Regional Municipality of Waterloo

Budget Committee

Minutes

Wednesday, November 13, 2019

4:00 p.m.

Regional Council Chamber

150 Frederick Street, Kitchener, Ontario


Members absent: B. Vrbanovic

Declarations of Pecuniary Interest under the “Municipal Conflict of Interest Act”

None declared.

Opening Remarks – M. Murray

Mike Murray, Chief Administrative Officer, began the staff presentation and provided opening comments. A copy of the presentation is attached to the original minutes.

M. Murray noted that challenges to the 2020 Regional budget include:

- Base budget pressures, including annualization of approved service enhancements and funding for Regional Development Charge (RDC) exemptions
- The need for annual ongoing funding for existing infrastructure, state of good repair expenses, as well as new infrastructure needed for growth
- Implementation of various approved master plans
- The need to be prepared for future challenges
Opening Remarks – S. Strickland

Sean Strickland, Chair, provided opening comments, thanking staff for the work done in finding reductions to the base budget. He noted that there are challenges to the 2020 budget, including contractual obligations, but through the budget discussion process he hopes to see further reductions.

* G. Lorentz joined the meeting at 4:20 p.m.

2020 Budget Presentation

Craig Dyer, Commissioner, Corporate Services/Chief Financial Officer, continued the presentation, providing an overview to the 2020 Preliminary Budget. Highlights included:

- An overview of Regional services funded by property taxes, Provincial and Federal subsidies, and user fees and other charges
- The Region’s credit rating is affected by attention to long-term planning, the local economic base, and slower debt growth expected over the next few years, but the Region also has a higher debt burden than other similar municipalities
- The cost of borrowing has come down over the past year while the price of oil has been increasing

* K. McGarry entered the meeting at 4:35 p.m.

- Current status of the preliminary 2020 Regional budget proposes a 2.58% increase, which is close to the target directed by Regional Council, and the preliminary Waterloo Region Police Services budget is currently proposed at 1.77%
- Each increase of 1% in the budget adds $20.23 to the taxes of the average household
- 2020 proposed Budget Issue Papers (BIP) include the Paramedic Services and Grand River Transit service expansions, as well as options for adjusted amounts to meet Council’s 2020 budget increase target
- Approved RDC exemption funding strategy will affect both user rates and the tax levy
- Capital program key message is to build operating budget capacity to finance capital expenses, and focus debt on new significant expansions to infrastructure
- 2020 Budget key messages: the influence of low interest rates and fuel price increases; funding required for capital asset renewal; Provincial impacts to the budget through Bill 108 and Bill 138; the RDC exemption funding strategy; service expansions required by approved master plans; the impact of service contracts; the increasing cost of winter maintenance.
The Committee expressed concern regarding the model staff are using to project water and wastewater costs and user rate recommendations. C. Dyer said that staff share this concern, but feel the model allows for sufficient contributions to ensure long-term sustainability of the Water and Wastewater Capital Programs. He noted staff are constantly trying to find a balance between ensuring long-term financial sustainability of user rate budgets with the cost to taxpayers. Staff will provide more information regarding the combined debt and state of reserve funds for both water supply and wastewater collection programs. The Committee requested user rate impacts for the last 10 years of costs for water supply and wastewater treatment. The Committee also asked for similar information to be provided regarding the tax supported portion of the Region’s budget, including increased operating funds and full-time equivalent positions (FTEs).

* M. Harris joined the meeting at 4:50 p.m.

In response to a question from the Committee, C. Dyer said staff will provide more information regarding the number of tickets issued through the Waterloo Region Police Service and fines being processed by Provincial Offences Court Administration (POA).

While funding to Public Health from the Province is going down within cost-shared programs as announced changes to funding ratios come into effect, C. Dyer noted this amount is being offset by one-time transitional funding, as well as funding being provided for seniors’ dental programs and for Consumption Treatment Services sites. Provincial funding changes announced earlier this year were initially expected to have significant budget impact but have since had little impact on the 2019 budget, and will have much less impact on the 2020 budget than was anticipated. Staff will continue to provide information regarding future budget impacts as more information is provided by the Province.

The Committee would like to see more information regarding the Region’s portion of discretionary benefits; staff will provide this at the next Budget Committee meeting.

In response to a question from the Committee, C. Dyer noted that no other approved Regional master plans have proposed services expansions that would impact the 2020 operating budget.

The Committee requested information be provided for roads maintenance that would be included in the 2020 tax levy.

In answer to a question from the Committee, C. Dyer confirmed the 2020 Budget proposes using the Tax Stabilization Reserve to phase in the cost of the Paramedic Services service expansion until Provincial funding catches up, for the pilot for snow clearing on dedicated bike lanes, and for the Region’s 2020 contribution to the
Southwestern Integrated Fibre Technology (SWIFT) project. Staff will provide more information regarding the current and proposed status of the Tax Stabilization Reserve.

The Committee had questions regarding the Service Review and how it might impact the 2020 budget. M. Murray said KPMG will present the Service Review 2019 Draft Report to the Administration & Finance Committee on December 3, noting that most of their recommendations will require much more detailed analysis, investigation and public input, and would not likely be able to be considered for quick action as part of the 2020 Budget. Staff will provide a report on the Service Review at the December 11 Budget Committee meeting.

**COR-FSD-19-52**, 2020 Budget Overview was received for information.


C. Dyer noted the goal of the 2020 Budget public engagement strategy is to inform residents of the cost of Regional services and seek input on the value of current service levels as well as service enhancements being proposed. A feedback questionnaire is available on the [Engage Waterloo Region website](https://www.engagewr.ca/2020-budget?tool=survey_tool#tool_tab), and staff will continue to explore other ways to circulate the link to the public.

Moved by G. Lorentz

Seconded by H. Jowett


Carried

**COR-FSD-19-54**, Funding and Financing of Growth-Related Infrastructure

C. Dyer explained that since the release of this report the Province introduced Bill 138, amending changes to the Development Act that were proposed in Bill 108 which would have had a significant impact on the Region’s ability to collect development charges for commercial and industrial projects. The newly proposed changes would revert development charge payments to be collected back to the time that a building permit is issued. Staff are currently updating the funding and financing of the water, wastewater, and transportation programs, and at this time are recommending Council take no action on the staff report. Further information regarding the impact of Bill 138 will be provided through a staff report at one of the next Budget Committee meetings.

Moved by S. Foxton
Seconded by K. Kiefer

That the Regional Municipality of Waterloo take no action with respect to report COR-FSD-19-54, dated November 13, 2019.

Carried

**Next Meeting** – November 26, 2019 (Regular Meeting & Public Input Meeting)

**Adjourn**

Moved by M. Harris

Seconded by K. McGarry

That the meeting adjourn at 5:57 p.m.

Carried

*Committee Chair*, S. Strickland

*Committee Clerk*, T. Plummer
2020 Budget Overview

Presentation to Budget Committee
November 13, 2019
Introductory Comments

Mike Murray
Chief Administrative Officer
2020 Budget Challenges

- Base Budget pressures
- Infrastructure funding
- Master Plan implementation
Base budget pressures

- Annualization of 2019 service enhancements (e.g. Transit, Paramedic Services)
- Funding for development charge exemptions
- Fuel and winter maintenance costs
- Service contract costs
Infrastructure funding

**Existing**
- Historical cost in excess of $4.5 billion
- Needs to be maintained, renewed, upgraded and replaced
- Inadequate annual funding; too much debt financing

**New**
- Required to serve our growing community
- Water/wastewater, roads, facilities, vehicles and equipment
- Development Charge uncertainty
Master plans

- Paramedic Services (add ambulances and paramedics)
- GRT service expansion
- MobilityPLUS service enhancements
- Waterloo Region Housing (staff resources)
Base Budget Adjustments

Efficiencies and cost savings without impacting service levels:

<table>
<thead>
<tr>
<th>energy saving retrofits</th>
<th>reviewing and adjusting staffing levels and overtime requirements</th>
<th>new user fee revenues</th>
<th>office supplies and minor maintenance</th>
</tr>
</thead>
</table>

Base Budget Reductions ($millions)

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax supported</td>
<td>$1.7</td>
<td>$2.6</td>
<td>$1.7</td>
<td>$1.1</td>
<td>$1.6</td>
<td>$8.7</td>
</tr>
<tr>
<td>User rates</td>
<td>0.9</td>
<td>0.8</td>
<td>0.4</td>
<td>1.1</td>
<td>1.7</td>
<td>4.9</td>
</tr>
<tr>
<td>Subtotal</td>
<td>$2.6</td>
<td>$3.4</td>
<td>$2.1</td>
<td>$2.2</td>
<td>$3.3</td>
<td>$13.6</td>
</tr>
</tbody>
</table>

Future challenges

- Infrastructure funding
- Prospect of an economic downturn
- Provincial funding changes in public health, child care, Ontario Works, Housing, etc.
- Implementation of Strategic Plan initiatives

Council should take a long term view
Questions?
2020 Regional Budget
Objectives of today's meeting

Overview of the status of the 2020 budget and the major factors influencing regional costs and revenues

Preview of the 2020-2029 capital program

Proposed 2020 budget issue papers

Feedback from Council on areas for which additional information is required
The Budget Cycle

- Budget analysis and preparation
- Preliminary Budget Document
- Council approval
- Budget Committee review, public input
- Variance monitoring and reporting
Government Tax Dollars

- Federal: 47%
- Ontario: 44%
- Municipal: 9%
Based on an average residential property having a market value of $344,200 for 2019.

2019 Average Property Tax Bill*

- **Regional Services**: $2,023 (53.6%)
- **Education**: $554 (14.7%)
- **Local Services**: $1,197 (31.7%)

*Based on an average residential property having a market value of $344,200 for 2019.*
## Property Tax and User Rate Requirements

<table>
<thead>
<tr>
<th>User Rate Budget</th>
<th>Property Tax Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating expenditure for water/wastewater</td>
<td>Operating expenditure for all other services</td>
</tr>
<tr>
<td><strong>Plus:</strong></td>
<td>Funding for capital</td>
</tr>
<tr>
<td></td>
<td>Funding for capital</td>
</tr>
<tr>
<td><strong>Less:</strong></td>
<td>Recoveries, surcharges</td>
</tr>
<tr>
<td></td>
<td>Grants, subsidies, user fees and charges</td>
</tr>
<tr>
<td><strong>Equals:</strong></td>
<td>Net user rate revenue requirement ($)</td>
</tr>
<tr>
<td></td>
<td>Net property tax levy requirement ($)</td>
</tr>
</tbody>
</table>
2019 Funding Sources for Major Services

- Police Services
- Public Transit
- Income Support
- Community Housing
- Wastewater
- Children's Services
- Water
- Waste Management
- Road Maintenance
- Seniors' Services
- Public Health
- Paramedic Services
- Cultural Services
- Airport

Program spending ($ millions)

- Property Taxes
- Provincial & Federal Subsidies

2019 Funding for Regional Operations
2019 Funding for Regional Operations

2019 Funding Sources for Major Services

Program spending ($ millions)

- Police Services
- Public Transit
- Income Support
- Community Housing
- Wastewater
- Children's Services
- Water
- Waste Management
- Road Maintenance
- Seniors' Services
- Public Health
- Paramedic Services
- Cultural Services
- Airport

Property Taxes
Provincial & Federal Subsidies
User Fees & Charges and Other Third Party Revenue
Long term master plans

- Paramedic Services (update)
- Airport
- GRT Business plan
- Police Accommodation
- Wastewater and Biosolids
- Transportation
- Waterloo Region Housing
- Underway: Regional Accommodation
Moody's credit profile

- Strong fiscal management and prudent long-term planning
- Wealthy economic base and sector diversification.
- The credit profile is challenged by weaker liquidity levels and higher debt burden than peers.
- Anticipate a slower pace of debt growth over the next 2-3 years as the Region emphasizes pay-as-you-go financing for capital projects.
## Changing economic climate

<table>
<thead>
<tr>
<th></th>
<th>Last year</th>
<th>Now</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal deficit</td>
<td>($14.0 b)</td>
<td>($19.8 b) Projection</td>
</tr>
<tr>
<td>Provincial deficit</td>
<td>($7.4 b)</td>
<td>($10.3 b) ($9.0 b) projection</td>
</tr>
<tr>
<td>Ontario CPI</td>
<td>2.5%</td>
<td>1.7%</td>
</tr>
<tr>
<td>Unemployment rate (KCW)</td>
<td>5.2%</td>
<td>6.2%</td>
</tr>
<tr>
<td>Ontario Works caseload</td>
<td>9,193</td>
<td>9,272</td>
</tr>
<tr>
<td>10 year cost of borrowing</td>
<td>3.1%</td>
<td>2.3%</td>
</tr>
<tr>
<td>Oil price per barrel ($US)</td>
<td>$51</td>
<td>$58</td>
</tr>
<tr>
<td>$1 CAD</td>
<td>$0.75USD</td>
<td>$0.76USD</td>
</tr>
</tbody>
</table>
Federal carbon pricing charge: April 1, 2019 added 4.4 cents/L to the price of fuel, rises to 6.6 cents in 2020, 8.8 cents in 2021, and 11.1 cents in April 2022.
Federal carbon pricing charge: April 1, 2019 added 4.4 cents/L to the price of fuel, rises to 6.6 cents in 2020, 8.8 cents in 2021, and 11.1 cents in April 2022.
Water and Wastewater overview

Water supply
- 54 million m³ per year
- Over 100 supply wells
- Supply to all 7 area municipalities, retail function in 2 townships

Wastewater treatment
- 13 treatment plants
- Higher level of treatment required due to discharge in rivers
2019 User Rate Budgets recap

User Rate Budgets approved on Feb. 6/19

- Rate Revenue Requirement = $138.4 m
- 10 year capital spending = $1.0 b

2019 User Rate impacts

- Water Supply = 2.9%
- Wastewater Treatment = 6.9%
- Retail water = 7.9%
- Retail wastewater = 4.9%
## Proposed 2020 User Rates

<table>
<thead>
<tr>
<th>Wholesale Rate (effective January 1, 2020)</th>
<th>2019 approved user rate increase</th>
<th>2019 Rate Model - projected 2020 user rate increase</th>
<th>2020 Rate Model – current 2020 user rate increase (change)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water supply</td>
<td>2.9%</td>
<td>2.9%</td>
<td>1.9% (-1%)</td>
</tr>
<tr>
<td>Wastewater treatment</td>
<td>6.9%</td>
<td>4.9%</td>
<td>3.9% (-1%)</td>
</tr>
<tr>
<td>Water distribution</td>
<td>7.9%</td>
<td>6.9%</td>
<td>4.9% (-2%)</td>
</tr>
<tr>
<td>Wastewater collection</td>
<td>4.9%</td>
<td>4.9%</td>
<td>3.9% (-1%)</td>
</tr>
</tbody>
</table>
## Average Annual Wholesale Cost Per Household

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>Proposed 2020</th>
<th>Inc.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water Supply</td>
<td>$219</td>
<td>$223</td>
<td>$4</td>
</tr>
<tr>
<td>Wastewater Treatment</td>
<td>$256</td>
<td>$266</td>
<td>$10</td>
</tr>
<tr>
<td>Annual Total</td>
<td>$475</td>
<td>$489</td>
<td>$14</td>
</tr>
</tbody>
</table>
Water Capital Program

2020-2029 capital plan ($504 m)

Funding sources:

- $306 m funded from user rates
- $198 m funded from development charges

Debt financing under review
Wastewater Capital Program

2020-2029 capital plan ($493 m)

Funding sources:

- $311 m funded from user rates
- $178 m funded from development charges

Debt financing under review
2020 Budget Update
Key Messages

- All rate adjustments are lower than projections from last year
- Growth related debt remains under review
- Detailed presentations on November 26, 2019

User Rate Budgets
User Rate Budgets Next Steps

Nov. 26: detailed budget presentation
Dec. 11: budget approval
Jan 1: rate increases take effect
2019 Tax Supported Budget Recap

- Budget approved February 19, 2019
- Operating budget = $1.1 billion
- Tax levy = $540 million
- Average tax rate increase of 2.97%
  - Direct Regional Services 1.97% tax impact
  - WRPS 1.00% tax impact
- Assessment growth = 1.92%
Assessment growth of 1.77% in 2019 for 2020 budget
Revenue generated by a 1% tax increase = $5.5m
Cost of 1% increase to average household valued at $344,200 = $20.23

<table>
<thead>
<tr>
<th>Status Of Preliminary 2020 Tax Supported Operating Budget (excluding Police Services)</th>
<th>Tax Rate % impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct Regional Services – base budget estimate</td>
<td>3.43%</td>
</tr>
<tr>
<td>Recommended Budget Issue Papers as adjusted to meet the Council approved target</td>
<td>0.36%</td>
</tr>
<tr>
<td>Less: estimate for Regional share of assessment growth</td>
<td>(1.21%)</td>
</tr>
<tr>
<td><strong>Tax impact of Regional programs – current estimate</strong></td>
<td><strong>2.58%</strong></td>
</tr>
<tr>
<td>Direct Regional Tax supported budget guideline</td>
<td>2.5%</td>
</tr>
</tbody>
</table>
Internal Budget Review Process

Detailed reviews of departmental budgets with CAO, CFO and departmental staff

<table>
<thead>
<tr>
<th>Capital projects</th>
<th>3 year budget versus actual comparisons</th>
<th>Base budget review</th>
<th>User fees and charges</th>
</tr>
</thead>
</table>

35
2020 Base Budget Pressures

- Annualization of service enhancements
- Development Charge Exemptions
- Waste Collection and other service contracts
- Winter Maintenance
- Asset maintenance and renewal
- Stage 1 Rapid Transit (final year)
### 2019 Budget Issue papers property tax levy impact

<table>
<thead>
<tr>
<th>$millions</th>
<th>2019</th>
<th>2020 Annualization*</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public transit</td>
<td>$2,782</td>
<td>$763</td>
<td>$3,545</td>
</tr>
<tr>
<td>Paramedic</td>
<td>479</td>
<td>409</td>
<td>888</td>
</tr>
<tr>
<td>Other</td>
<td>1,897</td>
<td>943</td>
<td>2,840</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$5,158</strong></td>
<td><strong>$2,115</strong></td>
<td><strong>$7,273</strong></td>
</tr>
</tbody>
</table>

## Non-tax revenue estimates

<table>
<thead>
<tr>
<th>Budgeted non-tax revenues ($ millions)</th>
<th>2019</th>
<th>2020</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public transit fares</td>
<td>$39.4</td>
<td>$43.4</td>
<td>$4.0</td>
</tr>
<tr>
<td>Housing unit rent</td>
<td>14.6</td>
<td>15.0</td>
<td>0.4</td>
</tr>
<tr>
<td>POA and red light camera fines</td>
<td>8.8</td>
<td>8.9</td>
<td>0.1</td>
</tr>
<tr>
<td>Waste Management tipping fees</td>
<td>7.6</td>
<td>7.8</td>
<td>0.2</td>
</tr>
<tr>
<td>Sunnyside user fees</td>
<td>5.3</td>
<td>5.4</td>
<td>0.1</td>
</tr>
<tr>
<td>WM Resource Productivity &amp; Recovery Authority (RPRA) funding</td>
<td>4.1</td>
<td>4.2</td>
<td>0.1</td>
</tr>
<tr>
<td>Waste Management recycling revenues</td>
<td>3.4</td>
<td>3.1</td>
<td>(0.3)</td>
</tr>
<tr>
<td>Airport user fees</td>
<td>2.3</td>
<td>2.4</td>
<td>0.1</td>
</tr>
<tr>
<td>Regional Child Care Centre fees</td>
<td>1.4</td>
<td>2.1</td>
<td>0.7</td>
</tr>
<tr>
<td>Waste Management methane gas royalties</td>
<td>0.6</td>
<td>0.6</td>
<td>0.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$87.5</strong></td>
<td><strong>$92.9</strong></td>
<td><strong>$5.4</strong></td>
</tr>
</tbody>
</table>
## Provincial & Federal Government Funding

### Budgeted Provincial and Federal Subsidy ($ millions)

<table>
<thead>
<tr>
<th>Program</th>
<th>2019</th>
<th>2020</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ontario Works/Social Assistance</td>
<td>$116.7</td>
<td>$114.3</td>
<td>($2.4)</td>
</tr>
<tr>
<td>Children's Services</td>
<td>60.7</td>
<td>58.3</td>
<td>(2.4)</td>
</tr>
<tr>
<td>Public Health</td>
<td>27.4</td>
<td>29.8</td>
<td>2.4</td>
</tr>
<tr>
<td>Long Term Care &amp; Community Programs</td>
<td>20.6</td>
<td>20.6</td>
<td>0.0</td>
</tr>
<tr>
<td>Paramedic Services</td>
<td>17.5</td>
<td>18.5</td>
<td>1.0</td>
</tr>
<tr>
<td>Federal Gas Tax *</td>
<td>16.2</td>
<td>16.2</td>
<td>0.0</td>
</tr>
<tr>
<td>Homelessness Programs</td>
<td>11.9</td>
<td>13.0</td>
<td>1.1</td>
</tr>
<tr>
<td>Provincial Gas Tax transfer</td>
<td>10.7</td>
<td>10.7</td>
<td>0.0</td>
</tr>
<tr>
<td>Community Housing</td>
<td>10.9</td>
<td>8.8</td>
<td>(2.1)</td>
</tr>
<tr>
<td>Other programs</td>
<td>0.9</td>
<td>0.9</td>
<td>0.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$293.5</td>
<td>$291.1</td>
<td>($2.4)</td>
</tr>
</tbody>
</table>

* $16.2 million in additional one-time Federal Gas Tax funding was received in 2019
Provincial funding #1
Estimated 2019 budget variance

2019 Impact ($ millions)

- May 28: -$4.0
- Jun 18: -$2.0
- Aug 13: $0.0
- Aug 22: 
- Current: 

Region of Waterloo
Provincial funding #2
Estimated 2020 budget impact

2020 Budget Impact ($ millions)

- $11.0
- $9.0
- $7.0
- $5.0
- $3.0
- $1.0

May 28
Jun 18
Aug 13
Aug 22
Current
## Provincial funding #3

### Estimated future impacts

<table>
<thead>
<tr>
<th>Program</th>
<th>Total Annual Impact</th>
<th>Incremental budget Impacts</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>2020</td>
</tr>
<tr>
<td>Public Health</td>
<td>$5.4</td>
<td>$0.8</td>
</tr>
<tr>
<td>Children’s Services</td>
<td>6.1</td>
<td>2.4</td>
</tr>
<tr>
<td>OW - Employment Ontario</td>
<td>0.3</td>
<td>0.3</td>
</tr>
<tr>
<td>Provincial Funding reductions</td>
<td>11.8</td>
<td>3.5</td>
</tr>
<tr>
<td>Debt servicing cost no longer recoverable from RDCs under Bill 108</td>
<td>0.5</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$12.3</strong></td>
<td><strong>$3.5</strong></td>
</tr>
<tr>
<td>Less: Employment Ontario reduction in staffing and purchase of services (CSD-EIS-19-03)</td>
<td>(0.3)</td>
<td>(0.3)</td>
</tr>
<tr>
<td>Less: Discontinuation of the Children's Services Fee Reduction Pilot and other one-time funding approaches (CSD-CHS-19-06)</td>
<td>(6.1)</td>
<td>(2.4)</td>
</tr>
<tr>
<td><strong>Estimated net levy impact</strong></td>
<td><strong>$5.9</strong></td>
<td><strong>$0.8</strong></td>
</tr>
</tbody>
</table>

*All figures in $millions, excludes Police Services*
## Approved RDC exemption funding strategy

<table>
<thead>
<tr>
<th></th>
<th>Core Area Exemptions (previous by-law)</th>
<th>Brownfield Sites RDC Incentive</th>
<th>Cambridge Core Areas Exemptions</th>
<th>Industrial Development Discount</th>
<th>Office Development Discount</th>
<th>Annual Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>$4.1</td>
<td>$5.0</td>
<td>$2.7</td>
<td>$2.5</td>
<td>$0.5</td>
<td>$14.8</td>
</tr>
</tbody>
</table>
Approved RDC exemption funding strategy

<table>
<thead>
<tr>
<th>$ millions</th>
<th>Incremental Budget Adjustments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Funding Source</td>
<td>2019 Budget</td>
</tr>
<tr>
<td>User Rates</td>
<td>$1.6</td>
</tr>
<tr>
<td>Tax Levy</td>
<td>3.0</td>
</tr>
<tr>
<td>Total</td>
<td>$4.6</td>
</tr>
</tbody>
</table>
Base Budget Adjustments

Efficiencies and cost savings without impacting service levels:

<table>
<thead>
<tr>
<th>energy saving retrofits</th>
<th>reviewing and adjusting staffing levels and overtime requirements</th>
<th>new user fee revenues</th>
<th>office supplies and minor maintenance</th>
</tr>
</thead>
</table>

Base Budget Reductions ($millions)

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax supported</td>
<td>$1.7</td>
<td>$2.6</td>
<td>$1.7</td>
<td>$1.1</td>
<td>$1.6</td>
<td>$8.7</td>
</tr>
<tr>
<td>User rates</td>
<td>0.9</td>
<td>0.8</td>
<td>0.4</td>
<td>1.1</td>
<td>1.7</td>
<td>4.9</td>
</tr>
<tr>
<td>Subtotal</td>
<td>$2.6</td>
<td>$3.4</td>
<td>$2.1</td>
<td>$2.2</td>
<td>$3.3</td>
<td>$13.6</td>
</tr>
</tbody>
</table>
## 2020 Budget Issue Papers

<table>
<thead>
<tr>
<th>Budget Issue Paper ($ thousands)</th>
<th>2020 budget impact</th>
<th>Adjusted 2020 impact to meet Council budget target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paramedic Services master plan implementation</td>
<td>$1,019</td>
<td>$433</td>
</tr>
<tr>
<td>GRT business plan implementation</td>
<td>2,166</td>
<td>928</td>
</tr>
<tr>
<td>Mobility PLUS business plan implementation</td>
<td>194</td>
<td>194</td>
</tr>
<tr>
<td>Route 77 Wilmot Township Service enhancements</td>
<td>59</td>
<td>59</td>
</tr>
<tr>
<td>WRH Master Plan Implementation</td>
<td>99</td>
<td>99</td>
</tr>
<tr>
<td>Personal Support Workers at Sunnyside</td>
<td>146</td>
<td>146</td>
</tr>
<tr>
<td>Public Health program funding for substance use, harm reduction and sharps disposal</td>
<td>122</td>
<td>122</td>
</tr>
<tr>
<td><strong>Total 2020 Budget Impact</strong></td>
<td><strong>$3,805</strong></td>
<td><strong>$1,981</strong></td>
</tr>
<tr>
<td><strong>2020 Tax Impact</strong></td>
<td><strong>0.69%</strong></td>
<td><strong>0.36%</strong></td>
</tr>
</tbody>
</table>
Assessment growth of 1.77% in 2019 for 2020 budget
Revenue generated by a 1% tax increase = $5.5m
Cost of 1% increase to average household valued at $344,200 = $20.23

<table>
<thead>
<tr>
<th>Status Of Preliminary 2020 Tax Supported Operating Budget (excluding Police Services)</th>
<th>Tax Rate % impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct Regional Services – base budget estimate</td>
<td>3.43%</td>
</tr>
<tr>
<td>Recommended Budget Issue Papers as adjusted to meet the Council approved target</td>
<td>0.36%</td>
</tr>
<tr>
<td>Less: estimate for Regional share of assessment growth</td>
<td>(1.21%)</td>
</tr>
<tr>
<td><strong>Tax impact of Regional programs – current estimate</strong></td>
<td><strong>2.58%</strong></td>
</tr>
<tr>
<td>Direct Regional Tax supported budget guideline</td>
<td>2.5%</td>
</tr>
</tbody>
</table>
## Capital infrastructure

### Existing
- Historical cost in excess of $4.5 billion
- Needs to be maintained, renewed, upgraded and replaced

### New
- Required to serve our growing community
- Water and wastewater capacity
- New roads, facilities, vehicles and equipment

### 10 year capital program
- Funded from property taxes, user fees, development charges, grants
- Financed through current year revenues, reserves, and long term borrowing
Draft 2020-2029 Tax Supported Capital Program

10 year investment plan = $3.5 b

- Roads rehabilitation and expansion
- Public Transit
- Facilities expansion and renewal
- Waste Management
- Paramedic Services
- Airport
- Cultural Services
## Capital Funding & Financing

<table>
<thead>
<tr>
<th>FUNDING</th>
<th>FINANCING</th>
</tr>
</thead>
</table>
| **Property taxes** | • Current year tax revenues  
                   | • From reserves  
                   | • Long term borrowing |
| **Development Charges** | • From reserve funds  
                       | • Long term borrowing |
| **Grants / Subsidies / Recoveries** | • Contributions from other levels of government and third parties |
Capital Financing Principles

- Some programs have adequate levy capacity to fund capital investments.
- Others do not and rely on debenture financing.
- State-of-good-repair program overly reliant on debt financing.
- Required incremental contribution for asset renewal: range of $40-45m/year.
## Capital Asset Renewal Funding Gap

<table>
<thead>
<tr>
<th>Capital funding ($ thousands)</th>
<th>2019 contribution</th>
<th>Contribution target</th>
<th>Shortfall</th>
</tr>
</thead>
<tbody>
<tr>
<td>Airport capital</td>
<td>$1,432</td>
<td>$2,274</td>
<td>($842)</td>
</tr>
<tr>
<td>Facilities lifecycle</td>
<td>5,714</td>
<td>28,235</td>
<td>(22,521)</td>
</tr>
<tr>
<td>GRT bus replacement</td>
<td>4,645</td>
<td>$10,745</td>
<td>(6,100)</td>
</tr>
<tr>
<td>GRT capital</td>
<td>1,900</td>
<td>2,200</td>
<td>(300)</td>
</tr>
<tr>
<td>Transportation capital</td>
<td>16,062</td>
<td>23,522</td>
<td>(7,460)</td>
</tr>
<tr>
<td>Waste Management capital</td>
<td>1,400</td>
<td>6,500</td>
<td>(5,100)</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td><strong>$31,153</strong></td>
<td><strong>$73,476</strong></td>
<td><strong>($42,323)</strong></td>
</tr>
</tbody>
</table>
New development charge rates came into effect on August 1

Bill 108 has amended the DC Act, but changes have not been proclaimed

- Freezes determination of DC calculations
- Delays DC payments for non-residential and multi-residential/non-profit housing
- Adds more statutory exemptions

Future community benefits charge
Staff report published last Wednesday

- Requests Province to not proclaim amendments to the DC Act
- Circulate report to MMAH, local municipalities, other
- Undertake consultation with the development community

Staff proposing to delay certain transportation capital projects to mitigate collection risk
Growth Related Capital

Bill 138 introduced and received 1st reading last Wednesday

DC payments for commercial and industrial revert back to building permit issuance

Community benefits charge would be appealable to the LPAT
Growth Related Capital

- Staff are updating the funding and financing of water, wastewater and transportation capital projects
- Recommend no action on the staff report
- Staff to follow up with a report on Bill 138 (Nov. 26 or Dec. 3)
Build operating budget capacity to finance capital

Work towards financing all asset renewal projects from non-debt sources

Focus debt on significant new infrastructure

Implementation of a capital asset renewal funding strategy
### WRPS Operating Budget Estimates

<table>
<thead>
<tr>
<th></th>
<th>2019 Approved</th>
<th>2020 Preliminary</th>
<th>$ Change</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Expenditure</strong></td>
<td>$187.0</td>
<td>$199.8</td>
<td>$12.8</td>
<td>6.85%</td>
</tr>
<tr>
<td><strong>Revenue</strong></td>
<td>($17.5)</td>
<td>($17.6)</td>
<td>($0.1)</td>
<td>0.61%</td>
</tr>
<tr>
<td><strong>Property Tax</strong></td>
<td>$169.5</td>
<td>$182.2</td>
<td>$12.7</td>
<td>7.49%</td>
</tr>
<tr>
<td><strong>Tax Rate Impact</strong></td>
<td>1.00%</td>
<td>1.77%</td>
<td>--</td>
<td>--</td>
</tr>
</tbody>
</table>

As presented to the Waterloo Regional Police Services Board on October 16, 2019 through report 2019-165
WRPS Budget

- Budget presented to the PSB on October 16/19
- Budget update to PSB on November 20/10
- Presentation to Budget Committee on December 11/19
- PSB approval of 2020 budget on December 18/19
Public input

- Increased public engagement opportunities in past three budget cycles
- Created educational video about municipal budgeting to enhance engagement
Goal of the 2020 public engagement initiative is to inform citizens of the cost of Regional Services and seek input on the value of:

- current service levels
- service enhancements being proposed during the 2020 budget process
<table>
<thead>
<tr>
<th>Date</th>
<th>Action</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Oct – Nov 2019</strong></td>
<td>Develop feedback questions for online public engagement tool</td>
</tr>
<tr>
<td><strong>Nov 13, 2019</strong></td>
<td>Present report to Budget Committee on proposed strategy</td>
</tr>
<tr>
<td><strong>Nov 20, 2019</strong></td>
<td>Launch online public engagement tool</td>
</tr>
<tr>
<td></td>
<td>Extensively promote initiative</td>
</tr>
<tr>
<td><strong>Dec 20, 2019</strong></td>
<td>Close online public engagement tool</td>
</tr>
<tr>
<td><strong>January 2020</strong></td>
<td>Provide analysis to Budget Committee of results</td>
</tr>
</tbody>
</table>
2020 Budget schedule

Nov. 26, 2019:
- Budget Committee reviews
- User rate budgets and GRCA presentation
- Public input

Dec. 11, 2019:
- Budget Committee reviews
- User rate budget approval
- WRPS presentation
- Public input

Jan. 22, 2020:
- Tax supported budget approval
- User fees and charges
Preview of November 26, 2019 meeting

- 2020 User Rate Budgets, GRCA
- 2020 Tax Supported Operating Budget and 2020-2029 Capital Program
- Proposed Budget Issue Papers
- Information Papers
- Respond to Councillor requests
- Public Input
2020 Budget Update
Key Messages

- Low interest rates, fuel price increases
- Delayed provincial funding reductions

- Funding for capital asset renewal
- Bill 108/138 and impacts to funding of growth
- RDC exemption funding strategy

- Service expansion per master plan approvals
- Service contracts
- Winter maintenance
2020 Budget Update
Key Messages

Tax Supported Budget

- Current position: 2.58% including adjusted budget issue papers
- Close to the Council directed target, work continues
- WRPS tax impact: 1.77%
- Capital program financing being updated
Questions?