



Media Release: Wednesday, November 20, 2019, 4:30 p.m.

## **Regional Municipality of Waterloo**

### **Budget Committee**

### **Agenda**

Tuesday November 26, 2019

Closed Session 1:00 p.m. (Waterloo County Room)

Open Session 1:30 p.m.

Regional Council Chambers

150 Frederick Street, 2<sup>nd</sup> Floor, Kitchener

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#### **1. Motion to go into Closed Session**

That a closed meeting of the Budget Committee be held on Wednesday, November 26, 2019 at 1:00 p.m. in the Waterloo County Room in accordance with Section 239 of the “Municipal Act, 2001,” for the purposes of considering the following subject matters:

- a) labour relations

#### **2. Motion to Reconvene into Open Session**

#### **3. Declarations of Pecuniary Interest under the “Municipal Conflict of Interest Act”**

#### **4. Opening Remarks (H. Jowett)**

#### **5. Opening Remarks (M. Murray)**

#### **6. 2020 Budget Update Presentation (C. Dyer)**

**[COR-FSD-19-55](#)**, 2020 Budget Update (Information)

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Tel.: 519-575-4400, TTY: 519-575-4605, or [regionalclerk@regionofwaterloo.ca](mailto:regionalclerk@regionofwaterloo.ca)

**6.1 Information Paper**

- **Fees and Charges By-law**

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**7. Presentation:** Samantha Lawson, Chief Administrative Officer, Grand River Conservation Authority

**8. Presentation – 2020 User Rate Budgets** (N. Kodousek)

**8.1 Information Papers**

- **Water Supply**

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- **Wastewater Treatment**

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- **Water Distribution and Wastewater Collection**

**Page 44**

**9. Other Business**

**10. Next Meeting** – December 11, 2019 (Regular Meeting & Public Input Meeting)

**11. Adjourn**



**Report:** COR-FSD-19-55

## **Region of Waterloo**

### **Corporate Services**

### **Financial Services and Development Financing**

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**To:** Chair Sean Strickland and Members of the Budget Committee

**Date:** November 26, 2019

**File Code:** F05-30

**Subject:** 2020 Budget Update

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#### **Recommendation:**

For Information

#### **Summary:**

The objective of this report and the November 26 Budget Committee meeting is to provide Committee members with additional supporting information regarding the proposed 2020 Tax Supported and User Rate operating budgets and capital programs. Budget details are provided through the 2020 Preliminary Program Budget Book, the Budget Issue Paper package, Budget Information Papers and through staff presentations at Budget Committee.

The proposed user rate budgets include wholesale rate adjustments of 1.9% for water and 3.9% for wastewater effective January 1, 2020. Retail water rates are proposed to increase by 4.9% for water distribution and 3.9% for wastewater collection, with no increase in the service charge for both water and wastewater in 2020. Total capital spending for water and wastewater is projected to be \$1.0 billion over 10 years.

The proposed Regional property tax supported budget (including recommended budget issue papers) results in a 2020 tax impact for Regional Services (excluding Police) of 2.58% net of assessment growth. The proposed 2020-2029 Tax Supported Capital Program for Regional services (excluding Police Services) anticipates total expenditures in 2020 (including estimated unspent approvals from prior years) of \$303 million and an estimated 10-year total investment of \$3.5 billion.

The revised preliminary 2020 Waterloo Region Police Service budget was presented to the Police Services Board (PSB) on November 20, 2019. The proposed 2020 Police Budget represents a 7.17% increase in the police portion of the property tax levy, with a corresponding 2020 tax rate impact of 1.67%. The PSB is scheduled to approve the 2020 Waterloo Regional Police Services budget on December 18, 2019.

### Report:

The 2020 Preliminary Budget Book provides details of the proposed 2020 User Rate and Tax Supported Base Operating Budgets and Capital Programs. Highlights of the proposed budgets are set out in the following sections of this report. Additional information is provided in the form of information papers (attached) and staff presentations at the November 26, 2019 Budget Committee meeting.

### 1. Proposed 2020 User Rate Operating Budgets and 2020-2029 Capital Program

The 2020 Water and Wastewater Operating Budgets and 10-year Capital programs are respectfully submitted to Budget Committee for consideration. The total revenue requirement for 2020 is \$140.5 million as outlined in the following table:

Program	2019 Rate Revenue Requirement (\$ millions)	2020 Rate Revenue Requirement (\$ millions)	% Change
Water Supply	57.6	58.3	
Wastewater Treatment	76.8	78.0	
Water Distribution	2.6	2.7	
Wastewater Collection	1.4	1.5	
<b>Total</b>	<b>\$138.4</b>	<b>\$140.5</b>	<b>1.5%</b>

The following tables compare proposed 2020 rate increases to 2019 approved rate increases and the original forecast for 2020 based on the 2019 water and wastewater rate models:

	2019 approved user rate increase	2019 Rate Model - projected 2020 user rate increase	2020 Rate Model – current 2020 user rate increase (change)
Water supply	2.9%	2.9%	1.9% (-1%)
Wastewater treatment	6.9%	4.9%	3.9% (-1%)
Water distribution	7.9%	6.9%	4.9% (-2%)
Wastewater collection	4.9%	4.9%	3.9% (-1%)

	<b>2019 approved monthly service charge</b>	<b>2019 Rate Model - projected 2020 monthly service charge</b>	<b>2020 Rate Model - current estimate of 2020 monthly service charge</b>
Water distribution	\$10.00	\$10.00	\$10.00
Wastewater collection	\$8.00	\$8.00	\$8.00

These budgets and rates are scheduled to be approved on December 11, 2019.

The Ten Year Water Supply and Wastewater Treatment Capital financing plan is summarized as follows:

**2020-2029 User Rates Capital Program  
Funding and Financing (\$ millions)**

<b>Capital funding and financing sources</b>	<b>Water</b>	<b>Wastewater</b>	<b>Total</b>	<b>% of Total</b>
User rate contributions to capital reserves	\$279	\$306	\$585	59%
Debt recovered from future user rates	27	5	32	3%
Development charge reserve funds	115	78	193	19%
Debt recovered from future development charges	83	100	183	18%
Grants	-	4	4	0%
<b>Total ten year capital investment</b>	<b>\$504</b>	<b>\$493</b>	<b>\$997</b>	<b>100%</b>

Full details of the proposed financing plan are in the Information Papers for Water Supply and Wastewater Treatment (pages 29 and 36 of this agenda package, respectively). An Information Paper for Water Distribution and Wastewater Collection is also included in this agenda package on page 44. Additional analysis and details will be provided through presentations at the November 26, 2019 Budget Committee meeting.

## 2. Proposed 2020 Property Tax Supported Operating Budget

### 2.1 2020 Tax Supported Base Budget - Current Position

In August, the Administration & Finance Committee provided direction to staff to develop the 2020 operating budget with a targeted tax impact in the range of 2.5% for direct Regional programs (excluding Police). Inclusive of the base budget reductions described in Section 2.4 of this report and recommended budget issue papers, the Region's tax supported net levy position is \$391.0 million, which is an increase of \$20.7 million (5.6%) over 2019, with a tax rate impact of 2.58% net of assessment growth. These figures exclude the impact of the Waterloo Regional Police Service Budget. A 2.58% increase for direct regional programs would add approximately \$52 to the Regional tax bill for a residential property assessed at \$344,200.

The preliminary position, as set out in the table below, incorporates recommended budget issue papers as adjusted to meet the Council approved target and assessment growth of 1.77% pro-rated between Regional Services (1.21%) and Police Services (0.56%).

Status Of Preliminary 2020 Tax Supported Operating Budget (excluding Police Services)	Tax Rate % impact
Direct Regional Services – base budget estimate	3.42%
Recommended Budget Issue Papers as adjusted to meet the Council approved target	0.37%
Less: Regional share of assessment growth	(1.21%)
<b>Tax impact of Regional programs – current estimate</b>	<b>2.58%</b>

### 2.2 In-year 2019 Budget Changes Approved by Council

A number of changes to funding and service levels have been approved by Council over the course of 2019, and these are listed in **Appendix A**. All in-year operating changes were funded by federal, provincial and third party grants, a reallocation of operating budgets, or a one-time draw from a reserve. These budget amendments have been incorporated as required into the 2020 base budget.

### 2.3 Associated Agencies and Grants

**Appendix B** provides a summary of budgets for Associated Agencies and grants provided by the Region.

## 2.4 Base Budget Reductions

On an annual basis, staff review operating budgets in an effort to identify efficiencies and budget reductions which do not affect service levels. The table below identifies base budget reductions over the last five years in both the tax supported and user rates budgets:

(\$ millions)	2016	2017	2018	2019	2020	Total
Tax supported	\$1.7	\$2.6	\$1.7	\$1.1	\$1.6	\$8.7
User rates	0.9	0.8	0.4	1.1	1.7	4.9
<b>Subtotal</b>	<b>\$2.6</b>	<b>\$3.4</b>	<b>\$2.1</b>	<b>\$2.2</b>	<b>\$3.3</b>	<b>\$13.6</b>

The nature of various 2020 budget reductions is outlined in following table:

(\$ thousands)	Overtime, Training, Staffing Positions	Energy Savings Retrofits, Supplies, Services & Maintenance	New User Fee Revenues	Total Base Budget Adj.
Tax supported	\$705	\$669	\$207	\$1,581
User rates	\$19	\$1,631	\$21	\$1,671

## 3. 2020 Base Budget Staff Complement

The continuity of Regional staff complement is as follows, with all figures shown as full time equivalents (FTEs):

	Permanent	Temporary	Total
2019 Final Budget Book	3,031.7	102.2	3,133.9
Restatements/adjustments	(3.5)	-	(3.5)
Council-approved additions in 2019	2.0	-	2.0
Council-approved reductions in 2019	(5.0)	(2.0)	(7.0)
<b>2019 adjusted complement</b>	<b>3,025.3</b>	<b>100.2</b>	<b>3,125.5</b>
2019 Council-approved additions (for 2020)	5.0	-	5.0
Base budget reductions	(6.7)	(1.3)	(8.0)
<b>2020 base budget complement</b>	<b>3,023.6</b>	<b>98.9</b>	<b>3,122.5</b>
<b>2020 complement change</b>	<b>(1.7)</b>	<b>(1.3)</b>	<b>(3.0)</b>

Additional details regarding the 2019 Council-approved additions are provided in **Appendix A**. Position reductions totaling 8.0 FTEs have been incorporated into the 2020 base budget, along with an addition of 5 FTEs relating to Bundle 2 of the GRT Business Plan as approved by Council through the 2019 budget, to be implemented April 2020. Base budget position reductions are generally the result of the expiry of temporary contracts approved in previous budgets, changes to provincially funded programs, and departmental and divisional reorganizations.

#### **4. 2020-2029 Tax Supported Capital Program**

As previously noted, the sources of funding available for the capital program are limited to property taxes, user rates, regional development charges (RDC) and grants/subsidies (when available). Financing of Regional funding sources can be from current year contributions to capital, reserves/reserve funds, and long term borrowing. Staff continue to work towards a more appropriate mix of funding sources and financing mechanisms in order to enhance the long term financial sustainability of the Region's capital program. This is a long term, continuous improvement exercise, and staff will report back periodically with recommendations and updates to Council.

The master/business planning process identifies both operating budget and capital assets required to meet growth expectations for a given service. Once approved, master and business plans form part of the budget process and are subject to annual budget approval. Operating budget increases are brought forward in the form of budget issue papers and capital projects are included for consideration in the ten-year capital program.

The preliminary 2020-2029 Tax Supported Capital Program for Regional Services includes total expenditure in 2020 of \$302.7 million (including estimated unspent previous approvals of \$111.4 million from 2019) and an estimated 10-year total expenditure of \$3.5 billion.

Major capital works which will continue or which will be undertaken in 2020 include:

- Transit: Northfield Drive operations and maintenance facility construction
- Police: 200 Frederick St renovations
- Numerous road expansion and rehabilitation projects
- Building lifecycle work at various Regional administration buildings
- Housing facilities lifecycle work
- Landfill cell development

The 10 year forecast includes significant investments in growth-related infrastructure such as road widening and new roads along with implementation of the GRT business plan, Mobility PLUS business plan, Paramedic Services master plan, Airport master plan and the recently approved Waterloo Region Housing master plan. The forecast

also identifies investments that are necessary to maintain an aging asset inventory for the Region's road network, waste management facilities, 800 Regional buildings (including current Waterloo Region Housing stock) as well as fleet replacements for approximately 330 buses and 350 other Regional vehicles. Details of proposed capital projects are provided for each division in the Preliminary 2020 Budget Book.

### Capital Funding and Financing

In the development of the 2020-2029 capital plan, staff applied capital financing principles as set out in the June 14, 2016 report COR-FSD-16-15. Sources of funding/financing for the preliminary 2020-2029 tax supported capital program for the more capital intensive programs are set out in the following table:

#### 2020-2029 Tax Supported Capital Program Funding and Financing (\$ millions)

Capital funding and financing sources	LRT	Roads	GRT	Housing	Airport	Waste Mgmt	Facilities	Other	Total
Levy contributions to capital	\$7	\$259	\$90	\$102	\$27	\$70	\$18	\$122	<b>\$694</b>
Debt recovered from future tax payers	19	88	35	118	69	103	96	39	<b>568</b>
Development charge reserve funds	2	299	16	-	2	1	7	12	<b>340</b>
Debt recovered from future development charges	5	95	13	-	64	2	8	0	<b>188</b>
Grants	984	204	231	149	53	4	41	32	<b>1,698</b>
<b>Subtotal</b>	<b>\$1,017</b>	<b>\$946</b>	<b>\$385</b>	<b>\$368</b>	<b>\$216</b>	<b>\$181</b>	<b>\$169</b>	<b>\$205</b>	<b>\$3,487</b>

The funding sources of the 2020-2029 capital program reflect current federal and provincial grant approvals (e.g. Investing in Canada Infrastructure Program (ICIP) for transit stream), grant applications that have been made but are yet to be approved (ICIP – Cultural stream), and grants that have yet to be applied for (e.g. LRT Stage 2). Should these grant applications not be successful, staff will report back with potential options for Council's consideration. Capital plan financing also reflects the impact of Bill 108 and Bill 138 on development charge collections and reserve fund balances.

### Funding for asset renewal

As previously described, the current level of levy contributions to fund capital asset  
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renewal falls short of contribution targets and the Region's ten-year capital plan currently does not achieve pay-as-you-go funding for asset renewal and rehabilitation projects. As detailed in the following table, the annual funding shortfall is in the \$42 million range, with a 2019 contribution of \$31 million compared to a target of \$73 million.

Capital funding (\$ thousands)	2019 contribution	Contribution target	Shortfall
Airport	\$1,432	\$2,274	(\$842)
Facilities lifecycle	5,714	28,235	(22,521)
GRT bus replacement	4,645	\$10,745	(6,100)
GRT capital	1,900	2,200	(300)
Transportation	16,062	23,522	(7,460)
Waste Management	1,400	6,500	(5,100)
<b>Subtotal</b>	<b>\$31,153</b>	<b>\$73,476</b>	<b>(\$42,323)</b>

### Transportation Expansion projects

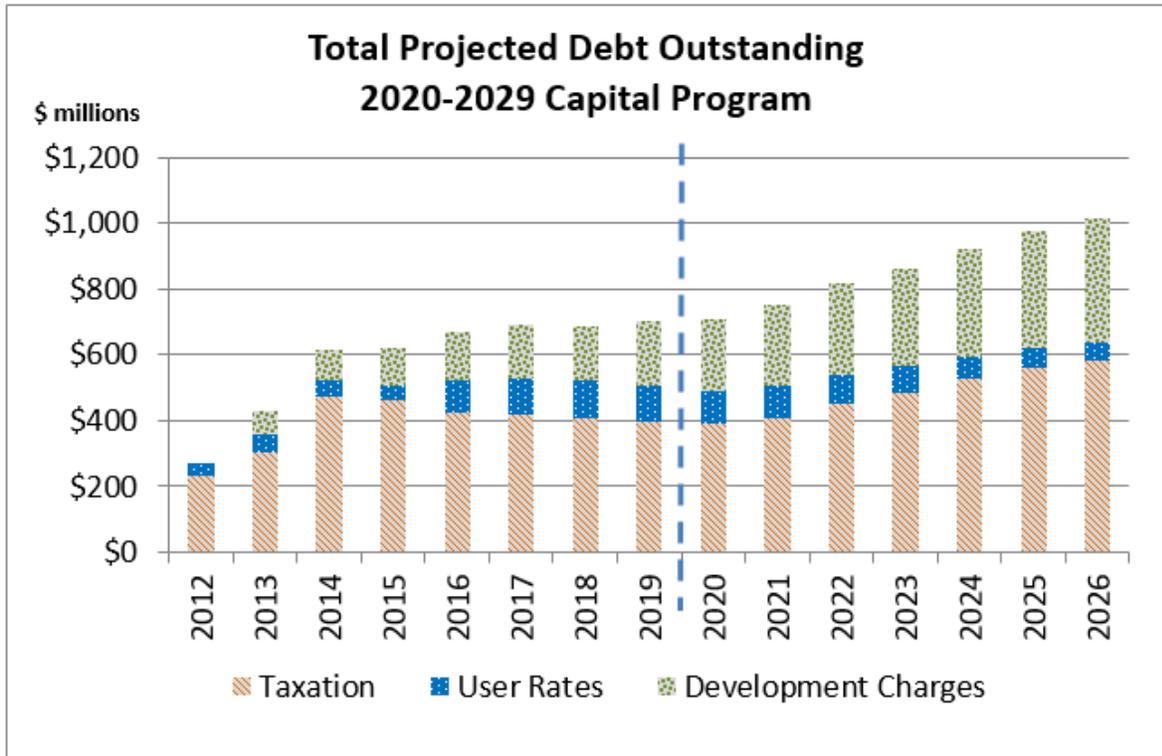
The completion of several major expansion projects over the past few years has drawn down available funds in the Transportation RDC Reserve. As a result, \$30.6 million in 20-year growth-related debentures was issued in 2019 for various transportation projects. The annual debt servicing costs associated with the debentures above commits the first \$2 million of annual Transportation Development Charge collections to fund existing debt over the next 20 years. This currently represents 6.5% of the average annual transportation RDC collections over the last 5 years.

In an effort to work towards a fiscally sustainable funding strategy by mitigating the amount of future DC collections that are committed to debt servicing costs and providing a more balanced spending profile over the 10-year capital program, staff have re-profiled the spending projection of six growth-related Transportation projects as set out in **Appendix C**. With these changes, the growth-related transportation debt requirements decrease from \$160 million to approximately \$95 million over the 10-year period, thereby reducing the portion of annual RDC collections committed to funding debt servicing costs by the end of the 10-year period from 30% to just under 20%.

### Long Term Borrowing

As described in the Region's Capital Financing Principles (COR-FSD-16-15), debt financing should be focused on significant infrastructure expansion projects. A significant amount of debt financing continues to be required for the Region's state-of-good-repair work.

The following graph provides a projection of regional debt outstanding.



While the overall amount of debt has remained relatively constant over the past four years, significant increases in debt outstanding are projected over the next five years as the Region undertakes significant capital projects, many of which are the outcome of various master plans approved by Council. This chart points to the need for a significant increase in tax levy contributions to fund state of good repair projects, in the form of the previously discussed Asset Renewal funding strategy.

**5. 2020 Tax Supported Budget Issue Papers**

New programs and program expansions are presented in the form of Budget Issue Papers. Proposed 2020 Budget Issue Papers (BIPs) are included in a separate package which has been provided for Committee’s review. The current position of the Regional property tax supported budget of 2.58% reflects staff recommended budget issues papers as adjusted to meet the Council approved target with an incremental 2020 cost of \$2.02 million, and the addition of 30.3 FTEs. The 2020 budget issue papers are summarized below:

Budget Issue Paper (\$ thousands)	2020 tax levy impact	Adjusted impact to meet Council budget target
Paramedic Services master plan implementation *	\$1,043	\$433
GRT business plan implementation **	2,167	1,017
Mobility PLUS business plan implementation	144	144
Route 77 Wilmot Township Service enhancements	59	59
Implementation of the WRH Master Plan	99	99
Personal Support Workers at Sunnyside	146	146
Public Health program funding for substance use, harm reduction and sharps disposal	122	122
<b>Total 2020 Budget Impact</b>	<b>\$3,780</b>	<b>\$2,020</b>
<b>FTE Impact</b>	<b>59.3</b>	<b>30.3</b>
<b>2020 Tax Impact</b>	<b>0.69%</b>	<b>0.37%</b>

\* 2020 tax levy impact reflects the addition of five 12-hour crews and 6 vehicles.

Adjusted impact to meet Council's 2020 budget target reflects the addition of two 12-hour crews and 3 vehicles.

\*\* 2020 tax levy impact reflects 35,000 additional service hours. Adjusted impact to meet Council's 2020 budget target reflects 15,000 additional service hours.

## 6. Waterloo Regional Police Service (WRPS)

As presented to the Waterloo Regional Police Services Board (PSB) on November 20, 2019, the estimated 2020 operating budget for WRPS is \$181.7 million which represents a 7.17% increase over 2019. Taking into account assessment growth, this results in a net tax impact of 1.67% which equates to an increase of \$33.70 per average household. The ten-year WRPS capital program includes a proposed capital budget of \$25.3 million in 2020.

### WRPS Operating Budget Estimates

(\$millions)	2019 Approved	2020 Preliminary	\$ Change	% Change
Expenditure	\$187.0	\$199.7	\$12.7	6.77%
Revenue	(\$17.5)	(\$18.0)	(\$0.5)	2.91%
Property Tax Requirement	\$169.5	\$181.7	\$12.2	7.17%
Tax Rate Impact	1.00%	1.67%	--	--

Police Services staff will present their budget to Budget Committee on December 11, 2019 and the PSB is scheduled to approve the 2020 budget on December 18, 2019.

## **7. Budget Information Papers**

The November 26, 2019 Budget Committee agenda includes the following budget information papers:

- User Rate Budgets: these three information papers provide background on the proposed water, wastewater and retail operating and capital budgets
- Fees and Charges By-law

## **8. Budget Presentations**

The November 26, 2019 Budget Committee meeting will include a presentation from staff regarding the 2020 Base Budget, 2020-2029 Capital Program, Proposed 2020 Budget Issue Papers, along with a presentation on the Proposed 2020 User Rate Budgets and the Grand River Conservation Authority budget.

## **9. Budget Schedule**

Future budget meetings are scheduled and shown in **Appendix D**. The next Committee meeting scheduled for December 11, 2019 will include approval of user rate budgets, a presentation from Police Services and an update on the tax supported budget. Public input sessions are scheduled for November 26 and December 11, 2019.

### **Corporate Strategic Plan:**

The annual budget incorporates numerous initiatives set out in the Corporate Strategic Plan.

### **Financial Implications:**

A 1% change in the tax rate results in a \$20 annual change to the average residential property owner, based on a residential property assessed at \$344,200 in 2019. A 1% tax rate increase generates an additional \$5.5 million in tax revenue.

### **Other Department Consultations/Concurrence:**

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

**Attachments**

Appendix "A" - In-Year Council Approved Operating Budget Amendments

Appendix "B" – Budgets for Associated Agencies and Grants

Appendix "C" – Transportation project deferrals included in the preliminary 2020-2029 capital program

Appendix "D" – 2020 Budget Schedule

**Prepared By: Chris Wilson**, Manager of Corporate Budgets

**Craig Dyer**, Commissioner, Corporate Services/Chief Financial Officer

**Approved By: Mike Murray**, Chief Administrative Officer

### Appendix A – In-Year Council Approved Operating Budget Amendments

Approval Date	Description	2019 Expenditure Change	Funding Source
May 29, 2019	Amend the 2019 operating budget to reflect Provincial funding reduction to Employment Ontario programs offset by savings through attrition and reduced program costs (report CSD-EIS-19-03) [reduction of 2.0 FTEs through attrition]	(\$228,067)	Provincial Funding
June 5, 2019	Amend the 2019 operating budget to add a provision for the interim Consumption and Treatment Services at 150 Duke Street West, Kitchener (report PHE-IDS-19-05).	\$530,000	Tax Stabilization Reserve
June 18, 2019	Increase 2019 operating budget for Children's Services to reflect grant received from Ontario Trillium Foundation for the Children and Youth Planning Table (report CSD-CHS-19-04).	\$50,000	Grant Funding
June 18, 2019	Increase 2019 operating budget for Children's Services as a result of revised 2019 Child Care Allocations and updated Funding Guidelines (report CSD-CHS-19-05).	\$1,593,041	Provincial Funding
June 18, 2019	2019 budget issue paper deferrals as outlined in report COR-FSD-19-42 [reduction of 5.0 FTE's resulting from deferrals]	(\$903,000)	Property Tax Levy
August 13, 2019	Increase 2019 operating budget for Housing Services with respect to the Canada-Ontario Community Housing Initiative (COCHI) and the Ontario Priorities Housing Initiative (OPHI) Investment Plan (report CSD-HOU-19-09/COR-TRY-19-81) [2.0 additional permanent FTEs]	\$100,000	Provincial Funding
September 10, 2019	Increase 2019 operating budget for Housing Services with respect to the Community Capacity and Innovation Fund (report CSD-HOU-19-13).	\$91,065	Federal Funding

**Appendix B – Budgets for Associated Agencies and Grants (\$ thousands)**

<b>Associated Agency / Recipient</b>	<b>2019 Budget</b>	<b>2020 Base Budget</b>	<b>Base Budget Status</b>
Grand River Conservation Authority	\$5,948	\$6,126	Increase of 3.0% is included in base budget and is funded from the Water and Wastewater user rates
Municipal Property Assessment Corporation	\$6,884	\$7,022	Estimated 2.0% increase included for 2020
Waterloo Region Economic Development Corporation	\$900	\$900	Unchanged
Waterloo Region Tourism & Marketing Corporation	\$300	\$300	Unchanged
Communitech	\$35	\$35	Unchanged
Waterloo Regional Heritage Foundation	\$106	\$106	Unchanged
Region of Waterloo Arts Fund	\$393	\$393	Unchanged
Waterloo Region Crime Prevention Council	\$711	\$709	0.3% decrease
Immigration Partnership Council	\$50	\$50	Unchanged
THE MUSEUM	\$386	\$386	Unchanged
Grand Philharmonic Choir	\$32	\$32	Unchanged

Associated Agency / Recipient	2019 Budget	2020 Base Budget	Base Budget Status
Kitchener Waterloo Symphony	\$386	\$386	Unchanged
Oktoberfest	\$65	\$65	Unchanged
Cambridge Highland Games	\$10	\$10	Unchanged
Community Innovation Grant	\$50	\$50	Unchanged
Waterloo Region 4-H Association	\$3	\$3	Unchanged
Leadership Waterloo Region	\$40	\$40	Unchanged
Business Education Partnership of Waterloo Region	\$8.0	\$8.5	\$500 increase
Junior Achievement of Waterloo Region	\$22	\$22	Unchanged
Waterloo Region Small Business Centre	\$50	\$50	Unchanged

**Appendix C - Transportation project deferrals included in the preliminary 2020-2029 capital program**

<b>Project</b>	<b>Budget (\$M)</b>	<b>Original Timing</b>	<b>Proposed Timing</b>	<b>Potential Impacts of Deferral</b>
River Rd.	\$55.9	2020 & 2023	2025 & 2027	Minor development impact; increased congestion on Fairway Rd; defers improved ramp access to Hwy 8; Active transportation component delayed
Maple Grove Rd. – Hespeler Rd. to Fountain St.	\$36.0	2021/22 & 2024-27	2022/23 & 2025-27	Minor development impact; increased spill-over of traffic from Hwy 401 should subside once Hwy 401 completed fall 2019; Active transportation component delayed
South Boundary Rd., Franklin Blvd. to Dundas St.	\$16.5	2022/23	2025/26	Minor potential for development impact pending MTO approvals for servicing on Dundas St.; Active transportation component delayed
Fountain St. Maple Grove Rd. to Kossuth Rd.	\$11.5	2023/24	2025/26	Minor potential for development impact and increased traffic congestion on Fountain St.
Franklin Blvd, 200M N of Avenue Rd. to 325 M South of Bishop St.	\$9.3	2022/23	2024/25	Defers solution to current traffic bottleneck at the intersection of Can-Amera Pkwy. and Franklin Blvd. and at Saginaw Pkwy and Franklin Blvd.
Fischer Hallman Rd./ Bearinger Rd., Columbia St. to Westmount Rd.	\$17.7	2020/22	2023/25	Minor potential for development impact; increased congestion on Westmount Rd., Bearinger Rd. Fischer Hallman Rd. and Laurelwood Dr.

**Appendix D – 2020 Budget Schedule**

<b>PURPOSE OF THE BUDGET COMMITTEE SESSION</b>	<b>PLANNED DATE and TIME</b>
2020 Budget Process (Administration and Finance Committee)	June 18, 2019
2020 Budget Guideline and Timetable (Administration and Finance Committee)	August 13, 2019
2020 Budget Overview (following Standing Committees) <ul style="list-style-type: none"> <li>• Preliminary Operating Budget and Capital Program</li> </ul>	November 13, 2019 (before Council)
Detailed Budget Review Day 1 <ul style="list-style-type: none"> <li>• User Rate Operating Budget and Capital Program</li> <li>• Tax Supported Operating Budget and Capital Program</li> <li>• Budget issue papers</li> <li>• GRCA presentation</li> </ul>	November 26, 2019 (Special Committee - afternoon)
Public Input Session #1	November 26, 2019 (evening)
Detailed Budget Review Day 2 <ul style="list-style-type: none"> <li>• Tax Supported Budget update</li> <li>• Police Services presentation</li> <li>• Approval of User Rate Budgets</li> </ul>	December 11, 2019 (before Council)
Public Input Session #2	December 11, 2019 (evening)
Final Budget Day <ul style="list-style-type: none"> <li>• Approval of 2020 Operating budgets and Capital Programs for Tax Supported Programs</li> <li>• Approval of 2020 User Fees and Charges</li> </ul>	January 22, 2020 (before Council)



## Region of Waterloo Budget Committee

2020 Budget

Information Paper

### Fees & Charges By-Law

Budget Committee Date: November 26, 2019

### Background

Section 391 of the Municipal Act permits municipalities to establish and maintain a list of services subject to fees or charges. By-law Number 19-016, a By-law to Establish Fees and Charges for the Regional Municipality of Waterloo and Repeal By-law 17-76 and By-law 1-028, As Amended has been adopted to fulfill this requirement. This by-law is reviewed annually to incorporate new or revised fees adopted by Regional Council.

### 2020 Budget

As part of the 2020 budget process, all service areas have reviewed their fees and charges and, where appropriate, are proposing changes to certain fees. **Appendix A** provides a list of fees that are proposed to be introduced or changed during 2020. Fee increases identified in the appendix have been used in the preparation of the 2020 Preliminary Operating Budget.

#### 1. Grand River Transit Fares

The proposed 2020 Transit Services base budget includes a 2% fare increase to be implemented effective July 1, 2020. The proposed increase is projected to achieve a 2020 revenue increase of \$273,000, and has an annualized impact of \$546,000. The accompanying table outlines the history of GRT fare increases since 2011.

Year	Fare Increase
2011	5%
2012	9%
2013	7%
2014	7%
2015	3%
2016	4%
2017	3%
2018	0%
2019	3%
2020	2% (Budgeted)

## 2. Child Care Services

Children's Services user fees and charges have been updated to reflect the increase resulting from the ending of the Fee Reduction Pilot on December 31, 2019 as approved in report CSD-CHS-19-08 dated October 22, 2019.

## 3. Waste Management

The proposed fee changes within Waste Management effective April 1, 2020 is projected to achieve a 2020 revenue increase of \$183,000 and are outlined in the table below:

Description	Current Fee	Proposed Fee	Increase
Waste tipping fee	\$82/M	\$84/MT	\$2 / MT
Recyclables tipping fee	\$41/MT	\$42/MT	\$1 / MT
Special handling load rate	\$164/MT	\$168/MT	\$4 / MT

\*Metric Tonne (MT)

## 4. Other service areas

Other service areas are proposing changes to fees and charges as follows:

- Airport Services: Increases for advertising fees (3%), landing fees, land lease development fees, lease rates and introduction of Airside Escort Fees / Operations Assistance Fee
- Transportation: Proposed new fees for collision summaries, count requests, permit requests and special signal requests.
- Legal Services: increases to all fees (2%)
- Ken Seiling Waterloo Region Museum: Introduction of new user fees for birthday party packages and summer day camps.
- Schneider Haus: Introduction of new user fees for birthday party packages and day camps
- Region of Waterloo Library: Introduction of new user fees for overdue charges (adult member), Wi-Fi hotspot and auxiliary audio cable. Increased fees for earbuds and library bags
- Seniors' Services: Increases for Community Alzheimer Program fees, telephone/television and meal fees
- Supportive Housing: Increase lunch visit meal fees

- Paramedic Services: Increases to special event coverage fees and requests for information

The estimated incremental user fee revenue in 2020 by division is outlined in the table below:

<b>Division</b>	<b>Incremental 2020 revenue (\$000s)</b>
Region of Waterloo International Airport	\$ 50
Legal Services	\$ 1
Ken Seiling Waterloo Region Museum	\$ 4
Schneider Haus	\$ 2
Region of Waterloo Library	\$ 0
Waste Management	\$ 183
Grand River Transit (G.R.T.)- Transit Services	\$ 273
Transportation	\$ 180
Seniors' Services - Sunnyside Home	\$ 5
Supportive Housing	\$ 0
Paramedic Services	\$ 0
<b>Total</b>	<b>\$ 697</b>

Estimated incremental revenues identified in the table above are associated with fee charges outlined in this report and have been incorporated into the 2020 base operating budget. For areas where the incremental revenues are indicated as \$0, it is anticipated that the fee increases will result in negligible revenue.

Should Council decide to change any other fee or charge listed under the by-law during the budget process, proposed changes listed herein would be updated. As user rates for Water and Wastewater are approved by separate by-laws, they are not included in this schedule.

A resolution to repeal the current Fees and Charges By-law and pass a new Fees and Charges By-law will be included along with the General Budget Resolutions for Budget Committee on January 22, 2020.

## Appendix A – Proposed Changes to the Fees and Charge By-Law

(Note: all fees listed herein are net of all applicable taxes)

Description	Current Fee	Effective Date	Proposed Fee
<b>PLANNING, DEVELOPMENT &amp; LEGISLATIVE SERVICES</b>			
<b>Airport Services (Region of Waterloo International Airport)</b>			
<b>Advertising</b>			
39 1/4" x 50" Airport Terminal Building Lobby	\$191.99	22-Jan-20	\$197.75
68 1/8" x 47 1/8" Airport Terminal Building Lobby	\$251.04	22-Jan-20	\$258.57
19 5/8" x 47 1/8" Airport Terminal Building Lobby	\$177.18	22-Jan-20	\$182.50
39 1/4" x 240" Airport Terminal Building Lobby	\$556.29	22-Jan-20	\$572.98
68 5/8" x 46 7/8" Outside Parking Shelter	\$115.88	22-Jan-20	\$119.36
Advertising Displays in Terminal Building (over 50 square feet)	\$11.33/sq. ft.	22-Jan-20	\$11.67/sq. ft.
Roadside Signage	\$51.50 per side	22-Jan-20	\$53.05 per side
Advertising Displays under 50 sq. ft.	\$12.36 per sq. ft.	22-Jan-20	\$12.73 per sq. ft.
Digital Media	\$206.00	22-Jan-20	\$212.08
<b>Landing Fees</b>			
Landing Fees per 1,000 kg. or part thereof (2,500 kg. and greater) (Based on gross take off weight)			
2,500 - 21,000 kg.	\$7.25	22-Jan-20	\$7.50
21,001 - 45,000 kg.	\$7.25	22-Jan-20	\$7.50
Greater than 45,000 kg.	\$7.25	22-Jan-20	\$7.50
<b>Land Lease Development Fees</b>			
Airport Sewage User Charge	\$6.50/cubic metre	22-Jan-20	\$7.00/cubic metre
<b>Lease Rates</b>			
Adjusted annually based on the Consumer Price Index (C.P.I.). Increase is only applicable to new or renewed agreements.			
Private Building Rate	\$0.305/sq. ft.	22-Jan-20	\$0.315/sq. ft.
Commercial Building Rate	\$0.305/sq. ft.	22-Jan-20	\$0.315/sq. ft.
Special Commercial (Building Rent)	\$0.430	22-Jan-20	\$0.445/sq. ft.
Special Commercial (Land Rent)	\$0.12	22-Jan-20	\$0.125/sq. ft.
Hangar Rent	\$4.80/sq. ft.	22-Jan-20	\$4.90/sq. ft.
Airside Escort Fees / Operations Assistance Fee	New	22-Jan-20	\$50.00 / Hour
<b>Legal Services</b>			
Development Agreements, Site Plan Agreements, and Any Amending Agreements (fee plus disbursements*)	\$641.50	22-Jan-20	\$654.00

Description	Current Fee	Effective Date	Proposed Fee
Release or Partial Release of Development Agreement ** (fee plus disbursements*)	\$71.75	22-Jan-20	\$73.00
Certificate of Compliance (per agreement)	\$71.75	22-Jan-20	\$73.00
Encroachment Agreements ** (fee plus disbursements*)	\$274.50	22-Jan-20	\$280.00
Full/Partial Closure of Road (+ \$2,000.00 deposit *** and disbursements*)	\$762.30	22-Jan-20	\$777.50
Easement Required to be Conveyed to Region as Condition of Development or Site Plan Approval (fee plus disbursements*)	\$248.50	22-Jan-20	\$253.50
Land Required to be Conveyed to Region as Condition of Development or Site Plan Approval (fee plus disbursements*)	\$123.75	22-Jan-20	\$126.00
Release, Partial Release or Replacement of Existing Easement, Release or Partial Release of One Foot Reserve or other Regional interest in lands if no other consideration passing (fee plus disbursements*)	\$279.75	22-Jan-20	\$285.00
All ancillary and Amending documentation, including, but not limited to, Assumption Agreements related to the Affordable Home Ownership Program (fee plus disbursements*)	\$289.00	22-Jan-20	\$294.50
Servicing Agreements ****	\$55.00	22-Jan-20	\$56.00
Waterloo Region Housing only: Mortgage Discharge Statement Fee for Affordable Home Ownership Program	\$78.50	22-Jan-20	\$80.00
* Disbursements include advertisement, survey, land registry office fees and any other associated costs, as applicable. Disbursements for Land Registration and Search Fees are imposed by the Provincial government or authorized agency and are subject to increase(s) as imposed by same (the actual increase in registration fee and flat charge for Final Search costs will be increased by the percentage by which the Province increases its search fee, rounded to the nearest dollar).			
** Fee waived if encroachment is required due to road widening dedication			
*** Deposit required - unused balance returned to purchaser without interest on closing			
**** Fee waived if servicing agreement is accompanied by development application			
<b>Ken Seiling Waterloo Region Museum</b>			
<b>Summer Day Camp</b>			
Per child rate for a 4 day program, age 6 to 13	\$150.00	22-Jan-20	Delete
Adventures in Time - Per child rate for a 5-day program, ages 6 to 13	new	22-Jan-20	\$195.00
Junior Interpreter - Per child rate for a 5-day program, ages 11-13	new	22-Jan-20	\$210.00

Description	Current Fee	Effective Date	Proposed Fee
<b>Birthday Parties</b>			
Flat rate for a maximum of 15 children (aged 12 years and under) Additional adults \$10.00 each	\$175.00	22-Jan-20	Delete
<b>Birthday Party Packages</b> - 10 child min., 15 child max., and 2 adults free (additional adults \$11.00 each +HST), 2.5 hour program	New		
Tiny Train Adventure - best for ages 3 - 5	New	22-Jan-20	\$12.95/child
Teddy Bear Picnic - ages 4-8	New	22-Jan-20	\$13.95/child
Retro Games - ages 5-10	New	22-Jan-20	\$13.95/child
Wacky Science - ages 6-9	New	22-Jan-20	\$13.95/child
Cookie Decorating - ages 8-12	New	22-Jan-20	\$16.95/child
<b>Schneider Haus</b>			
Birthday Party Package - per child (10 child min/15 child max); 2 adults free with booking, free for extra adults	\$9.95 per child (10 child min/15 child max) / \$6.00 per additional adult	22-Jan-20	Delete
<b>Birthday Party Packages</b> - 10 child min., 15 child max., and 2 adults free (additional adults \$6.00 each +HST), 2.5 hour program	New		
Walk on the Wild Side - best for ages 3-5	New	22-Jan-20	\$12.95 / Child
Haus party - ages 5-13	New	22-Jan-20	\$13.95 / Child
Kitchen Chemistry - ages 5-13	New	22-Jan-20	\$13.95 / Child
Pizza Party - ages 5-13	New	22-Jan-20	\$16.95 / Child
History Mysteries - best for ages 10-13	New	22-Jan-20	\$13.95 / Child
<b>Summer Day Camp</b>			
History Detectives - 5-day program; ages 11-13	New	22-Jan-20	\$210.00 / Child
<b>Region of Waterloo Library</b>			
<b>Overdue Charges</b>			
Over due charges: Adult Member	\$10.00	22-Jan-20	\$15.00
Wi-Fi hotspot / Video Console	New	22-Jan-20	\$15.00 Maximum
U.S.B. Storage Device	\$10.00	22-Jan-20	Delete
Auxiliary Audio Cable	New	22-Jan-20	\$5.65

Description	Current Fee	Effective Date	Proposed Fee
Earbuds	\$2.00	22-Jan-20	\$2.25
Library Bags	\$3.00	22-Jan-20	\$3.40
Copies of Oral History Interviews on C.D.	\$20.00	22-Jan-20	Delete
<b>TRANSPORTATION AND ENVIRONMENTAL SERVICES</b>			
<b>Waste Management</b>			
<b>Waterloo and Cambridge Sites</b>			
General Refuse/Garbage	\$82.00 / M.T.	1-Apr-20	\$84.00 / M.T.
Special Handling Load Rate (Waterloo site only) (stumps, wire, styrofoam, asbestos, nuisance dust)	\$164.00 / M.T.	1-Apr-20	\$168.00 / M.T.
Recyclables (loads must not be mixed with garbage) (All regular blue box materials, yard waste, brush, leaves, grass, inerts, appliances and scrap metal)	\$41.00 / M.T.	1-Apr-20	\$42.00 / M.T.
<b>Transportation Services</b>			
Collision Summaries	New	1-Jun-20	\$5.00
24 Hour Speed/Volume Counts	New	1-Jun-20	\$5.00
Turning Movement Counts	New	1-Jun-20	\$5.00
Oversize Load Permits	New	1-Jun-20	\$55.00
Super Load Permits	New	1-Jun-20	\$185.00
Special Event Permits	New	1-Jun-20	\$45.00
Filming Permits	New	1-Jun-20	\$45.00
Work Permits	New	1-Jun-20	\$220.00
Legal Opinion Traffic Signal Requests	New	1-Jun-20	\$444.00
Signal Timing Requests	New	1-Jun-20	\$55.00
Synchro Network Requests	New	1-Jun-20	\$109.00
Traffic Signal Video Requests	New	1-Jun-20	\$137.00
<b>COMMUNITY SERVICES</b>			
<b>Seniors' Services - Sunnyside Home</b>			
<b>Community Alzheimer Program (income based)</b>			
Regular Day Program	\$17.50	1-Apr-20	\$18.50
Transportation (one way)	New	1-Apr-20	\$4.25
Cancellation without Notice –Day Program	\$12.00	1-Apr-20	\$15.00
Cancellation with Notice –Day Program	\$6.00	1-Apr-20	\$9.00
Cancellation without Notice -Overnight Stay	\$39.34	1-Apr-20	\$40.00
<b>Telephone/Television</b>			
Telephone – Residents	\$32.00 / month + long distance	1-Apr-20	\$32.35 / month + long distance
Telephone - Convalescent Care per month	\$44.00 / month + long distance	1-Apr-20	\$44.45 / month + long distance

Description	Current Fee	Effective Date	Proposed Fee
Telephone - Convalescent Care (less than 15 days)	\$3.25/day + long distance	1-Apr-20	\$3.30/day + long distance
Cable Television - Residents	\$32.00 / month	1-Apr-20	\$32.35 / month
Cable Television - Convalescent Care per month	\$44.00 / month	1-Apr-20	\$44.45 / month
<b>Miscellaneous</b>			
Seniors Day Program (meal)	\$8.50/meal	1-Apr-20	\$8.75/meal
<b>Supportive Housing</b>			
Lunch Visit (meal)	\$8.50	1-Apr-20	\$8.75
<b>PUBLIC HEALTH &amp; EMERGENCY SERVICES</b>			
<b>Paramedic Services</b>			
<b>Special Event Coverage - Regular</b>			
Single Paramedic plus vehicle	\$88.00 / hour; \$350.00 minimum	1-Apr-20	\$89.00 / hour; \$356.00 minimum
Two Paramedics plus vehicle	\$150.00 / hour; \$598.00 minimum	1-Apr-20	\$154.00 / hour; \$610.00 minimum
Single Paramedic	\$62.00 / hour; \$248.00 minimum	1-Apr-20	\$63.00 / hour; \$253.00 minimum
<b>Special Event Coverage - Short Notice (OT) or FT Staff</b>			
Single Paramedic plus vehicle	\$119.00 / hour; \$472.00 minimum	1-Apr-20	\$121.00 / hour; \$481.00 minimum
Two Paramedics plus vehicle	\$221.00 / hour; \$882.00 minimum	1-Apr-20	\$225.00 / hour; \$900.00 minimum
Single Paramedic	\$93.00 / hour; \$371.00 minimum	1-Apr-20	\$95.00 / hour; \$378.00 minimum
<b>Special Event Coverage - Public Holiday (OT)</b>			
Single Paramedic plus vehicle	\$150.00 / hour; \$598.00 minimum	1-Apr-20	\$152.00 / hour; \$609.00 minimum
Two Paramedics plus vehicle	\$274.00 / hour; \$1,094.00 minimum	1-Apr-20	\$279.00 / hour; \$1,115.00 minimum

Description	Current Fee	Effective Date	Proposed Fee
Single Paramedic	\$124.00 / hour; \$497.00 minimum	1-Apr-20	\$126.00 / hour; \$506.00 minimum
<b><i>Special Event Coverage - Other</i></b>			
Vehicle - Ambulance	\$26.00 / hour; \$102.00 minimum	1-Apr-20	\$26.00 / hour; \$103.00 minimum
Vehicle - Emergency Response Unit (ERU)	\$20.00 / hour; \$80.00 minimum	1-Apr-20	\$21.00 / hour; \$83.00 minimum
Supervisor	\$61.00 / hour; \$247.00 minimum	1-Apr-20	\$64.00 / hour; \$261.00 minimum
<b><i>Request for Information</i></b>			
Ambulance Call Reports (Fee is per Request, not hourly)	\$95.00	1-Apr-20	\$97.00



## Region of Waterloo Budget Committee

2020 Budget

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### Water Supply

Budget Committee Date: November 26, 2019

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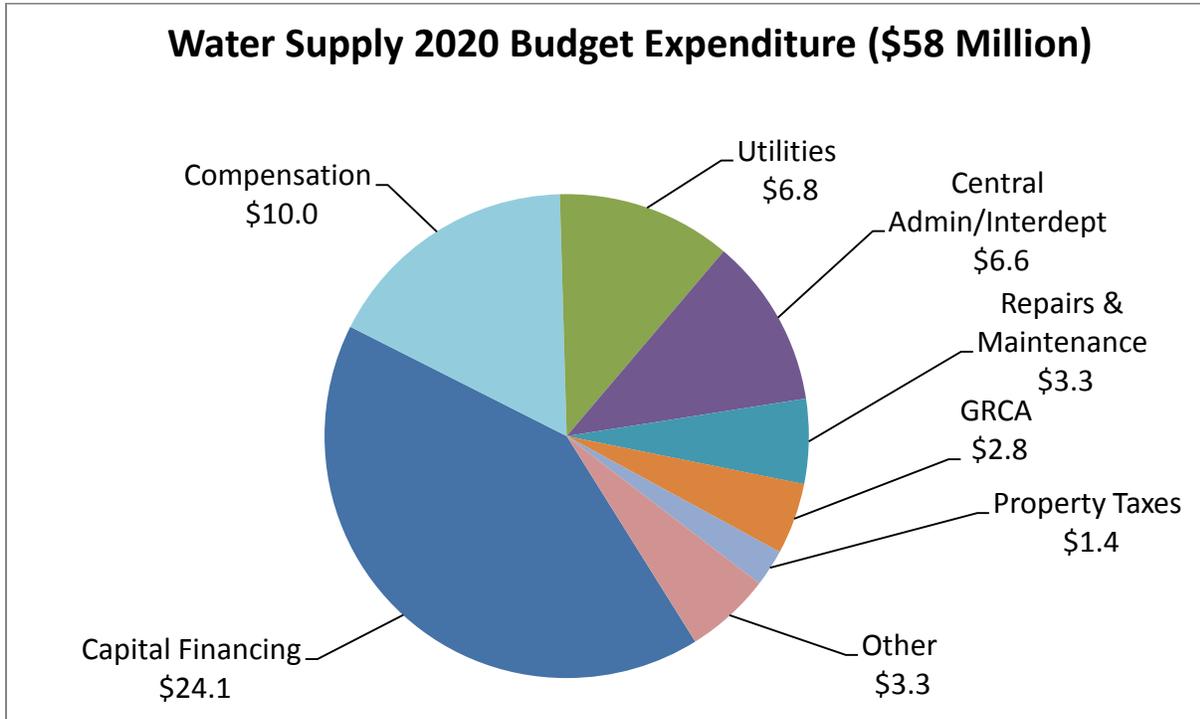
The Region is responsible for the production and delivery of safe and potable drinking water directly to seven area municipalities and indirectly to the Region's residents and businesses in accordance with all applicable legislation and Regional policy. The Region is the wholesaler of water to the City of Kitchener, City of Waterloo, City of Cambridge, Township of Wilmot and Township of Woolwich. The Region is also fully responsible for the public water system in the Township of North Dumfries and Township of Wellesley, including both water supply and distribution. The Region's water system annually supplies approximately 54 million cubic metres of water through 20 ground water supply systems, over 100 water supply wells and one surface water treatment plant.

### Water Supply – 2020 Budget

The Region's Water Supply total expenditure, including capital funding, is projected to increase by 1.2% in 2020 to \$58 million. The 2020 Water Supply Operating Budget includes funding for the Grand River Conservation Authority (GRCA) of \$2.8 million, discretionary Regional Development Charge (RDC) exemptions of \$0.9 million, a transfer to the Water Capital Reserve to finance capital projects, as well as operating expenditures. The 2020 hydro budget was significantly reduced due to lower consumption through hydro efficiency measures, participation in the Ontario Hydro Class A/B program as well as the Provincial debt refinancing and the recalculation of the global adjustment portion of the hydro bill. Energy rates are unpredictable, including some hydro savings programs, and some of the savings in the 2020 operating budget may not be available in the future.

A detailed review of all expenditures was completed during the 2020 budget process and resulted in budget reductions in several areas including electricity, WREPNET and other minor adjustments to maintenance and repairs. These reductions total \$632,000.

The preliminary 2020 Water Supply Budget is summarized in the following chart:

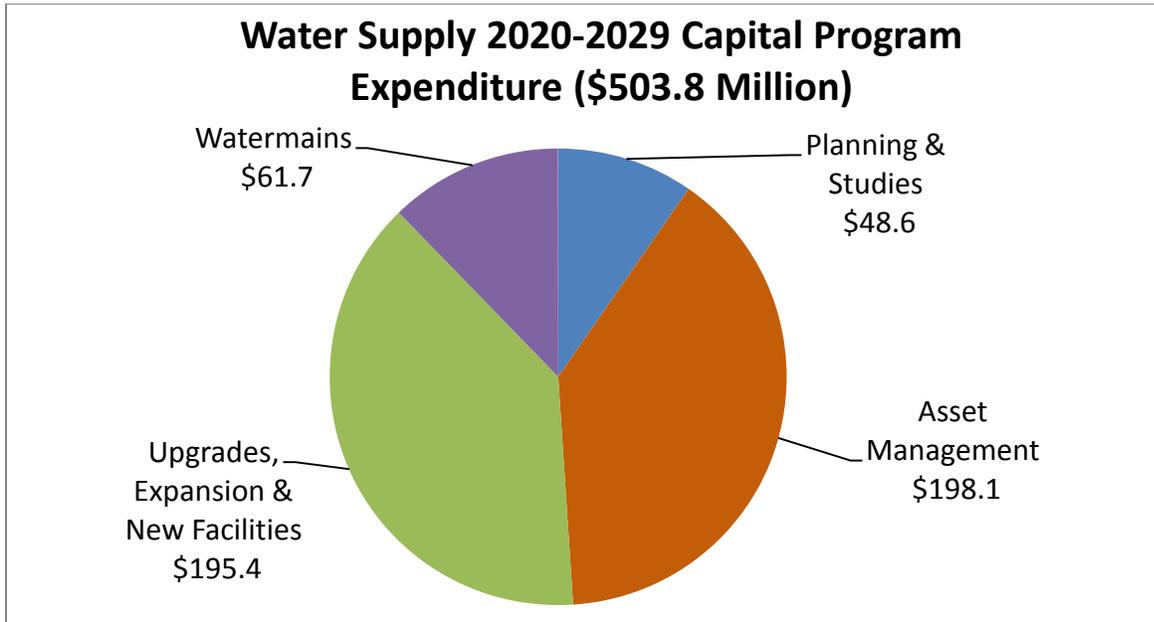


Water Supply has two reserves to assist with ensuring long term financial sustainability. The Capital Reserve focuses solely on providing a dedicated funding source that supports the capital program. The Water Stabilization Reserve manages operating budget variances, such as in-year revenue fluctuations, without negatively impacting capital financing.

**Water Supply – 2020-2029 Capital Program Expenditure**

The proposed 2020-2029 Water Capital Program outlines proposed investments totalling \$503.8 million, which is approximately \$19 million higher than the 2019-2028 Capital Program. The Capital Program reflects the 2014 Water Supply Master Plan recommendations which focus on the optimization and sustainability of existing systems. New federal standards for Manganese will require additional treatment and upgrades at four treatment facilities, and the cost for these upgrades is reflected in the 2020-2029 capital program. The 2020-2029 Program also includes costs for other emerging water treatment requirements identified by the Federal Government (Strontium, (PFAS)/(PFOA), Aluminum and potentially other chemicals).

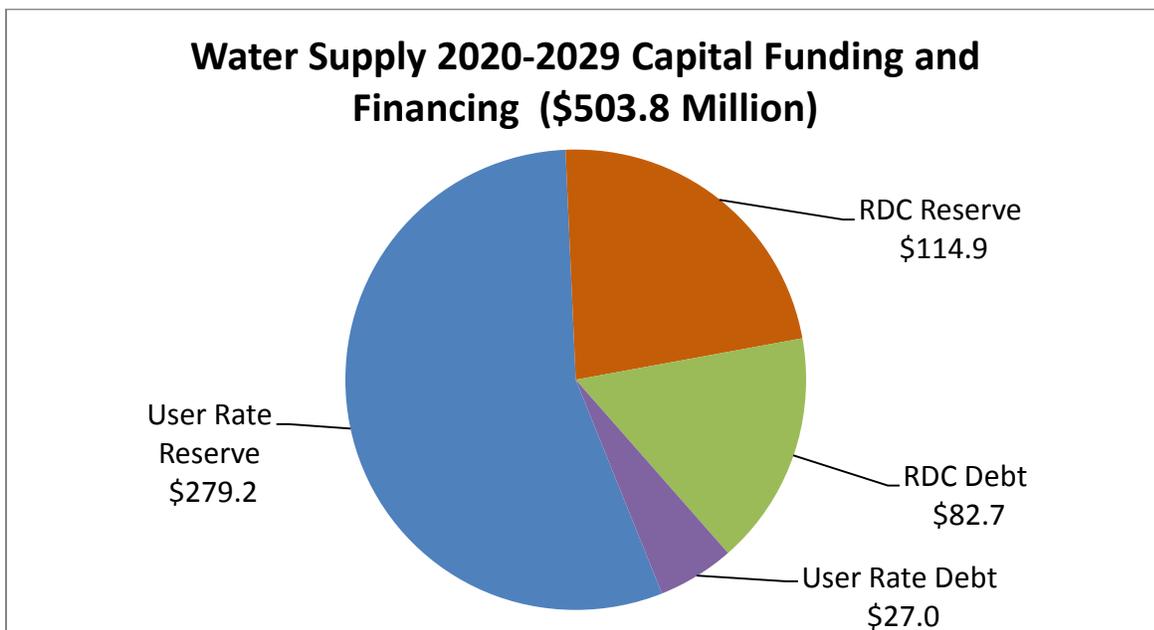
The chart below shows the Water Supply Capital Program by major expenditure category:



**Water Supply – Capital Program Financing**

The Water Supply Capital Program is funded from User Rates and Regional Development Charges (RDC). Financing in both cases is from the Water User Rate and/or RDC Reserves (previous and current year contributions) and, when required, from debentures (to be funded by either future users or development).

The chart below outlines the funding and financing of the 2020-2029 Water Capital Program:



The proposed financing plan for the Water Supply Capital Program provides for certain growth-related projects to be debt financed in order to spread the capital cost over a longer period and better match costs to anticipated RDC collections. Growth-related debt issued for a 20 year term is proposed for the following projects:

<b>Growth-related Water Capital Works</b>	<b>Growth Related Debt (\$ m)</b>	<b>Year of Debt Issuance</b>
Cambridge Water Distribution Upgrades	\$12.2	2021-2025
Manganese Treatment Upgrades	11.1	2022-2027
Pumping & Storage Facilities System Expansion	10.0	2025-2029
LTWS ASR Stages 1 + 2	8.3	2021-2024 2028-2029
Laurel Tank WTP	8.1	2021-2021 2026-2027
Elmira & St Jacobs Water Supply Optimization	6.5	2022-2024
Production Treatment Facilities System Expansion	5.0	2025-2029
SCADA Communication Upgrade	4.4	2021-2024
New Watermains	4.2	2023-2024
Tri City Distribution Upgrades	3.8	2021-2023
William St & K41/K42 Class EA	3.6	2021-2022
Baden New Hamburg Loops	2.7	2021-2022
Facilities Upgrades	2.0	2022
New Hamburg Reservoir Expansion	0.9	2022-2023
<b>SUB-TOTAL</b>	<b>\$82.7</b>	

Note: Totals may be subject to rounding.

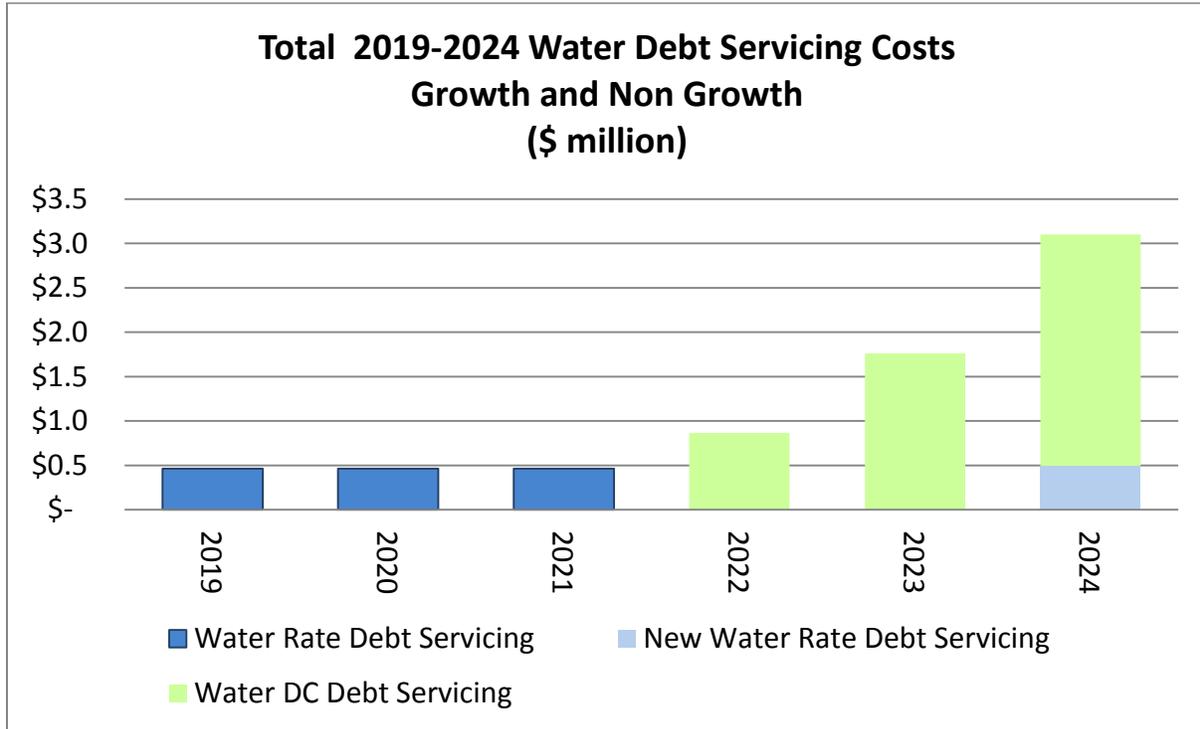
As indicated in the table above, a total of \$82.7 million in growth related debt will be required over the ten year capital program representing 42% of the ten year growth related capital costs for Water Treatment.

With respect to non-growth related projects, staff anticipate only one new non-growth related project for water supply will require debt financing over the next ten years (i.e. all other non-growth related capital costs can be fully funded from the Water Capital Reserve). Approximately \$27 million of debt has been included for the Manganese Treatment Upgrades project in the 2020-2029 capital program.

The proposed 2020-2029 financing plan spreads the cost of significant infrastructure projects over a broader group of benefitting users at a more affordable rate.

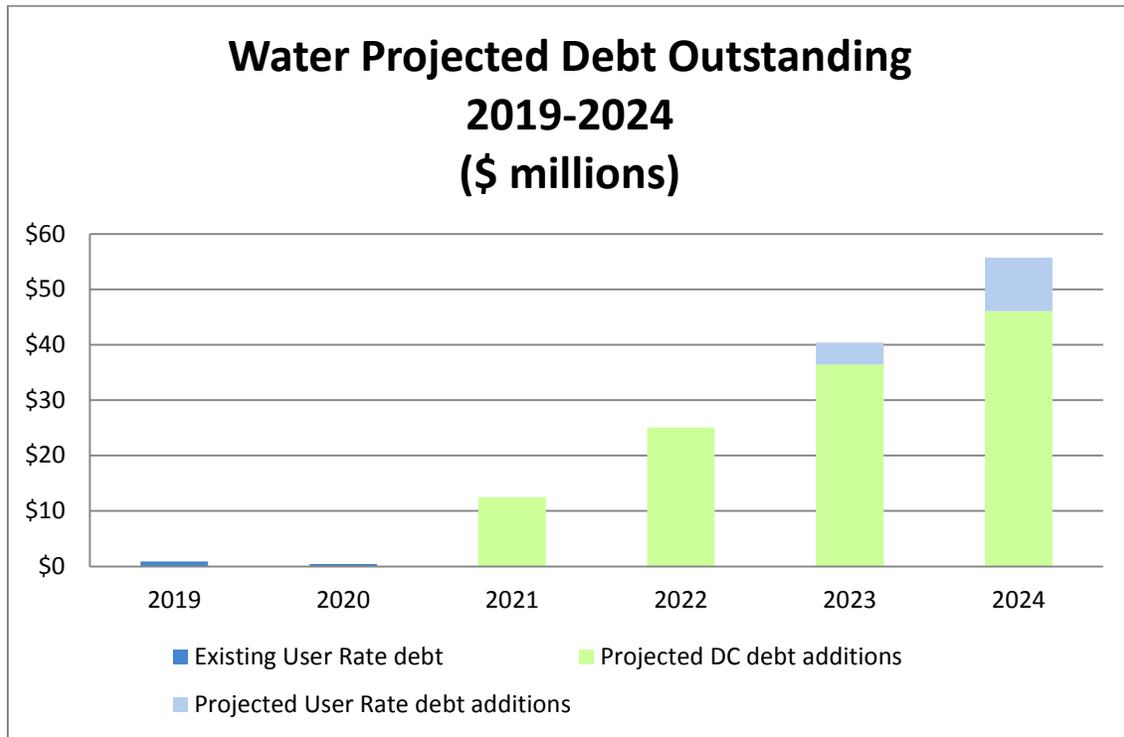
### Debt Projections

User rate supported debenture financing may be needed over the term of the forecast beginning in 2023. Debentures for Water Supply projects were issued in 2008 and 2011 and the associated debt servicing costs have been included in the operating budget and financial model. The chart below shows projected debt servicing costs to be funded by the water supply rate and development charges.



Debt servicing costs associated with debt issued for growth related purposes are funded from the Water Development Charge Reserve Fund.

The chart below shows the projected debt outstanding for growth and non growth related capital work.



As shown in the chart above, a significant amount of growth related debt is contemplated to be issued over the next five years, due to the timing of the capital projects in relation to the timing of collection of the development charges needed to fund project costs. Amendments to the Development Charges Act under Bill 108 More Homes, More Choice Act, 2019 and proposed under Bill 138, Plan to Build Ontario Together Act, 2019 will impact development charge collections in the short to mid-term. This along with relatively low RDC Reserve Fund balances and significant capital works identified will require the issuance of approximately \$83 million of growth related Water Supply debt over the next ten years.

Of particular concern is the amount of resulting debt servicing costs relative to the amount of Development Charge collections in any given year. Once issued, the debt servicing costs are fixed and must be paid regardless of the rate of growth and extent of Development Charge collections. If collections are not sufficient to fund the associated debt servicing costs, the water user rate would have to serve as the backstop to fund these costs. Growth related debt is projected to be issued in 2021 and the related debt servicing costs in 2022 are estimated to be approximately 5-10% of RDC collections. By the end of the ten year capital program, growth related debt servicing costs are estimated to be approximately 30-35% of RDC collections.

**Grand River Conservation Authority (GRCA) Levy**

The Region is the largest funder of the GRCA general levy, and the Region’s share has been funded from water and wastewater rates since 2004. The Region’s preliminary 2020 operating budget for water and wastewater includes a provision of \$6.1 million for

GRCA (an increase of 3% over the Region’s 2019 provision). Since the GRCA has not yet approved their 2020 funding requirement, the final GRCA levy may result in a minor variance in the water and wastewater budgets.

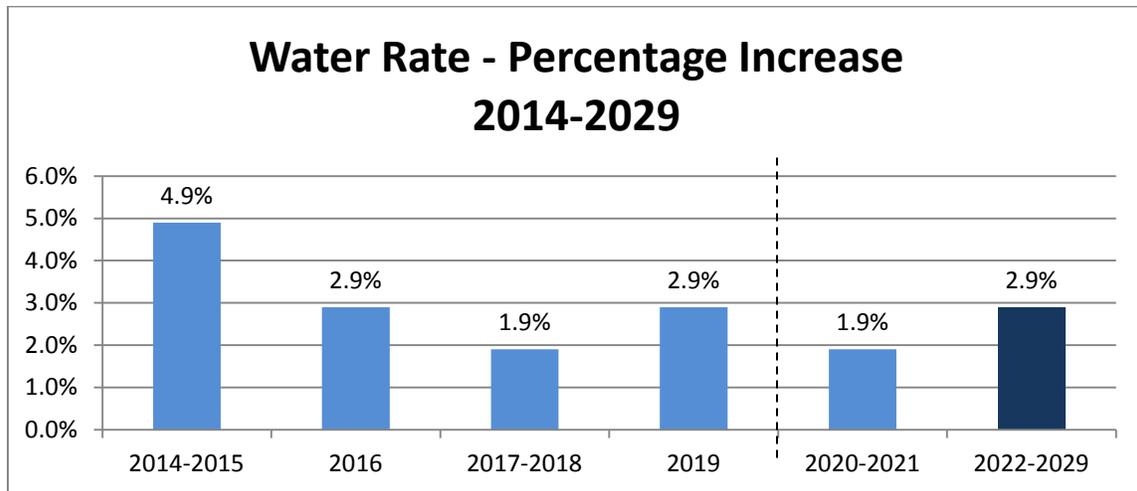
**Water Rate**

The ten-year rate model presented during the 2019 budget process projected a 2020 water rate increase of 2.9%. Staff are now recommending a water rate increase of 1.9% effective January 1<sup>st</sup>, 2020. This rate increase is 1% lower than proposed in the 2019-2028 model. The lower increases are predominantly due to reduced operating and capital costs and adjustments to contributions to capital reserves.

Water demand for 2019 is projected to be close to budget with a 0.8% or \$400,000 rate revenue shortfall. The 2020 water rate increase is based on a 0.7% reduction in water demand over the 2019 budget.

The ten-year rate model for 2020-2029 has been included in the 2020 Preliminary Budget Book. Projected rate increases are 1.9% for 2020-2021 and 2.9% for 2022-2029. The financial model includes revenue, operating and capital financing impacts as well a forecast of the amount of debentures required to finance various capital works.

The following graph depicts the historical and projected water rate percentage increases from 2014-2029.



The following chart compares the average household impact from 2019 to 2020. It assumes rate increases are effective January 1<sup>st</sup>. Annual average consumption is assumed to be constant at 204 m<sup>3</sup>.

	Rates per cubic metre		Annual Household Impact		
	2019	2020	2019	2020	Increase
Water	\$ 1.0749	\$ 1.0953	\$219.28	\$223.44	\$4.16



## **Region of Waterloo Budget Committee**

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### **Wastewater Treatment**

Budget Committee Date: November 26, 2019

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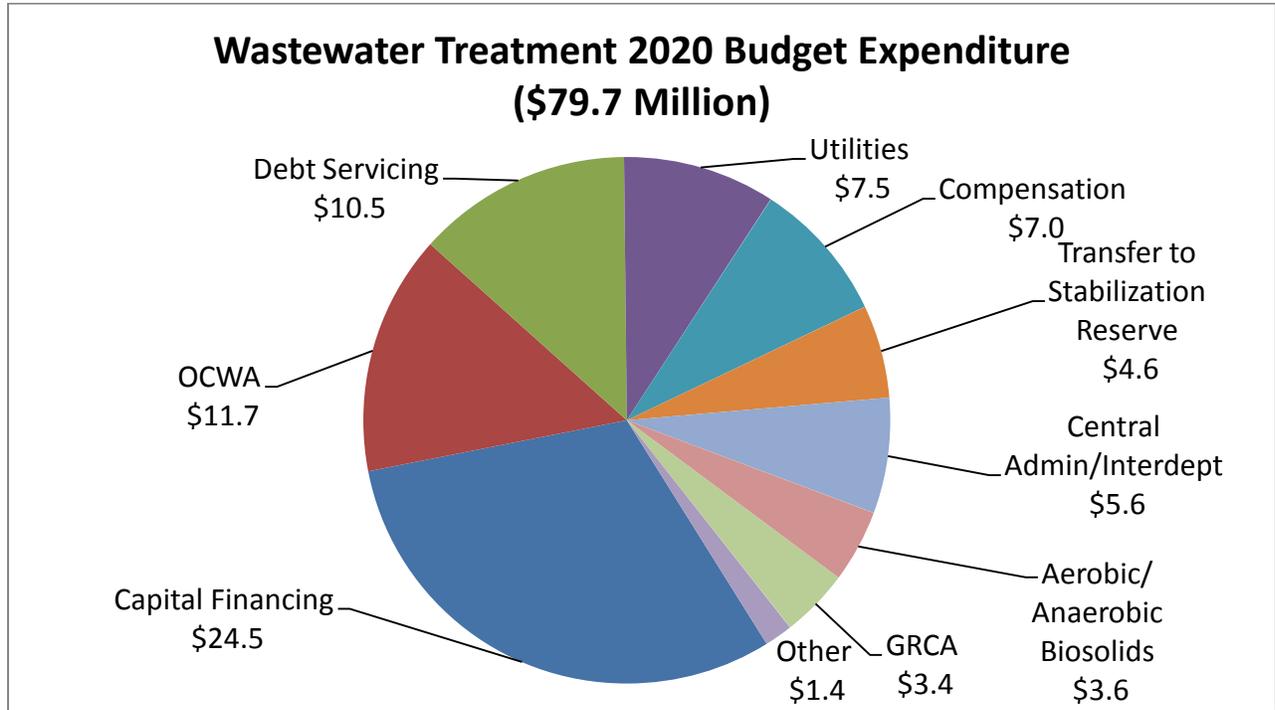
The Region provides wastewater treatment services to the seven area municipalities and is responsible for protecting the environment and accommodating growth in the community, in compliance with all applicable regulation and Regional policy. There are 13 wastewater treatment plants (WWTP), one biosolids processing facility and seven pumping stations treating an average of 61 million cubic metres annually. Laboratory services is part of the wastewater treatment program which monitors and enforces the Region's Sewer Use By-law and provides analytical laboratory support services and spills response services.

### **Wastewater Treatment – 2020 Budget**

Wastewater Treatment total expenditure, including capital funding, are projected to increase by 1.6% in 2020 to \$79.7 million. The 2020 Wastewater Operating Budget reflects the new Ontario Clean Water Agency (OCWA) contract and increased funding for capital projects of \$345,000. Funding for the Grand River Conservation Authority (GRCA) of \$3.3 million and discretionary Regional Development Charge (RDC) exemptions of \$1.7 million are also included in the proposed 2020 Wastewater Treatment Budget.

A detailed review of all expenditures during the 2020 budget process resulted in budget reductions in electricity and adjustments to analytical and sampling fees. These reductions total \$1,025,000.

The 2020 Wastewater Treatment Budget is summarized in the following chart:



The 2020 Wastewater Budget includes a \$4.6 million transfer to the Wastewater Stabilization Reserve. While the capital reserve focuses solely on providing a dedicated funding source that supports the capital program, the Wastewater Stabilization Reserve manages operating budget variances, such as in-year revenue fluctuations, without negatively impacting capital financing.

The program budgets in the 2020 Preliminary Budget document include estimated actuals based on results to the end of September. Based on the flows from January to September, the projected year end actuals were lower than budgeted. Over the past few winters, there has been a reduction in the overall snowcap resulting in lower revenues in the first quarters of those years. As of the end of September, there was an estimated 2019 revenue shortfall of \$2.6 million and an estimated \$308,000 in expenditure savings, resulting in an overall projected 2019 shortfall of \$2.3 million. This shortfall will require funding from the Wastewater Stabilization Reserve.

The Wastewater Stabilization Reserve balance has been decreasing due to historical rate revenue shortfalls, but is expected to rise in 2020. The chart below shows the budgeted versus targeted Stabilization Reserve balances.

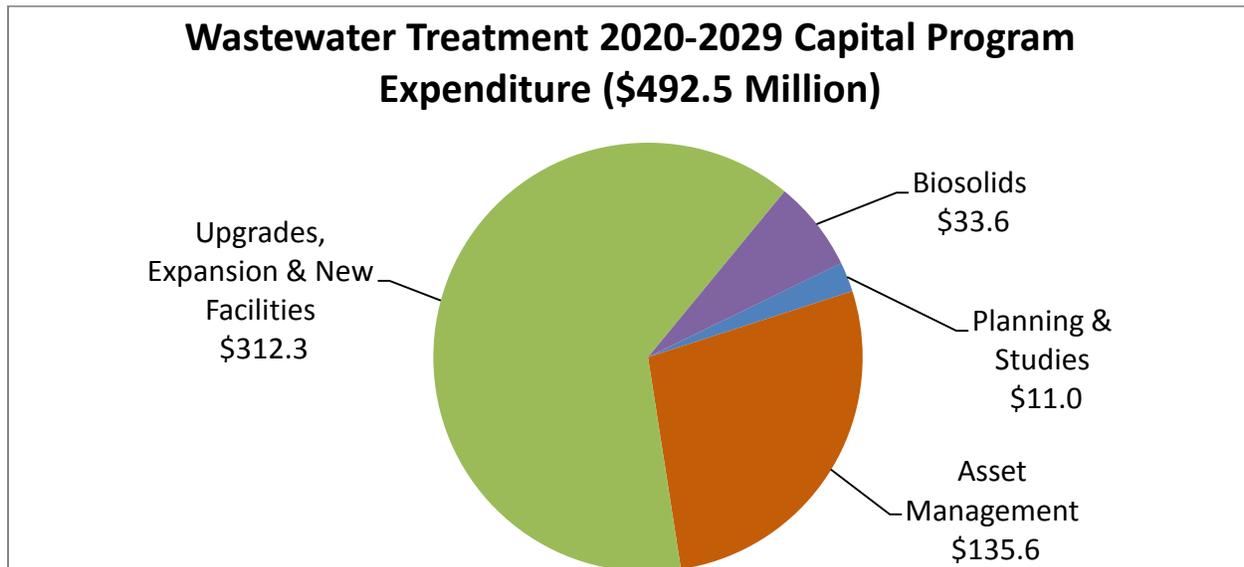
### Wastewater Stabilization Reserve (\$ Millions)

	2019	Estimated Actual 2019	2020	2021	2022
<b>Projected Opening Balance</b>	<b>\$2.3</b>	<b>\$2.3</b>	<b>\$4.6</b>	<b>\$9.1</b>	<b>\$9.6</b>
Transfer (to)/from Operating	4.6	4.6	4.6	0.5	1.0
Surplus/Shortfall		(2.3)			
<b>Stabilization Reserve Closing Balance</b>	<b>\$6.9</b>	<b>\$4.6</b>	<b>\$9.1</b>	<b>\$9.6</b>	<b>\$10.6</b>
Target Wastewater Stabilization Reserve	11.5	11.5	11.7	12.3	12.9
<b>Surplus/(Shortfall) from Target</b>	<b>(\$4.6)</b>	<b>(\$7.0)</b>	<b>(\$2.6)</b>	<b>(\$2.7)</b>	<b>(\$2.3)</b>

#### Wastewater Treatment – 2020-2029 Capital Program Expenditure

The preliminary 2020-2029 Wastewater Treatment capital program outlines proposed investments totalling \$493 million which is approximately \$34 million less than the 2019-2028 program. The Wastewater Treatment Masterplan and Biosolids Masterplan were completed and approved in Spring 2018. By focusing on the timing of projects and taking into account modifications of growth projections, the Wastewater Treatment Masterplan allows for the deferral of some major projects, thereby reducing both user rate and growth related debt requirements. The Biosolids Masterplan identified short term storage needs and allowed for the deferral of management facilities beyond a ten year horizon.

The following chart shows the Wastewater Treatment 2020-2029 Capital Program by major expenditure category:

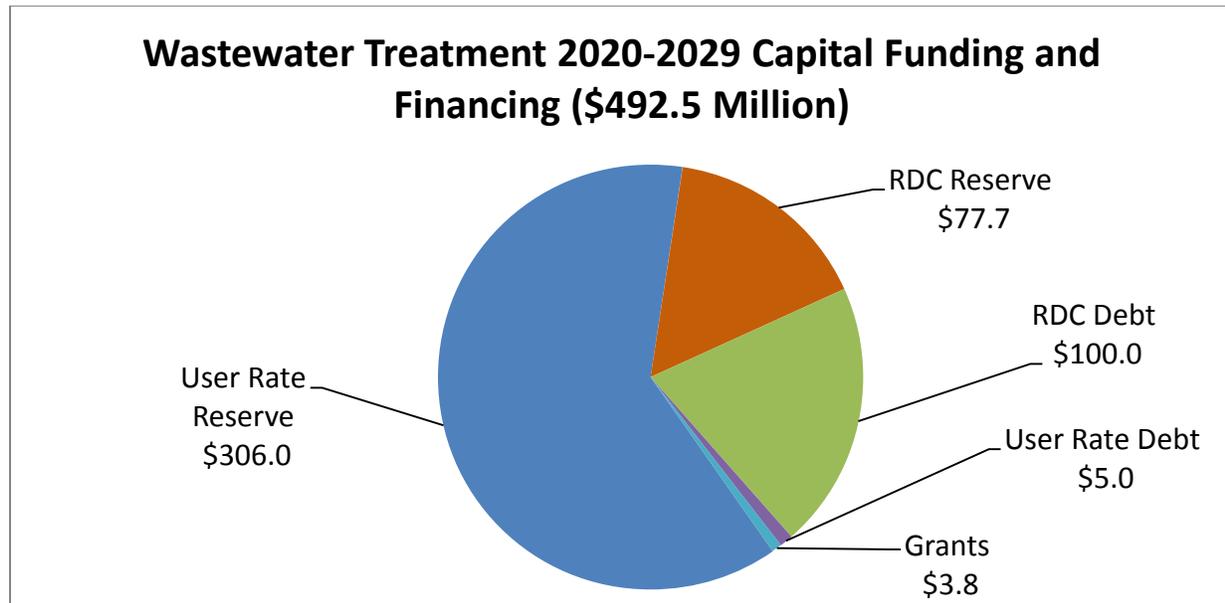


### Wastewater Treatment - Capital Program Funding and Financing

The Wastewater Treatment capital program is funded from the Wastewater Capital Reserve and from Regional Development Charges (RDCs). Financing in both cases is either directly from the reserve or through debentures, in which case the debt servicing costs are funded by the appropriate source (i.e. future users and development).

In Wastewater Treatment, there are significant capital costs being incurred in the early years of the capital program (e.g. Kitchener Wastewater Treatment Plant Upgrades, Galt Process Upgrades and Cogeneration). While these upgrades provide for long term sewage capacity, the benefitting growth will take place over an extended period of time, as will the related RDC collections. Accordingly, the proposed financing plan for the Wastewater Treatment capital program provides for certain growth-related projects to be debt financed in order to spread the cost over a longer period and better match costs to anticipated RDC collections.

The following chart outlines the funding and financing of the 10 year Wastewater capital program:



Growth related debenture financing (RDC debt) is proposed for the following projects:

Growth-related Wastewater Capital Works	Growth Related Debt (\$ m)	Year of Debt Issuance
<b>20 Year Issues:</b>		
Waterloo Expansion	\$29.0	2026-2029
Kitchener Process Upgrades	15.1	2020-2026
St Jacobs Expansion	11.6	2027-2029
Galt Process Upgrades & Expansion	11.3	2020-2024
Elmira Expansion	8.8	2028-2029
Baden/New Hamburg Expansion	7.4	2020-2021 2025-2026 2029
Hespeler Expansion	5.8	2020-2022
Biosolids Management Facility	3.4	2021-2023
Cogeneration & Other Biosolids Upgrades	2.3	2020
Spring Valley PS Upgrades	1.7	2025
Waterloo Upgrades	1.4	2029
Waterloo WWTP Outfall Upgrade	0.9	2028
Sewage PSs Infrastructure Upgrades	0.8	2020
Kitchener & Waterloo Infrastructure Upgrades	0.5	2029
<b>SUB-TOTAL</b>	<b>\$100.0</b>	

As indicated in the table above, a total of \$100 million in growth related debt will be required over the ten year capital program representing 56% growth related capital costs for Wastewater Treatment.

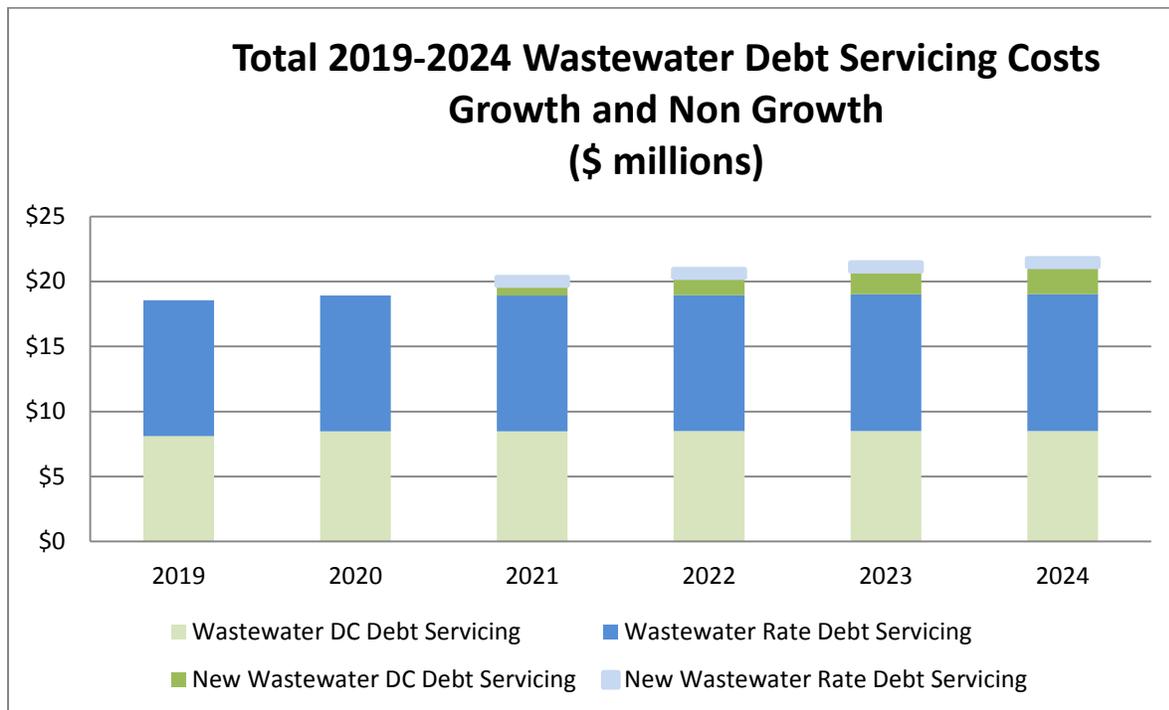
With respect to non-growth related projects, staff anticipate only one new Wastewater Treatment project will require debt financing over the next ten years (i.e. all other non-growth related capital costs can be fully funded from the Wastewater Capital Reserve). The Federation of Canadian Municipalities under the Green Municipal Fund has approved a low interest loan of \$5 million for the Cogeneration Project and this has been reflected in the 2020-2029 capital program.

The proposed 2020-2029 financing plan spreads the cost of significant infrastructure projects over a broader group of benefitting users and provide more capacity particularly in the Wastewater Development Charge Reserve Funds to manage fluctuations and any potential shortfalls in development charge collections.

Staff will continue to explore a number of additional strategies and will report back to Committee with recommendations for financing future capital program updates.

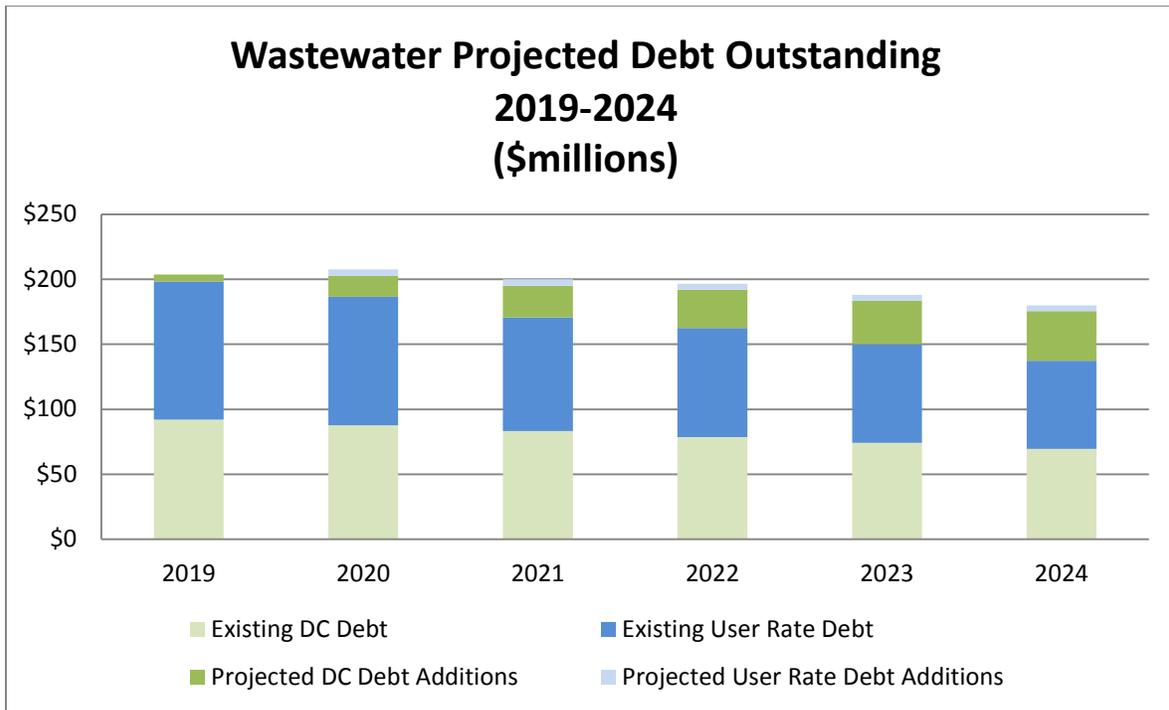
**Debt Projections**

Debenture financing is forecast in the wastewater financial model to achieve a balance between rate increases and debentures issued. The chart below shows projected debt servicing costs to be funded by the wastewater treatment rate and development charges.



Debt servicing costs associated with debt issued for growth related purposes are funded from the Wastewater Development Charge Reserve Fund.

The following chart shows projected debt outstanding for user rate and development charge supported debt over the next five years.



As shown in the chart above, a significant amount of growth related debt is contemplated to be issued over the next five years due to the timing of the capital projects in relation to the timing of collection of the development charges needed to fund project costs. Amendments to the Development Charges Act under Bill 108 More Homes, More Choice Act, 2019 and the proposed Bill 138, Plan to Build Ontario Together Act, 2019 will impact development charge collections in the short to mid-term. This along with relatively low RDC Reserve Fund balances and significant capital works identified in the next five years will require the issuance of \$100 million of growth related wastewater debt over the next ten years.

Of particular concern is the amount of resulting debt servicing costs relative to the amount of Development Charge collections in any given year. Once issued, the debt servicing costs are fixed and must be paid regardless of the rate of growth and extent of Development Charge collections. If collections are not sufficient to fund the associated debt servicing costs, the wastewater user rate would have to serve as the backstop to fund these costs. Growth related debt servicing costs in 2020 are estimated to be approximately 45-50% of RDC collections.

**Grand River Conservation Authority (GRCA) Levy**

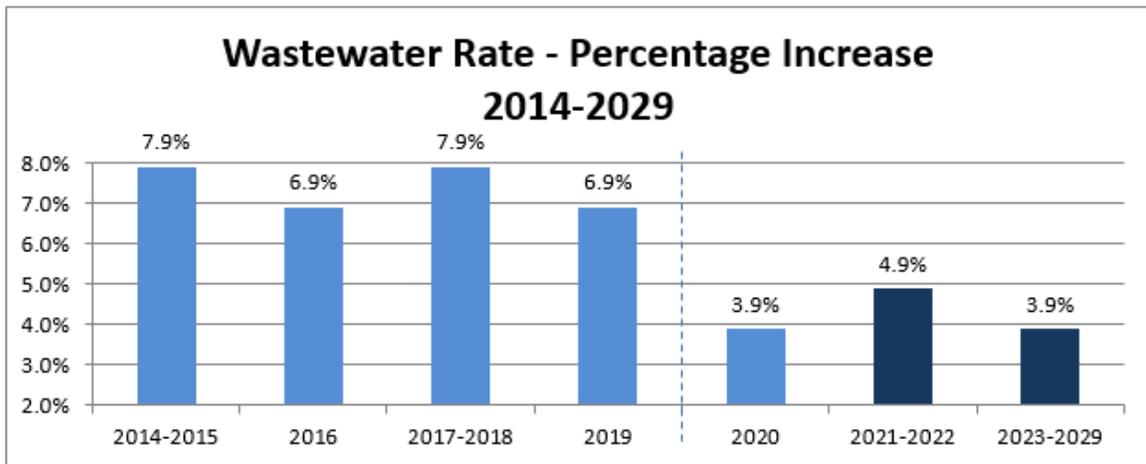
The Region is the largest funder of the GRCA general levy, and the Region’s share has been funded from water and wastewater rates since 2004. The Region’s preliminary 2020 operating budget for water and wastewater includes a provision of \$6.1 million for GRCA (an increase of 3% over the Region’s 2019 provision). Since the GRCA has not

yet approved their 2020 funding requirement, the final GRCA levy may result in a minor variance in the water and wastewater budgets.

**Wastewater Rate**

The ten-year rate model presented during the 2019 budget process projected a 2020 wastewater rate increase of 4.9%. Staff are now recommending a wastewater rate increase of 3.9% in 2020 effective January 1<sup>st</sup>, 2020. This rate increase is 1% lower than proposed in the 2019-2028 model. The lower increases are predominantly due to reduced operating and capital costs and adjustments to contributions to capital reserves. Future rate increases are projected to be 4.9% for 2021 to 2022, and 3.9% for 2023 to 2029.

The following graph depicts historical and projected wastewater rate percentage increases from 2014 to 2029.



As previously noted, rate increases and debenture requirements are determined using the wastewater financial model. This model includes revenue, operating and capital budgets and forecasts the amount of debentures required to finance various capital works.

The following chart compares the average household impact from 2019 to 2020. It assumes rate increases are effective January 1st. Annual average wastewater volume is assumed to be constant at 204m<sup>3</sup>.

	Rates per cubic metre		Annual Household Impact		
	2019	2020	2019	2020	Increase
Wastewater	\$ 1.2560	\$ 1.3051	\$256.22	\$266.24	\$10.02



Region of Waterloo

## **Region of Waterloo Budget Committee**

2020 Budget

Information Paper

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### **Water Distribution & Wastewater Collection**

Budget Committee Date: November 26, 2019

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The Region assumed ownership of the water distribution and wastewater collection systems in the Township of North Dumfries and Township of Wellesley in 2005. Water Services operates and maintains the water distribution system consisting of watermains, hydrants and valves, ensuring that drinking water always meets all applicable regulations and serving the villages of Linwood, Heidelberg, St. Clements, Wellesley, Ayr, Lloyd Brown, Branchton Meadows and Roseville. The wastewater collection system consists of sewer mains and manholes and is operated and maintained in accordance with all applicable regulations and legislation.

#### **Water Distribution – Operating Budget**

The proposed 2020 Operating Budget is increasing by 3.3% to \$2.7 million and reflects a proposed wholesale water supply rate increase of 1.9%. Minor increases were made to system maintenance and repair budgets to reflect the Region's commitment to identifying and repairing leaks in the system. Wholesale volumes have been adjusted to more accurately reflect actual demand within the Townships of North Dumfries and Wellesley.

The Water Distribution Stabilization Reserve is decreasing due to higher than anticipated repairs to distribution valves. The chart below shows the budgeted versus targeted Stabilization reserve balances.

**Water Distribution Stabilization Reserve (\$ Thousands)**

	<b>Budget 2019</b>	<b>Estimated Actual 2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
<b>Projected Opening Balance</b>	<b>\$1</b>	<b>\$1</b>	<b>(\$76)</b>	<b>\$208</b>	<b>\$258</b>
Budget Transfer (to)/from Operating	234	234	284	50	50
Operating Shortfall		(311)			
<b>Closing Balance</b>	<b>\$235</b>	<b>(\$76)</b>	<b>\$208</b>	<b>\$258</b>	<b>\$308</b>
Target Wastewater Stabilization Reserve	417	417	409	420	436
<b>Surplus/(Shortfall)</b>	<b>(\$182)</b>	<b>(\$493)</b>	<b>(\$201)</b>	<b>(\$162)</b>	<b>(\$128)</b>

**Water Distribution – Capital Program**

The proposed 2020-2029 Water Distribution capital program is \$2.9 million which is approximately the same as the 2019-2028 capital program. It includes provisions for leak detection and remedial work, future meter replacements and fleet purchases, and is funded by the Water Distribution Capital Reserve and Equipment Reserve.

**Water Distribution – Rate**

The 2020 Water Distribution rate is recommended to increase by 4.9% to \$3.14 per cubic metre on January 1<sup>st</sup>. This rate increase is 2% lower than what was proposed in the 2019 budget for 2020. Rate increases and monthly service charges are determined using the Water Distribution financial model. This model includes revenue, operating and capital requirements, and forecasts the annual rate adjustments and the amount of debentures required to finance various capital works. The ten year Water Distribution financial model is updated each year and is included in the Preliminary 2020 Budget Book for review.

The monthly service charge is recommended to remain at \$10.00 per month for 2020 and projected to increase to \$11.00 in 2021, \$12.00 in 2023, \$13.00 in 2025, \$14.00 in 2027 and \$15.00 in 2029. The service charge assists with covering the large proportion of fixed operating costs.

### **Wastewater Collection – Operating Budget**

The proposed 2020 Wastewater Collection operating budget is increasing by 4.7% to \$1.5 million and reflects a proposed wholesale wastewater rate increase of 3.9% as well as an adjustment in wastewater volumes to reflect the actual collection of wastewater within the Townships of North Dumfries and Wellesley.

### **Wastewater Collection – Capital Program**

The proposed 2020-2029 Wastewater Collection capital program is \$2.2 million which is an increase of \$965,000 over the 2019-2028 capital program. It includes provisions for replacements and upgrades to collection mains, and is funded by the Wastewater Collections Reserve.

### **Wastewater Collection – Rate**

The 2020 Wastewater Collection rate is recommended to increase by 3.9% to \$2.32 per cubic metre on January 1<sup>st</sup>. This rate increase is 1% lower than what was proposed in the 2019 budget for 2020.

The rate increase and monthly service charge are determined using the Wastewater Collection financial model. This model includes revenue, operating and capital requirements, and forecasts the annual rate adjustments and the amount of debentures required to finance various capital works.

The ten year Wastewater Collection financial model is updated each year and is included in the Preliminary 2020 Program Budget Book for review.

The monthly service charge is recommended to remain at \$8.00 per month for 2020 and is projected to increase to \$9.00 in 2021, \$10.00 in 2023, \$11.00 in 2025, \$12.00 in 2027, and \$13.00 in 2029. The service charge assists with covering the large proportion of fixed operating costs.

## Wastewater Collection Additional Proposed Rate Adjustment

In Wellesley Township there are a small number of customers (15) that are not connected to the water distribution system but are connected to the wastewater collection system. Wastewater user charges system-wide are based on the flow of water into a building. Because these customers do not have a water meter to measure the flow of water coming into their building, an estimated water usage was calculated a number of years ago to provide a base for an annual wastewater charge. For a number of years, the charge was not increased on an annual basis. These customers are therefore now paying a lower annual charge (approximately \$46 lower) than comparable users. To bring these customers closer in line with current rates, a 9.9% wastewater rate has been applied annually since 2015 to these customers. The proposed increase in 2020 would result in an annual wastewater cost for these customers (on average) of \$449.46 in 2020, as set out in the following table.

	2019	2020	2020	
	Annual	%	Annual	\$
	Cost	Increase	Cost	Increase
Typical Household Wastewater Cost	\$454.92	3.9%	\$473.28	\$18.36
Wellesley Wastewater homeowners not connected to Distribution	\$408.97	9.9%	\$449.46	\$40.49
Difference	\$45.95		\$23.82	

Two of the customers are commercial properties with rates based on a greater level of water consumption. For 2020, staff recommend that an increase of 9.9% in the annual wastewater rate be applied to the 15 customers. On an annual basis these rates will be reviewed until the annual rates are reflective of the prevailing user rates. This is in keeping with the recommendation from last year.

### Summary

The rates for the Townships of North Dumfries and Wellesley are based on staff recommendations as outlined above. The following chart compares the average household impact from 2019 to 2020. The calculation is based on a 12-month impact at the new rate. Annual average consumption is kept constant at 204m<sup>3</sup>.

The following table provides an estimate of impacts to the average household for 2020 Water Distribution and Wastewater Collection rates.

	2019	2020	Increase	Household Impact		
				2019	2020	Increase
<b>Water Distribution</b>						
Usage Rate (per m3)	\$ 2.99	\$ 3.14	\$ 0.15	\$609.96	\$640.56	\$30.60
Monthly Charge	\$ 10.00	\$10.00	\$ 0.00	120.00	120.00	0.00
				\$729.96	760.56	\$30.60
<b>Wastewater Collection</b>						
Usage Rate (per m3)	\$ 2.23	\$ 2.32	\$ 0.09	\$454.92	\$473.28	\$18.36
Monthly Charge	\$ 8.00	\$ 8.00	\$ 0.00	96.00	96.00	0.00
				\$550.92	\$569.28	\$18.36

The following chart compares the 2019 Water Distribution and Wastewater Collection user rates in the area municipalities. The 2019 rates were used because the 2020 rates have not yet been finalized by the area municipal Councils.

**2019 Water and Wastewater Rates  
(per 204 cubic metres)**

	Water			Wastewater			Total
	User Rate	Monthly Charge	Annual Bill	User Rate	Monthly Charge	Annual Bill	
Kitchener	\$2.4339	no monthly charge	\$497	\$3.0538	no monthly charge	\$623	\$1,120
Waterloo	\$1.9000	\$3.20	\$426	\$2.4500	no monthly charge	\$500	\$926
Cambridge	\$2.2872	\$9.24	\$577	\$2.3661	\$7.57	\$574	\$1,151
Woolwich	\$1.7300	\$13.00	\$509	\$2.8500	\$13.00	\$737	\$1,246
Wilmot	\$2.0514	\$8.50	\$520	\$2.5297	\$8.50	\$618	\$1,138
Wellesley	\$2.9900	\$10.00	\$730	\$2.2300	\$8.00	\$551	\$1,281
North Dumfries	\$2.9900	\$10.00	\$730	\$2.2300	\$8.00	\$551	\$1,281
Region	\$1.0749	no monthly charge	\$219	\$1.2561	no monthly charge	\$256	\$475