including Phase 2 of the 2008/2009 Allocation Program (CS-49-09/PW20-09/LPS80-09).

The composition of the capital program has not changed significantly relative to the 2010 forecast.

2011 BUDGET & BUSINESS PLAN
2011-2020 TOTAL CAPITAL EXPENDITURES : $2.6B



As illustrated, 88.5% of the 2011 10-year program is committed to the Water, Wastewater and Transportation programs.

The following summarizes the programs that comprise the 10-year capital forecast.

- **$1.0 billion 10-year Transportation capital program** reflects the revised infrastructure staging plan (CS-49-09/PW20-09/LPS80-09), revised cost estimates based on EAs and designs, as well as the road rationalization update which revised the ownership of certain roads between the Region and the local municipalities as outlined in Report PW-02-10. The 10-year program cost is lower than the 2010 forecast by $65.6 million as a significant portion of the existing master plan has been implemented in 2010 (e.g. widening of Regional Rd. 25 ($30.2M), Dundas St. ($21.3M), Burnhamthorpe Rd. ($15.5M) and Steeles Ave. ($15.5M)).

  The 10-year forecast provides significant road widening programs, including:
  * $188.7M for Burnhamthorpe Rd.
  * $177.7M for Trafalgar Rd.
  * $152.1M for Dundas St.
  * $102.1M for Tremaine Rd.
  * $73.0M for Britannia Rd.
  * $21.1M for Derry Rd. (incl. Grade separation)

  As noted earlier, the revised Transportation capital program and the related financing plan will be incorporated in future budget processes, based on the Master plan update and the Region's Development Charges by-law update scheduled to be completed in 2011.

- **$700.5 million 10-year Development Water and Wastewater capital program** has been prepared based on the infrastructure staging plan (CS-49-09/PW20-09/LPS80-09), with revised cost and timing. The 10-year program cost represents a $132.4 million decrease from the 2010 10-year forecast as significant infrastructure proceeded in 2010 as part of the 2008/2009 Phase 2 Allocation Program.

  The 10-year program includes:
  * $572.7M for servicing green field allocation programs, including Burloak WPP and Mid-Halton WWTP expansions;
  * $30.8M for employment land servicing
  * $97.0M for intensification area development (Acton, Georgetown, and Burlington)

  As noted earlier, the Region is currently undertaking a Water/Wastewater Master plan update with completion scheduled in early 2011. This will lead to an update of the Region's Development Charges by-law and financing plan. The implementation timing and scope of the development water/wastewater program will be dependent on the outcome of these processes, as well as Council approval of acceptable financing plans where required.

- **$611.9 million 10-year Non-Development Water and Wastewater capital program** is $6.5 million higher than the 2010 10-year forecast due to growing state-of-good-repair needs for expanding infrastructure assets. The 10-year program includes a significant investment plan for plants/facilities infrastructure upgrades & replacements ($348.1M) and distribution system rehabilitation & replacements ($245.8M).

- **$70.1 million 10-year Facilities Management capital program** is $6.5 million higher than the 2010 forecast to reflect updated cost estimates for the Regional Accommodation Plan and to facilitate interim space requirements through leasehold improvements. The 2011 10-year program includes the Region's on-going facility rehabilitation/replacement needs ($23.5M) as well as the Regional Accommodation Plan and related projects ($46.6M).

- **$39.9 million 10-year Housing capital program** includes the assisted housing development program ($38.7M) as well as the related technical support program ($1.2M) and incorporates the revisions to the Comprehensive Housing Strategy financial plan approved in Report SS-08-10/CS-35-10.

- **$46.0 million 10-year Waste Management capital program** includes Cells 3 and 4 construction ($23.7M), on-going gas system provision ($1.7M), Organic Transfer Facility ($7.2M), depot for recyclables/hazardous waste ($4.7M) and continued buffer land purchases ($2.0M).

- **$49.8 million 10-year Police capital program.** As discussed in CS-06-11 (re: 2011 Budget Overview – Halton Regional Police Service), the program is $3.6 million higher than the 2010 10-year forecast due primarily to an updated cost estimate relating to the Police facility program (i.e. Division 11). The 10-year program includes facility projects ($19.2M), replacement provisions for the radio trunking infrastructure and user equipment ($11.8M), technology upgrades ($16.8M) and other vehicle/equipment related projects ($2.0M).

- **$39.5 million 10-year Information Technology capital program** represents a decrease from the 2010 10-year forecast of $5.3 million as a result of a capital and operating budget realignment process undertaken during 2010. The 10-year program includes on-going upgrade/replacement needs of the Region's information infrastructure.

- **$33.2 million 10-year Planning capital program** has increased $7.5 million from the 2010 10-year forecast as a result of additional provisions made for future OMB Hearings and Official Plan (OP) updates. The program consists of OMB hearings ($17.0M), Regional OP updates/implementations ($8.1M), on-going contributions to the Green Fund ($5.0M) and the source water protection program ($2.0M).

- **$23.3 million 10-year Other capital program** includes equipment replacements at long-term care facilities ($7.5M), air quality monitoring ($3.7M), Emergency Medical Services (EMS) ($2.4M), and sexual health clinic leasehold improvements ($1.4M).

The following table shows the 20 largest dollar value projects in the 10-year capital budget and forecast. These projects total $1.4 billion and represent 54.6% of the total capital program.

2011 Capital Budget & Forecast

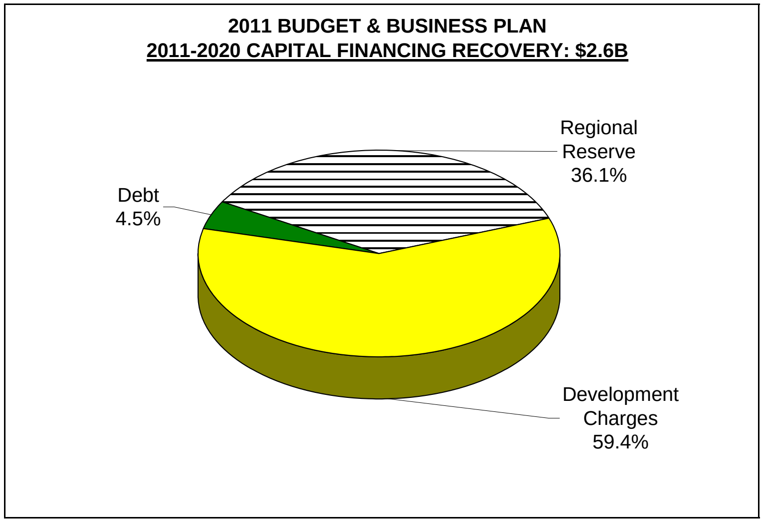
Top 20 Largest Expenditures Between 2011 and 2020 ($Millions)

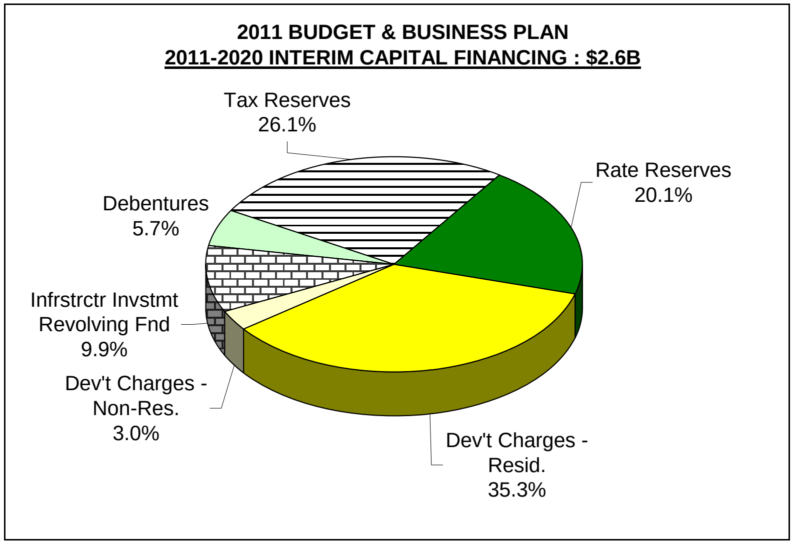
Program	Project Descriptions	2011	2012-2020	Total
Road	Burnhamthorpe Rd - Widening	$ 23.2	$ 165.5	$ 188.7
Road	Trafalgar Rd - Widening	5.1	172.5	177.7
Road	Dundas St - Widening	13.0	139.2	152.1
Water - D	Burloak WPP Phase 2 Expansion to between 110 and 165 ML/d	-	135.5	135.5
Road	Tremaine Rd - Widening	9.3	92.8	102.1
Sewer - D	Mid Halton WWTP expansion to 125,000 m3/d	-	81.8	81.8
Road	Britannia Rd - Widening	1.9	71.0	73.0
Sewer - D	Mid-Halton New Effluent Sewer/Outfall	-	71.3	71.3
Road	Winston Churchill Blvd - Widening	5.0	55.7	60.7
Road	Ninth Ln - Widening	4.9	39.3	44.2
Tax	Regional Accommodation Plan	-	42.8	42.8
Sewer - ND	Plant Maintenance Capital - Wastewater	3.3	37.8	41.1
Road	Upper Middle Rd - Widening	2.8	37.8	40.6
Tax	CHS - Assisted Housing Development	-	38.7	38.7
Sewer - D	Construction of 2400 mm WWM on new sewer alignment (Third Ln (700m N of Dundas) to Johnson Way)	-	36.8	36.8
Road	Steeles Avenue - Widening	10.0	25.3	35.3
Road	James Snow Parkway - Widening	29.4	3.1	32.5
Water - D	1350mm WM on Burloak Dr & Upper Middle Rd Easement (Burloak PS to Kitchen Reservoir)	-	29.7	29.7
Water - D	1200mm WM on Trafalgar Rd (Britannia Rd to new Zone 4 Reservoir)	-	29.7	29.7
Water - ND	Plant Maintenance Capital - Water	2.2	24.0	26.2
Total		**$ 110.1**	**$ 1,330.3**	**$ 1,440.4**

Note: D - Development-related / ND - Non-development related. Includes Financing Cost. Schedule may not add due to rounding.

10-YEAR CAPITAL FINANCING

A breakdown of the 2011 capital budget and forecast financing is presented in the next two pie graphs.





The funding structure for the Region's 2011 capital program is ultimately composed of development charges (59.4%), Regional reserves (36.1%) and debt (4.5%). As detailed later in Long-term Financing section, the Regional reserves (including operating transfers, investment earnings and Gas Tax revenues) and debt are used to fund non-growth infrastructure program, while development charges fund growth-related infrastructure.

Financing of growth infrastructure, however, requires an interim financing from the Region, as set out in the Development Financing Plan Framework (CS-73-08/PWE31-08 & CS-49-09/PW20-09/LPS80-09). The Region's interim financing is required for the non-residential, employment land capital cost, in order to ensure continued economic development through strategic investment in employment lands. Accordingly, as illustrated in the 2011-2020 Interim Capital Financing chart, the Infrastructure Investment Revolving fund, Tax Reserves and debt will provide the required interim financing, which will be recovered from future development charges including carrying cost.

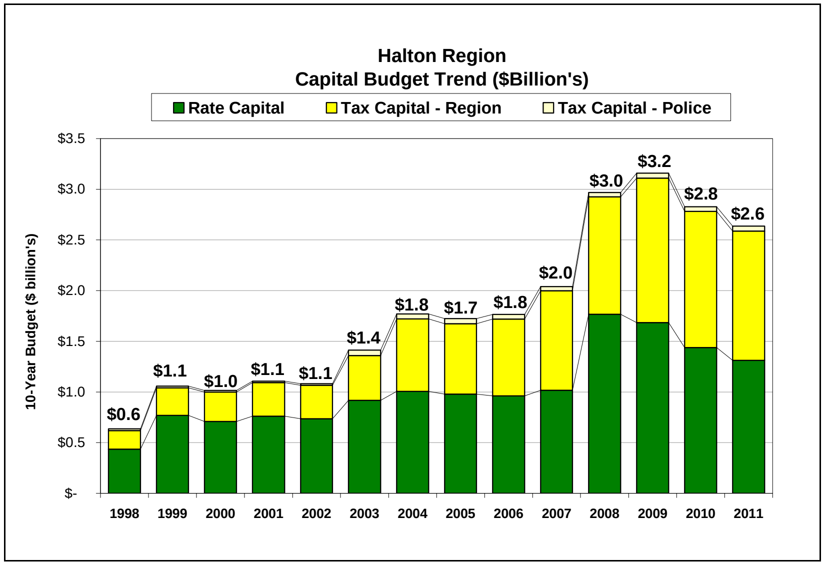
Details of the financing plan pertaining to Development-related Water/Wastewater and Transportation programs are included in the Rate and Tax Budget Overview sections, respectively.

Long-Term Financing

The long-term maintenance of the Region's solid fiscal foundation is one of the primary goals established by Regional Council. Continued diligence in managing debt levels and maintaining adequate reserves will be required to sustain Halton's fiscal position.

Long-term financing requirements are driven by the 10-year capital budget and forecast. The following graph shows that the capital requirements grew significantly growing between 1998 and 2009 (i.e. annual average growth of 16% to 2009).

In 2009, the 10-year capital program had escalated to $3.2 billion, due to expanding capital programs and significant cost increases based on the 2008 Master plan updates for Development Water/Wastewater and Transportation programs. The 10-year program totals $2.6 billion in the 2011 Budget and Forecast, as significant projects have moved to an implementation stage since 2009.



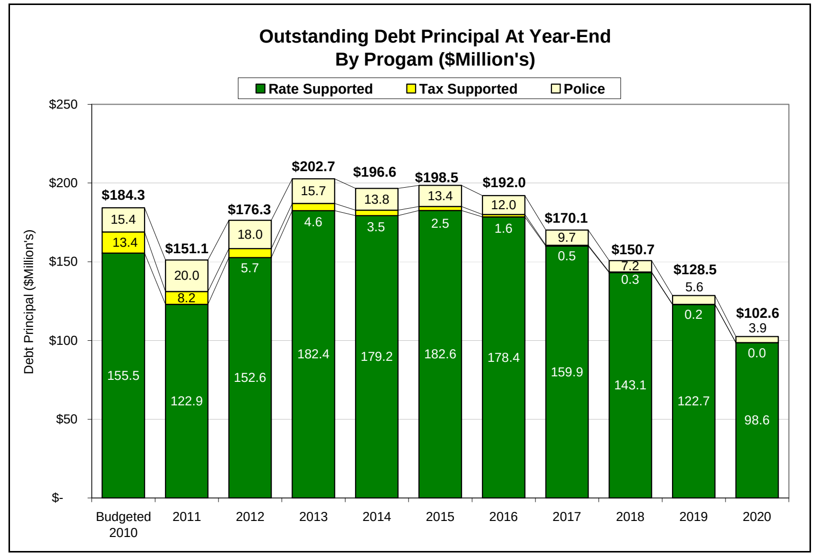
The financing of the capital program requires a well balanced funding strategy involving the Region's own reserve/reserve funds, debentures and recovery from growth through development charges.

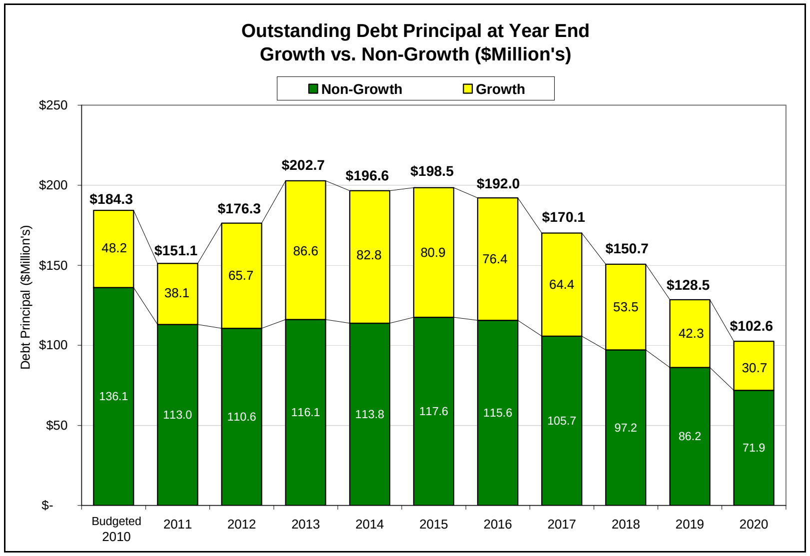
The Region utilizes its reserves and debt in the financing of the state-of-good-repair program for existing infrastructure. The reserves (including operating contributions, Gas Tax revenue and investment earnings) are used in support of the Region's pay-as-you-go approach in financing the on-going or recurring life cycle requirements. Debenture financing is utilized for significant upgrade and rehabilitation initiatives, ensuring that the operating impacts from the significant capital program remain smooth and that the timing of revenue recoveries from rate/tax payers is appropriately matched with the benefit of infrastructure.

The Region relies on development charges to finance new/expansion infrastructure required for growth. Development charges, combined with the Regional interim financing through the Infrastructure Investment Revolving Fund, Tax Capital Reserve and debt, are used for the financing of growth-related projects consistent with the Development Financing Plan Framework (CS-73-08/PWE31-08). In particular, the Regional interim financing is provided for the non-residential, employment capital cost share and will be recovered from future development charges including carrying costs under the financing plan. This plan ensures that all growth-related costs that can be recovered under the DC by-law will be recovered and that Halton's strong financial position is not compromised.

The Regional practice has been to issue debentures over a 10-year term. This is considered financially prudent in order to maintain financial flexibility in the face of significant and changing funding requirements. These requirements occur regularly over the forecast period to accommodate new construction/replacement/upgrade of capital assets. However, the application of longer term debt financing will continue to be evaluated in connection with capital market conditions, nature of projects, and long-term infrastructure needs.

As shown in the following charts, debt levels in the forecast period are expected to peak at $202.7 million in 2013 and to gradually decline thereafter.





It should be noted that the overall projected debt levels, including 2010, are substantially lower than the 2010 forecast (i.e. peaked at $244.0M). A portion of the previously approved debt has either been replaced by reserves or deferred to later years to better match the timing of the project implementation (CA-08-10/CS-55-10 re: 2011 Budget Outlook).

A significant portion of outstanding debt will be related to the Rate-Supported program, an average of 90.2% over the forecast. Also, outstanding debt relating to state-of-good-repair program for existing infrastructure (i.e. non growth-related) is proportionally higher than the growth-related debt.

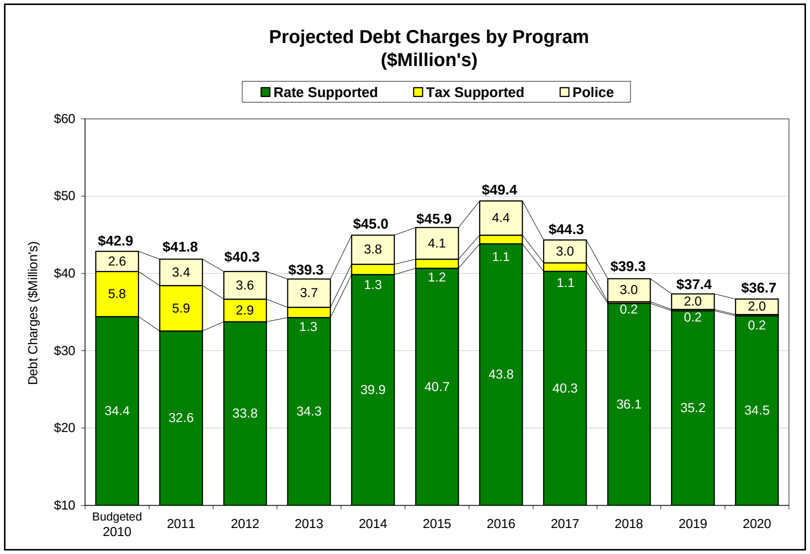
The Region continues to utilize debt for employment land capital costs as interim financing, consistent with the Development Financing Plan Framework (CS-73-08/PWE31-08). For the employment land-related debt, the resulting debt charges are interim financed from the Revolving Fund, which will be repaid (including carrying costs) from development charges as related development occurs. This ensures that there is no unexpected impact to taxpayers as a result of debt issued for growth.

The 2011 Budget and Forecast projects a total of $149.2 million in debt financing over the next 10 years. The majority of this debt financing is related to Rate-supported programs at $142.6 million with the remaining $6.6 million related to Tax-supported programs (i.e. Police). The Debt Driver Table lists the projects that require significant debt financing over the next 10 years.

Debt Drivers (2011 - 2020)
Rate and Tax Capital Budget ($Millions)

Type	Project Description	10-Year Debt
Water		
Non-Dev	Watermain Replacement Projects	$ 19.5
Dev	600 mm WM through North Oakville Lands (Bronte Rd to Dundas St)	5.0
Non-Dev	Washburn Booster Station Rehabilitation	5.0
Dev	400 mm WM loop (Fifth Ln to new Milton Business Park Rds to Derry Rd west to Fifth Ln)	3.8
Non-Dev	Oakville WPP - Plant Upgrades (Phase III)	3.7
Dev	600mm WM on Through North Oakville Lands (Tremaine Rd to Bronte Rd)	3.5
Non-Dev	Oakville WPP - Filter Building upgrade	3.0
Dev	750mm WM on Louis St. Laurent (Fourth Ln to Fifth Ln to Clarke Blvd)	2.4
Non-Dev	New Water Laboratory	2.4
Dev	600mm WM on Tremaine Rd (Dundas St to approximately 950 m north of Dundas St)	1.6
Non-Dev	Second Feed and Additional Pumping Capacity for Bristol Circle Industrial Area	1.3
Wastewater		
Dev	Long Term Biosolid Implementation Plan	14.6
Dev	750 mm WW Forcemain (Elizabeth Gardens PS to Burloak Dr to New St to Appleby Ln to trunk)	5.6
Non-Dev	Milton WWTP - Digester Facility Upgrade	5.0
Dev	Acton WWTP Expansion Phase 1 (5,600m3/d) and Phase 2 (7,000m3/d)	4.9
Dev	New wastewater pumping station on Upper Middle Rd	3.9
Non-Dev	Oakville SE WWTP - Upgrade Grit Removal System	2.9
Dev	675 mm WWM on Louis St Laurent (Fifth Ln to James Snow Pkwy)	2.3
Dev	675 mm WWM on Fifth Ln (New SPS to Louis St Laurent)	2.0
Tax		
Police	Central Services Facility	4.3
Police	Division 11 Renovations	2.3
Total		**$ 98.9**

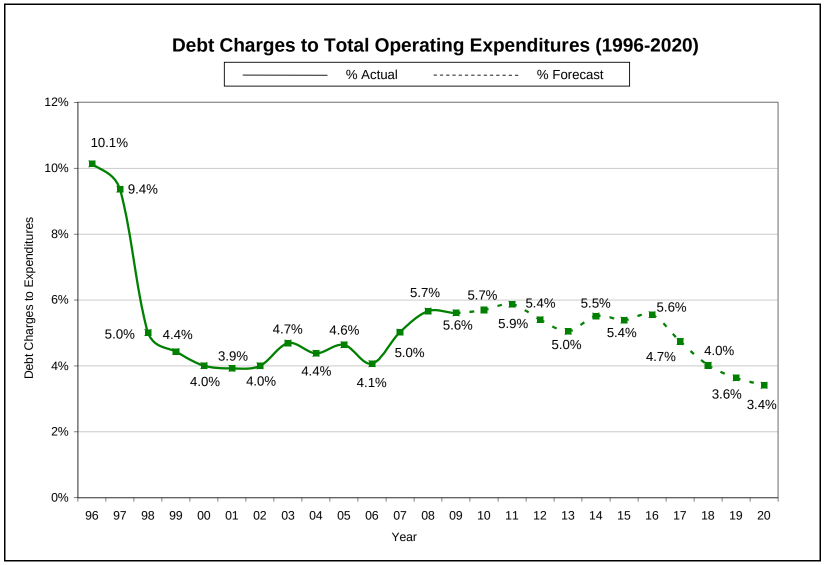
Note: Includes Financing Cost. Schedule may not add due to rounding.



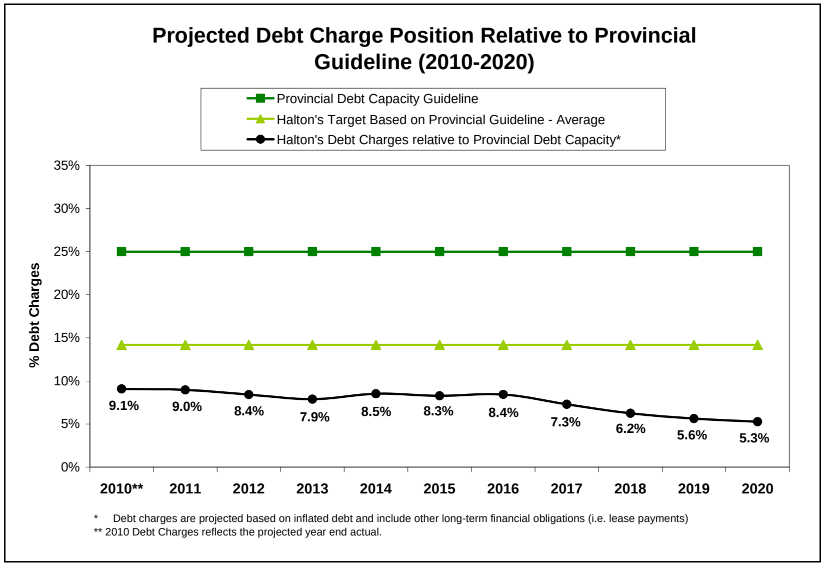
As illustrated in the chart above, total budgeted debt charges will decrease from $42.9 million in 2010 to $41.8 million in 2011 due to the refinancing of the capital program discussed earlier (CA-08-10/CS-55-10). Debt charges will continue to have an impact, particularly in the Rate-supported budgets, with the annual debt charge reaching $49.4 million in 2016, of which $43.8 is water and wastewater related.

While debt levels are increasing, the projected levels are affordable in the context of the Region's total financial plan and relative to Halton's substantial asset base. The affordability of the debt can be measured by examining projected debt charges as a percentage of total operating expenditures as shown in the Debt Charges to Total

Operating Expenditures chart. Even with increasing debt levels, debt charges as a percentage of direct program costs are well below 10%. While this is considered affordable, it should be noted that the projected increase in debt charges will put substantial pressures on future operating budgets particularly for water and wastewater programs.



The Province sets a debt capacity guideline for municipalities of 25% of own revenues. The Region's own guidelines (10% of total operating expenditures) translate to approximately 14.2% of own revenues. The chart below illustrates the Region's projected position relative to the Province's debt guideline. The Region's ratios continue to remain well below the guideline.



Although the trend in Halton's debt charges relative to the Provincial guideline remains similar to the one presented in the 2010 Budget, there has been a decrease in the overall debt capacity ratios due to debt refinancing discussed earlier.

The Region's reserve financing strategy is an important element of the financial plan. Reserves, funded by operating contributions, Gas Tax revenue and investment earnings, are a primary funding source to sustain on-going/reoccurring capital programs. In addition, reserves are also used to fund unanticipated or one-time expenditure requirements to allow the Region the flexibility to issue debt only when market opportunities arise, and to minimize the fluctuation of taxes and user rates caused by temporary or cyclical conditions.

As shown in the Reserve Continuity schedule below, the projected balance of the Region's reserves at December 31, 2010 is $484.8 million, $119.3 million of which are reserve funds allocated for specific purposes (e.g. DC funds and self-insurance funds).

The reserve position is projected to increase $5.5 million to $490.4 million at the end of 2011. During 2011, development charge reserve funds will be applied to support the capital program. As noted in the schedule below, there is insufficient funding available in the development charge reserve funds to finance the growth share of the capital costs, attributed mainly to the lower than anticipated development charges collection resulting from the slow economic recovery. The funding shortfalls will be incorporated in the upcoming Development Charges by-law update process in 2011 and in the subsequent financial plan updates.

The target balance for stabilization reserves is 10% of total operating expenditures. In 2011, the Tax Stabilization reserve balance is projected to be $45.2 million, which is $11.1 million below the target of $56.3 million. The Rate Stabilization balance is projected to be $6.5 million, which is $8.5 million below the target of $15.0 million. Any future operating surplus will be first applied to the stabilization reserves in order to meet the target levels.

2011 Budget and Forecast
Reserve Continuity ($000's)

Descriptions	2009 Ending	2010 Projected Ending*	2011 Transfers: Transfers From/(To) Operating	2011 Transfers: Transfers From/(To) Capital	2011 Transfers: Intra Reserve Transfers	2011 Transfers: Projected DC/Dvel. Cntrbtn	2011 Transfers: Projected Interest Allocation	2011 Transfers: Total	2011 Projected Ending
Reserves:									
Tax Stabilization	$ 42,196	$ 46,732	$ (1,562)	$ -	$ -	$ -	$ -	$ (1,562)	$ 45,170
Tax Recession	2,267	5,736	-	-	-	-	-	-	5,736
Rate Stabilization	10,788	6,379	105	-	-	-	-	105	6,484
Program Specific	29,685	18,323	2,740	(103)	-	-	-	2,637	20,959
Vehicle & Equipment	43,740	45,290	4,646	(5,387)	70	-	1,887	1,217	46,506
Tax Capital	123,397	138,057	45,598	(74,058)	6,313	-	17,424	(4,723)	133,335
Rate Capital	69,233	82,832	24,981	(29,472)	-	-	10,816	6,325	89,157
Infrstr Invst Rvlvg Fund	78,260	22,134	14,263	(4,225)	(1,541)	-	732	9,230	31,363
Sub-Total	**$ 399,566**	**$ 365,483**	**$ 90,772**	**$ (113,245)**	**$ 4,842**	**$ -**	**$ 30,859**	**$ 13,227**	**$ 378,710**
Reserve Funds:									
Corporate	102,376	112,151	11,807	(13,539)	-	-	4,662	2,929	115,080
Development Charges	36,829	7,169	(9,772)	(161,555)	(4,842)	165,008	553	(10,609)	(3,439)
Sub-Total	**$ 139,205**	**$ 119,320**	**$ 2,034**	**$ (175,094)**	**$ (4,842)**	**$ 165,008**	**$ 5,215**	**$ (7,679)**	**$ 111,641**
Gross	**$ 538,771**	**$ 484,803**	**$ 92,806**	**$ (288,340)**	**$ -**	**$ 165,008**	**$ 36,074**	**$ 5,548**	**$ 490,351**

* Balance includes the projected 2010 year-end position.
Note: Schedule may not add due to rounding.

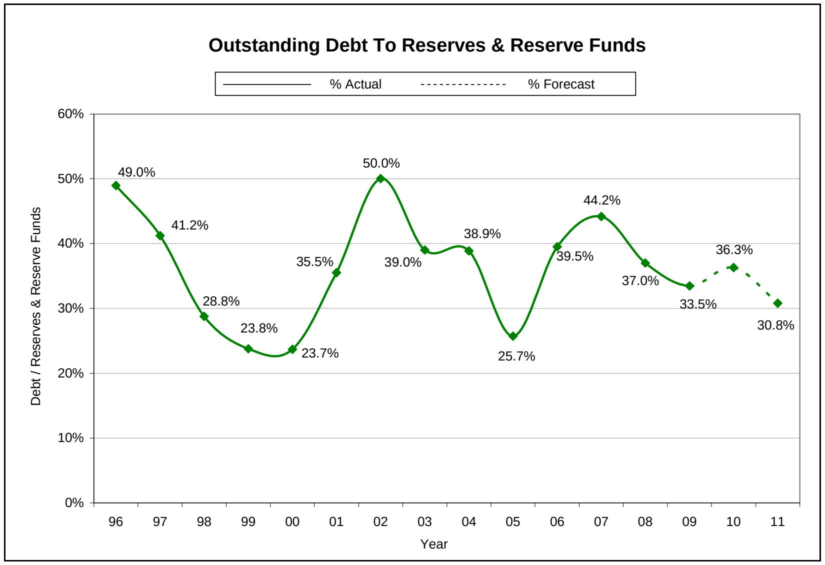
As noted above, capital reserve balances are expected to grow moderately on a combined basis in 2011 from the 2010 level. However, the Tax Capital reserve balance will decline due to the increased interim funding required for the non-residential growth share for the transportation program. It is important to maintain appropriate reserve levels, in order to ensure that the Region can finance the projected capital program with manageable debt levels and continue to have flexibility as new challenges arise, since shortfalls in reserve balance generate the requirement for new debt. The 2011 budget continues to provide interim financing for employment land related water and wastewater infrastructure through the

Infrastructure Investment Revolving Fund. This investment will be repaid through development charges in the future, including carrying costs.

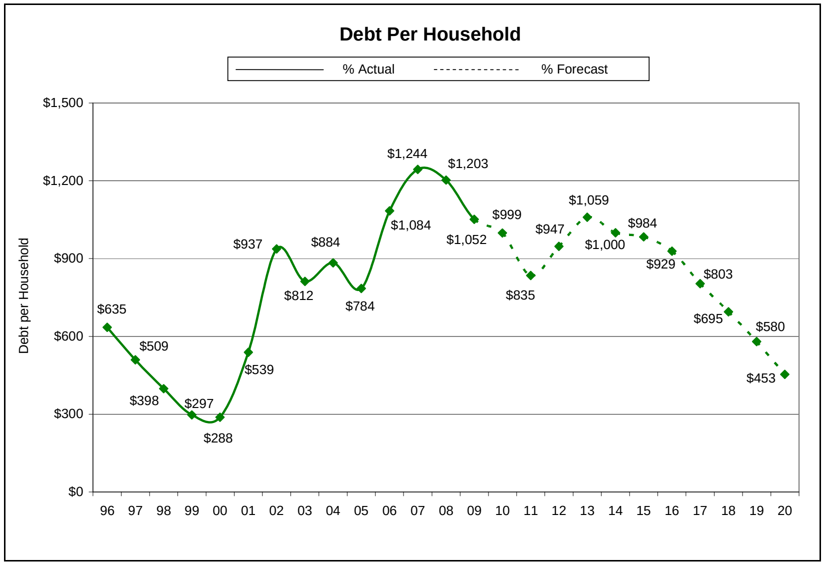
In addition, the requirement has been identified for the Region to develop sufficient reserves to fund the life cycle cost of its building and equipment assets. These requirements will be further defined as studies related to the Tangible Capital Asset reporting initiatives continue.

The Outstanding Debt to Reserve/Reserve Fund chart illustrates the impact of the Region's Financial Plan in terms of the debt to reserve ratio. The lower the ratio the more financial flexibility is available to respond to new requirements, and the more secure the Region's overall financial position. As shown in the chart, the ratios over the past 15 years have been in a declining trend after peaking at 50% in 2002. In 2007, the ratio rose significantly as debt financing spiked to support major projects including the Burloak WPP construction, Mid-Halton Phase 3 expansion, and the Dundas Street widening (including Bridge over 16-Mile Creek). Since 2007, the ratio has been on a steady downward trend, with the 2011 ratio expected to decline further to 30.8% due mainly to reduced debt levels through the debt refinancing initiatives described earlier.

It is essential that this ratio be carefully managed over the next few years given the increasing pressures demonstrated in the capital program following the 2008 Master plan updates. It is anticipated that the pressure will continue upon completion of the Master plan updates that are currently underway.



The following Debt per Household graph demonstrates outstanding debt in relation to the number of households in the Region. This ratio illustrates that although the declining trend is expected to continue through 2011, a pressure is expected to build between the years 2012 and 2013 as additional debt is utilized to support capital program.



The following charts indicate Halton's historic property tax and water and wastewater rate changes.