Regional Municipality of Waterloo

Committee of the Whole (2022 Plan and Budget Development)

Agenda

Wednesday, October 20, 2021
2:00 p.m.

Meeting to be held electronically
150 Frederick Street, Kitchener, Ontario

The purpose of this meeting is to provide an overview of the Region of Waterloo’s 2022 Annual Business Plan and Budget.

1. Roll Call

2. Land Acknowledgement

3. Declarations of Pecuniary Interest Under the “Municipal Conflict of Interest Act”

4. Reports

4.1 CAO-SPL-21-02/COR-CFN-21-35, 2022 Plan and Budget Overview (Information) (Staff Presentation)

5. Other Business

6. Next Meetings:
   - November 1, 2021, 1:30 p.m. – User Rate Operating Budget and Capital Program
   - November 1, 2021, 6:00 p.m. – Public Input Meeting #1

7. Adjourn
8. Motion to Go into Closed Session

That a closed meeting of Council be held on Wednesday, October 20, 2021 at 5:30 p.m., electronically, in accordance with Section 239 of the Municipal Act, 2001, for the purposes of considering the following subject matters:

a) labour relations
1. Recommendation:
For information

2. Purpose / Issue:
This report presents an overview of the draft 2022 Plan and Budget for Budget Committee preliminary feedback and guidance. The 2022 Plan and Budget sets out how the Region will work collaboratively with partners and community to make progress on community priorities as laid out in the Region of Waterloo’s Strategic Plan 2019-2023.

3. Strategic Plan:
The annual budget aligns resources to the organization’s strategic vision and numerous initiatives set out in the Region of Waterloo’s Strategic Plan. The annual budget, in part, sets the pace to deliver on the results outlined in the Plan. The organization has made considerable progress against its priorities and staff are in the process of finalizing the 2022 Plan to align the annual budget to build on these successes.

4. Key Considerations:

2022 Planning Approach
Over the past several months, staff across the organization have been reflecting on our strategic progress, prioritizing and engaging with community to develop a preliminary draft of the 2022 Plan and Budget. Building on the 2021 Plan and Budget process, staff have enhanced the process to develop the 2022 Plan and Budget, which has enabled greater collaboration amongst various departments and divisions and resulted in a stronger focus on the Region’s six areas of focus.
This approach was a necessary progression for the following reasons and offered a number of opportunities:

- The Region is facing increasing demands on its capacity and resources to respond to complex challenges that stretch the traditional mandates of municipal government and require agility (e.g. COVID-19, community safety, climate change, mental health and housing affordability).
- There is a greater need to ensure alignment between strategic objectives and financial resourcing strategies that will enable meaningful progress within current fiscal limitations and pressures.
- The pandemic has served as a catalyst for organizational transformation, requiring a more holistic view of strategic change that requires significant cross-departmental collaboration, shared decision-making and accountability for results that do not sit within a single department.
- The need to improve strategic dialogue about prioritization, risk management, and portfolio management for greater resource alignment, value for money and community impact.
- The need to establish a clear basis for improved strategic and operational performance tracking.

The 2022 Plan and Budget Process to date has included the following key stages:

- June – Plan and Budget Kick-off, including a strategic workshop with Regional Council to set the vision for a world-class community as the basis of the Plan and Budget process.
- July/August – Departments conducted strategic conversations/analysis and developed Divisional Business Plans. These plans were consolidated to create Departmental Business Plans.
- August/September - Staff underwent a process to enhance strategic alignment, prioritization and calibration across the organization. This was based on community need, capacities, resources and affordability. This resulted in the creation of a preliminary 2022 Plan and Budget.
- September/October - Community engagement and communications were rolled out to support the refinement of the 2022 Plan in time for initial Budget Committee dialogue and review at this October 20, 2021 meeting.

**Strategic Focus of Plan and Budget**

The preliminary draft Plan and Budget support the Strategic Plan 2019-2023 key areas of focus. The Plan builds upon initiatives from 2021 but takes into account the evolving needs of community.

Many themes feature in multiple areas, and this shows how integrated and collaborative the organization is becoming. For example, key themes and initiatives related to equity, economic participation and growth, health and safety, climate and transportation appear...
Thriving Economy Plan Summary:

- The organization has spent the last 12-18 months supporting community and business through the pandemic. Covid-19 and lockdown significantly impacted the labour market, market trends, and posed particular challenges for Small and Medium Enterprises, key sectors in our economy and disproportionately impacted populations in the community.
- As the community and economy begin to emerge from the pandemic, the initiatives in this area reflect a shift in focus from immediate pandemic response programs to securing a longer-term economic recovery and resiliency.
- Waterloo region is a significant technology and innovation hub that supports global resiliency and positive change for future generations through the development of leading edge solutions as well as powering our local economy. With this in mind, the Plan continues to support economic growth that builds a better future for us all such as innovative cluster growth strategies and the SmartWaterlooRegion strategy.
- The Plan also supports the goal of shared and inclusive prosperity where everyone can benefit from a strong economy, economic participation and opportunities. For example, this is seen through initiatives related to the development of employment lands and equity investments.
- Finally, there continues to be a focus on driving economic growth through significant investment in key transportation infrastructure and service delivery. Key opportunities include the ongoing development of Waterloo Region International Airport (YKF) which is seeing unprecedented passenger growth, and the multimodal connections to the Metrolinx GO rail system at the King and Victoria Transit Hub, Breslau GO Station and at other strategic transit locations.

Environment and Climate Plan Summary:

- Protecting the environment and mitigating/adapting to climate change is a significant focus of the 2022 Plan. Solving these complex and profound threats and challenges to our community and planet will mean a shift in how we live our lives, how we do business and how municipal services operate.
- The Region in collaboration with community have spent the last number of years creating the blue prints for action in this area, such as the TransformWR strategy. The 2022 Plan begins to mainstream this action across all areas of municipal business.
- Some examples of action are, ‘greening’ or ‘future-proofing’ our many assets such as fleet vehicles, buses and paramedic vehicles. Investing in technology and data capabilities will be important to track our progress, prioritize and make good use of limited resources for maximum community and climate impact.
• A significant focus continues to be working with area municipalities to build a complete, connected Active Transportation network that supports sustainable choices.

• In addition, the impacts of climate change are not felt equally across the community. For example, heat waves and air quality can have a greater impact on vulnerable populations. The development of a Climate Change and Health Vulnerability Assessment Tool will help reduce these inequities.

• Finally, one of the Region’s most essential features is the close connections between rural and urban communities. This offers the opportunity to think system-wide about the food system and reducing food waste, how to protect critical natural heritage and to thoughtfully consider a vision for Greenfield communities as part of the Regional Official Plan.

Sustainable Transportation Plan Summary:

• Transportation investment and improvements are integral parts of the 2022 Plan and appear in almost all other areas.

• Transportation features most prominently in three main areas; rethinking how we get around to benefit the environment and to mitigate climate change; as a driver for economic growth, and finally as a means to support health, safety and equity across the community.

• Over the past 18 months, public transit services were significantly impacted by the COVID-19 pandemic through decreased ridership, and working to regain the trust of riders on buses and LRT.

• These are still important areas for the Plan going forward, and increasing ridership to pre-pandemic levels and beyond is an important goal.

• Significant investment and intergovernmental advocacy continue for transportation infrastructure such as King and Victoria Transit Hub, Stage 2 LRT, Improved GO Bus and Rail to name a few.

• Focus continues on building active transportation networks and increasing safety on our roads with the Automated Speed Enforcement Cameras and other related initiatives.

Responsive & Engaging Services Plan Summary:

• The COVID-19 pandemic impacted municipal service delivery in ways never before imagined. Some of these changes were difficult to manage and others offered opportunities to change how we worked for the better.

• There were countless examples of how the Region, in partnership with area municipalities and others, transformed service, reduced red tape and found ways to make things happen faster and easier for people.

• The 2022 Plan looks to build on this by accelerating this change and welcoming a new era of service that is simple, built with the community, individualized where
possible; human-centred and that offers more digital options.

- The initiatives in this part of the Plan leverage new technology, creative service delivery models, advanced analytics and artificial intelligence. These efforts will add value to communities whilst also enabling us to work smarter and more efficiently.
- To add transparency and drive improvement, the organization will set up new corporate performance systems including clearer KPIs, dashboards, and transparent reporting that are relevant to Council, stakeholders and community.
- Another reminder from the pandemic has been the importance of good communications. It helps us build trust, provide good service, and supports collaboration. The 2022 Plan incorporates enhanced communications built around a new brand strategy, using story telling through digital social channels.

Healthy, Safe & Inclusive Communities Plan Summary:

- COVID-19 shone a light on and accelerated many challenges that were already here in the community such as the impacts of systemic racism, inequity and social injustice.
- The 2022 Plan recognizes that being healthy and safe means having equitable opportunities, economic stability, strong social connections and easy access to supports. It also means amplifying diverse voices in leadership and decision-making.
- Advancing Truth and Reconciliation is foundational to increasing health and safety in the community. The Region continues to collaborate with community, partners and area municipalities to take action in this area. Although there is still much work to do, one example is the creation of a Reconciliation Action Plan that will help guide long-term change.
- Focus of the 2022 Plan continues with system re-design and better integration/new models of working with partners and community to deliver services. One such example is Paramedic Services enhancements that will design and implement multi-partner, integrated programs for alternative destination clinical pathways and mobile mental health and addiction supports.
- Upstream innovation and equity continues with the implementation of the Affordable Housing Framework, the Community Safety and Wellbeing Plan/Framework, and the development of a multi-year Equity, Diversity and Inclusion Plan.

Our People Plan Summary:

- The work of municipal government is complex and ever changing. To achieve community goals it is important to evolve organizational culture, adapt the ways staff work, and find ways to keep and attract diverse and creative talent.
- 2021 proved that the Region can move fast and be agile and responsive to
changing/urgent needs and the 2022 Plan builds on that momentum.

- A significant part of the Plan in this area is to create a work environment where staff can be and do their best and are motivated by a strong sense of belonging all of which will contribute to improving the service experience of the community.

- Some of the important foundational initiatives moving forward this year include a Culture Change Initiative, and Talent Acquisition and Talent Management Strategies. The labour market is competitive and the Region has to offer a world class and inclusive employee experience to attract and keep talented people.

- Staff are also looking to modernize how and where staff work, again leveraging new technologies, through our ‘Ways of Working’ initiative and the ‘Space Optimization’ project.

- Finally, like all employers, the Region recognizes that the pandemic has been challenging for staff who have been working tirelessly to support the community through the COVID-19 pandemic, and these staff need support. To this end, the Plan also includes steps to invest in mental health supports and broader well-being.

Overall, the 2022 Plan is ambitious, reflects evolving community needs and the original Council vision set out in the Region’s Strategic Plan 2019-2023. All of these priorities are important. However, such an ambitious plan comes with resource and budget implications that require Council, in collaboration with staff, to consider which areas of the Plan can move forward quicker than others. Staff continue to work collaboratively to review priorities to recommend a pace of implementation that balances achieving the priorities for residents with overall affordability.

In addition, municipalities have stepped up to respond to growing complex community challenges such as housing affordability, mental health and addictions, community safety and climate change. Many of these have stretched the municipal mandate and blurred the lines between layers of government and their respective responsibilities, but have not always brought with them adequate additional funding. This is important policy dialogue that Council must consider during its deliberation and approval of the 2022 Plan and Budget.

**Major Budget Drivers, Assumptions and Budget Status**

Staff are in the process of finalizing operating budgets that support the 2022 Plan and intend to bring forward a budget that meets the Council approved guideline in the range of 2%-3%. Major 2022 operating budget drivers include:

- Continuing to deliver essential services for residents including water and wastewater, waste management, public health and emergency services, long-term care and seniors services, subsidized housing and child care, public transit, roads and infrastructure, air service, planning permits and supports, and more.
• Transformational Investments:
  o Addition of Affordable Housing units (2,500 units over five years)
  o Supports for Indigenous, Black and Racialized Communities
  o Service Modernization through Technology
  o Continuing Business Supports required to deal with pandemic pressures
• Incorporating annualized funding for transit service levels reinstated in the fall of 2021
• Launch of operations of a 200 bus GRT storage and maintenance facility on Northfield Drive
• Addition of two 12-hour ambulances as part of the implementation of the Paramedic Services Master Plan and the annualization of 2021 service expansion
• Significant increase in the cost of fuel
• Funding for discretionary regional development charge exemptions
• Funding for capital projects to promote long term financial sustainability
• Inflationary impacts on a variety of expenditure lines

A number of key assumptions are incorporated into the development of the 2022 operating budgets, some of which present some risk in 2022. These include:

• COVID funding – the 2022 budget assumes that COVID-related pressures will continue to be funded through support from senior levels of government. While the Region has carried over significant amounts of funding announced in 2021 for use in 2022, a number of provincially-funded programs have not indicated further funding will be forthcoming. The following table outlines the assumptions and funding risks in the 2022 budget ($ millions):

<table>
<thead>
<tr>
<th>Program</th>
<th>Provincial Funding Budgeted</th>
<th>Funding Commitments to Date</th>
<th>Budget Risk</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transit – fare revenue shortfall (2020 levels)</td>
<td>$11.5</td>
<td>$11.5</td>
<td>$0</td>
</tr>
<tr>
<td>Emergency Shelters</td>
<td>$10.6</td>
<td>$4.0</td>
<td>$6.6</td>
</tr>
<tr>
<td>Seniors' Services</td>
<td>$2.8</td>
<td>$0.2</td>
<td>$2.6</td>
</tr>
<tr>
<td>Paramedic Services</td>
<td>$1.7</td>
<td>$0</td>
<td>$1.7</td>
</tr>
<tr>
<td>Public Health (case contact tracing and vaccine rollout)</td>
<td>$17.0</td>
<td>$0</td>
<td>$17.0</td>
</tr>
</tbody>
</table>

• Transit ridership – GRT transit ridership is currently at 44% of pre-pandemic levels on a year to date basis, and 63% for September. The transit services budget assumes that GRT ridership will start at 65% at the beginning of 2022.
and recover to 85% by the end of the year, and these assumptions have been used to determine the revenue shortfall anticipated in the table above. To the extent that ridership is slower to recover, it presents additional budget risk.

- Assessment growth – staff are estimating net 2021 assessment growth to be 1.3% for the purpose of 2022 property tax impact calculations.

Regional staff are developing a 10-year capital program that will meet key plan objectives, support the strategic plan, and which is aligned with long-term financial sustainability principles and objectives. Currently, the draft 10-year capital plan reflects planned investments of approximately $5.5 billion from 2022-2031, with approximately $500 million in 2022. Significant investments are planned relating to public transit, housing, roads, water and wastewater, and regional facilities.

Funding sources for capital works are limited to property taxes, user fees, development charges and senior government grants where available. Long term financial sustainability is reflected in the Region’s 2019-2023 Corporate Strategic Plan, Focus Area 5: Responsive and Engaging Public Service, which includes Objective 5.4 “Ensure the Region provides value for money and long term financial sustainability”. As described in COR-CFN-21-28 Long Term Financial Sustainability Update dated June 22, 2021, there are number of risks identified in the Region’s ten-year capital program that need to be mitigated. Most significantly, the capital program is underfunded and relies too heavily on long term borrowing to fund both renewal works and emplacement of new infrastructure. In order to mitigate this risk, the Region continues to implement the Capital Asset Renewal Funding Strategy, which increases pay-as-you-go funding for renewal works from the operating budget until a targeted level is achieved. The funding shortfall based on the 2021-2030 capital program is approximately $40-$45 million annually. This strategy ultimately preserves debt capacity for financing significant new infrastructure.

5. Background:

Council’s work on the 2022 Plan and Budget commenced with a workshop on June 15, 2021 where staff shared with Council a vision for a world-class community that furthered community priorities as set out in the Corporate Strategic Plan 2019-2023. Staff also outlined processes for business plan development, operating budget development outlining key budget pressures and priorities and capital budget development and guiding principles.

A follow up discussion was held with Council on June 30, 2021 to further discuss the 2022 Plan and Budget. Staff outlined 2022 budget pressures and priorities and provided an early projection of the estimated tax increase of approximately 6% for 2022. Staff requested input from Council regarding a potential range of property tax and user rate increases for the 2022 budget and Council directed staff to develop the 2022 preliminary operating budget within a range of a 2-3% increase.
6. **Area Municipality Communication and Public/Stakeholder Engagement:**

The Region undertakes regular community and stakeholder engagement throughout the year. The results of these engagements and the needs expressed by community through them are reflected in the 2022 draft Plan and Budget.

In addition, staff launched a communications and community engagement campaign in late September on the 2022 Plan and Budget. Engagement will continue throughout November with two public input meetings scheduled for November 1 and November 22. A Plan and Budget Survey is due to close on October 21, 2021 and preliminary findings will be presented at the Budget Committee Meeting on October 20, 2021.

7. **Financial Implications:**

The Regional tax levy comprises an average of 55% of the residential property tax bill and 42% of the commercial/industrial tax bill. Total tax supported operating expenditure in 2021 exceeds $1.0 billion with a Regional property tax levy of $581 million, of which $395 million (68%) is for direct Regional Services and $185 million (32%) is for Police Services. Total budgeted water and wastewater operating revenue in 2021 is $142 million. A 1% change in total regional taxes in 2022 equates to $5.9 million, representing an increase of $21 for a typical residence.

On June 30, 2021 Council directed staff to develop the 2022 preliminary operating budget within a range of a 2-3% increase. Staff are continuing to finalize the 2022 operating budgets to meet this Council approved guideline.

8. **Conclusion / Next Steps:**

As outlined in report COR-CFN-21-30, a timeline was established for the 2022 Plan and Budget Process. Two Budget Committee meetings are scheduled for November to provide detailed reviews of the user rate operating and capital program and the tax supported operating budget and capital program. A separate Budget Committee is planned to provide an overview of the Police Services budget. Approval of user rate budgets are scheduled for the second meeting in November, while final budget day which includes approval of 2022 Operating Budgets and Capital Programs for Tax Supported Programs is scheduled for December 15.

9. **Attachments / Links:**

Nil

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