

## 2020 Budget Overview



Region of Waterloo

Presentation to Budget Committee

November 13, 2019

## Introductory Comments

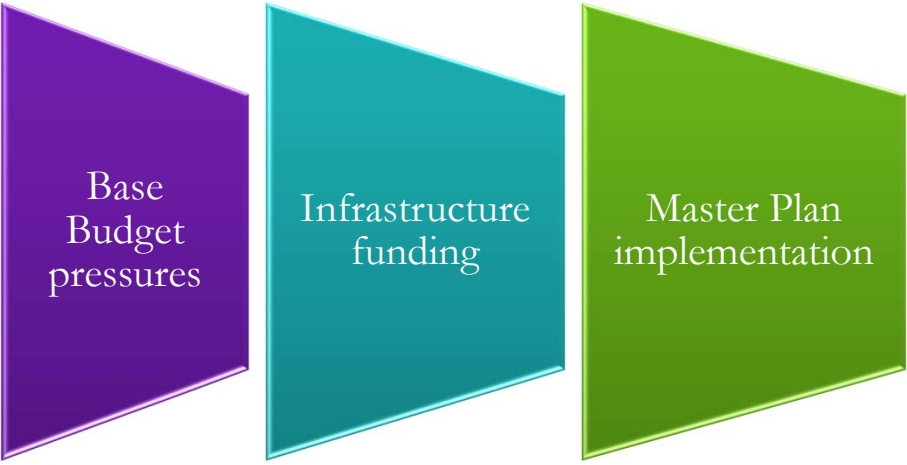


Region of Waterloo

Mike Murray

Chief Administrative Officer


## 2020 Budget Challenges



Base Budget pressures

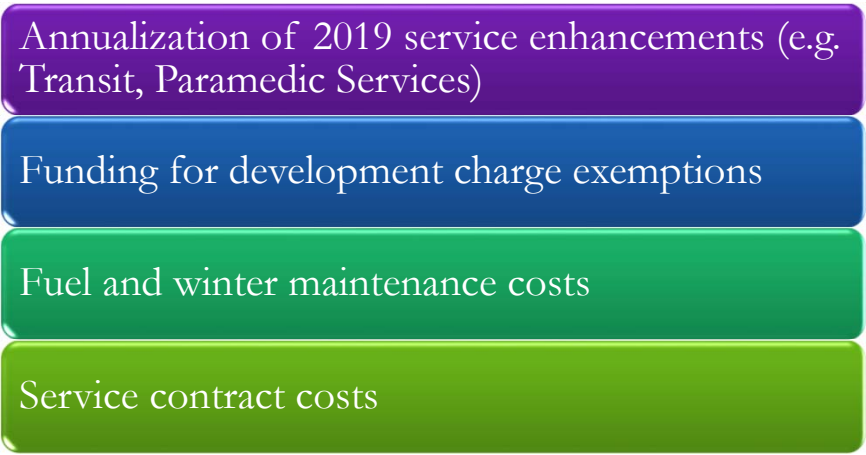
Infrastructure funding

Master Plan implementation



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## Base budget pressures




Annualization of 2019 service enhancements (e.g. Transit, Paramedic Services)

Funding for development charge exemptions

Fuel and winter maintenance costs

Service contract costs



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## Infrastructure funding

Existing

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


New

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

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## Master plans

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

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## Base Budget Adjustments

Efficiencies and cost savings without impacting service levels:

energy saving retrofits	reviewing and adjusting staffing levels and overtime requirements	new user fee revenues	office supplies and minor maintenance
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Base Budget Reductions (\$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>



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## Future challenges

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

Council should take a long term view



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# 2020 Budget

# Questions?

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## 2020 Regional Budget

### Objectives of today's meeting

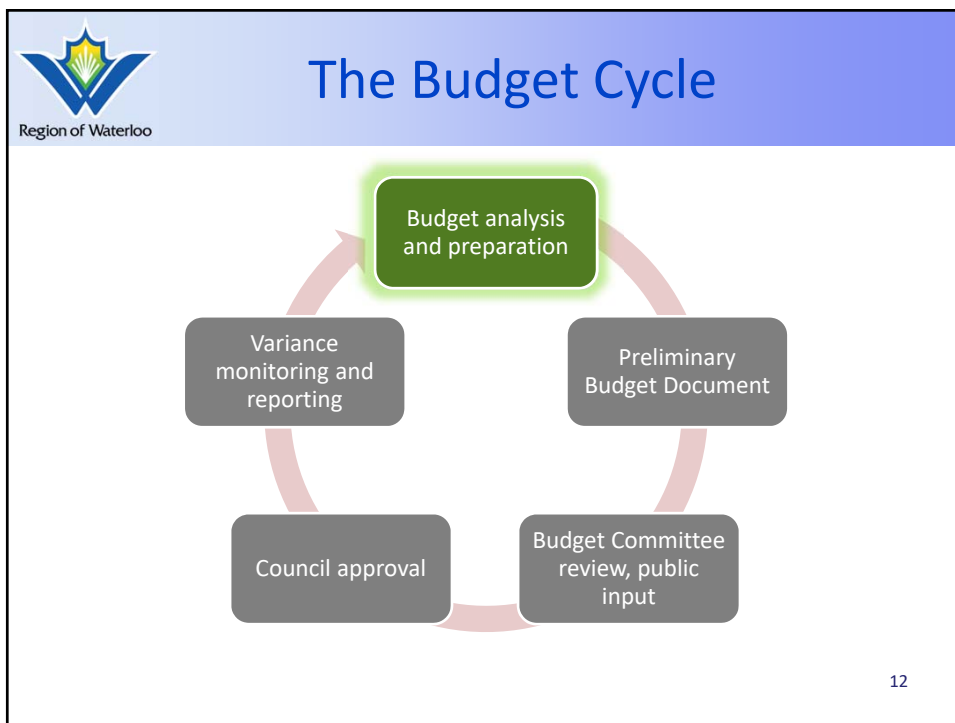
Overview of the status of the 2020 budget and the major factors influencing regional costs and revenues	Preview of the 2020-2029 capital program
Proposed 2020 budget issue papers	Feedback from Council on areas for which additional information is required

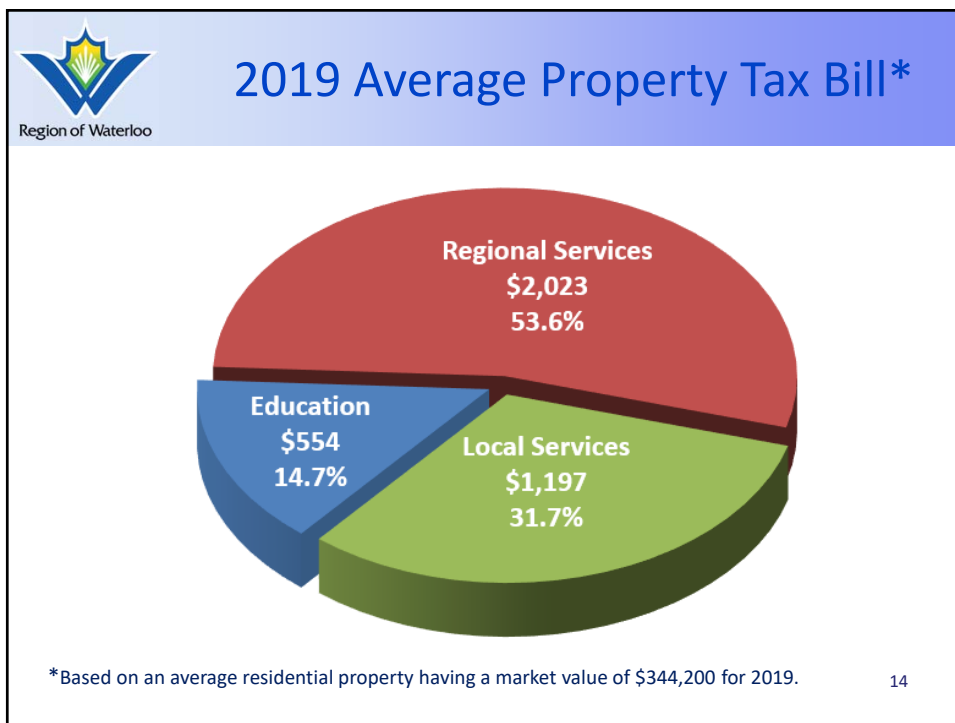
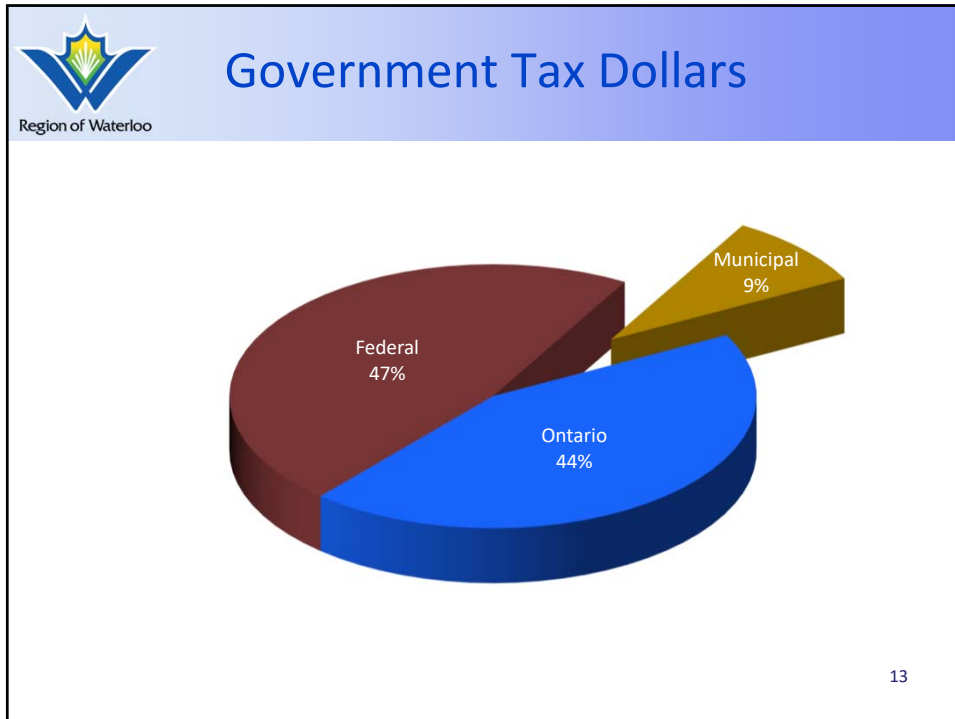
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 **2020 Regional Budget  
Today's Agenda**

- Introduction
- Economic Indicators
- User Rate Operating Budget and Capital Program
- Tax Supported Operating Budget and Capital Program
- Funding and financing of growth-related infrastructure
- Public Engagement

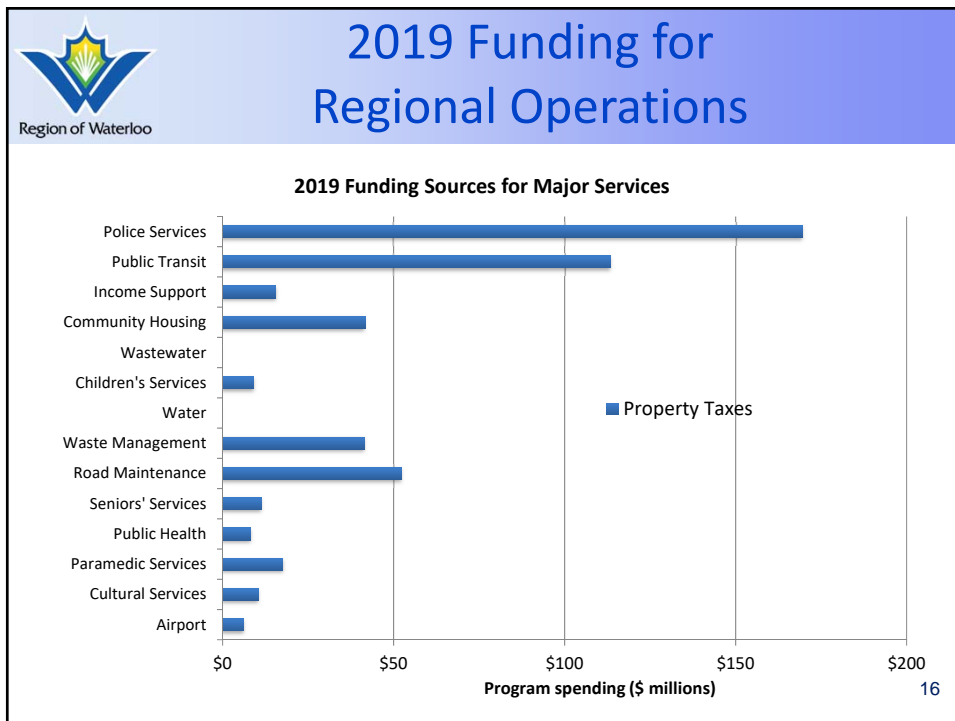
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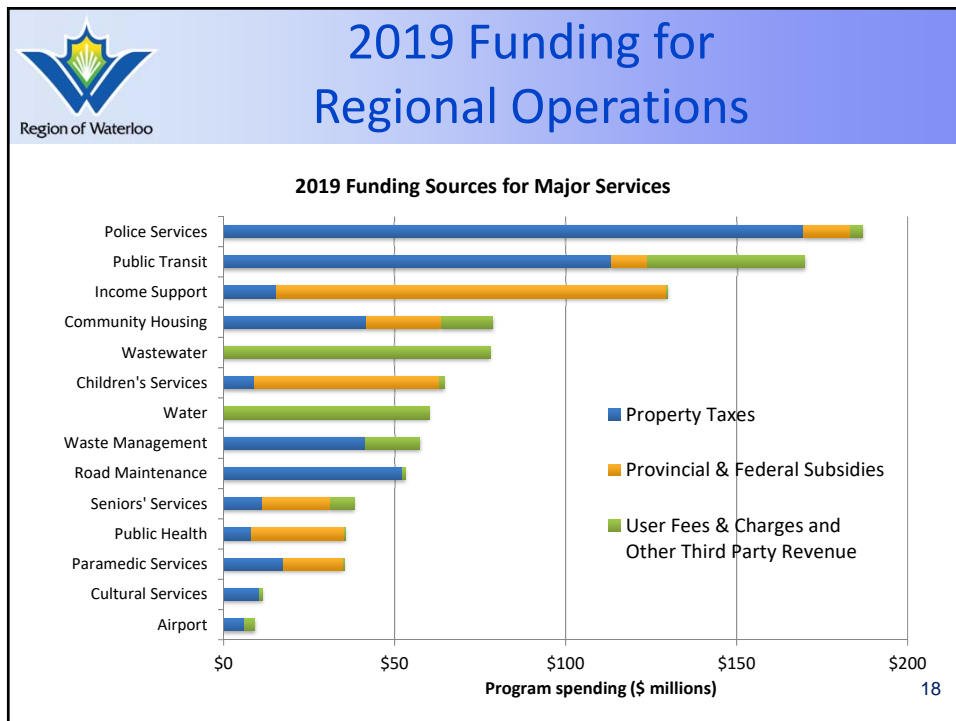
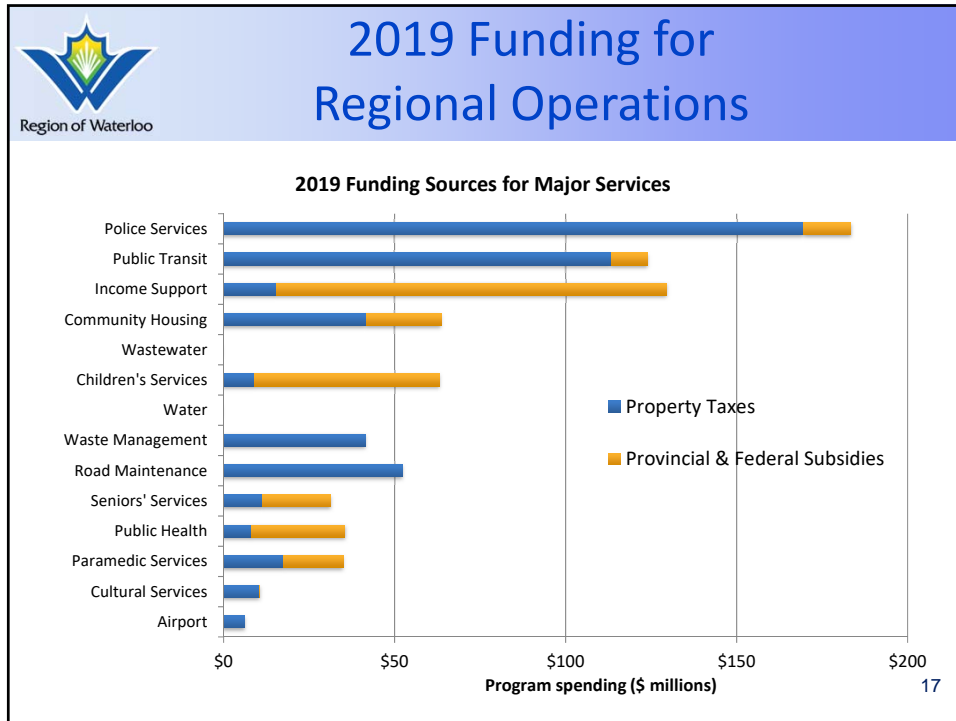


 <b>Property Tax and User Rate Requirements</b>		
	<b>User Rate Budget</b>	<b>Property Tax Budget</b>
	Operating expenditure for water/wastewater	Operating expenditure for all other services
<b>Plus:</b>	Funding for capital	Funding for capital
<b>Less:</b>	Recoveries, surcharges	Grants, subsidies, user fees and charges
<b>Equals:</b>	<b>Net user rate revenue requirement (\$)</b>	<b>Net property tax levy requirement (\$)</b>

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## Long term master plans

Region of Waterloo

# Master plans

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

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## Moody's credit profile

Region of Waterloo

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

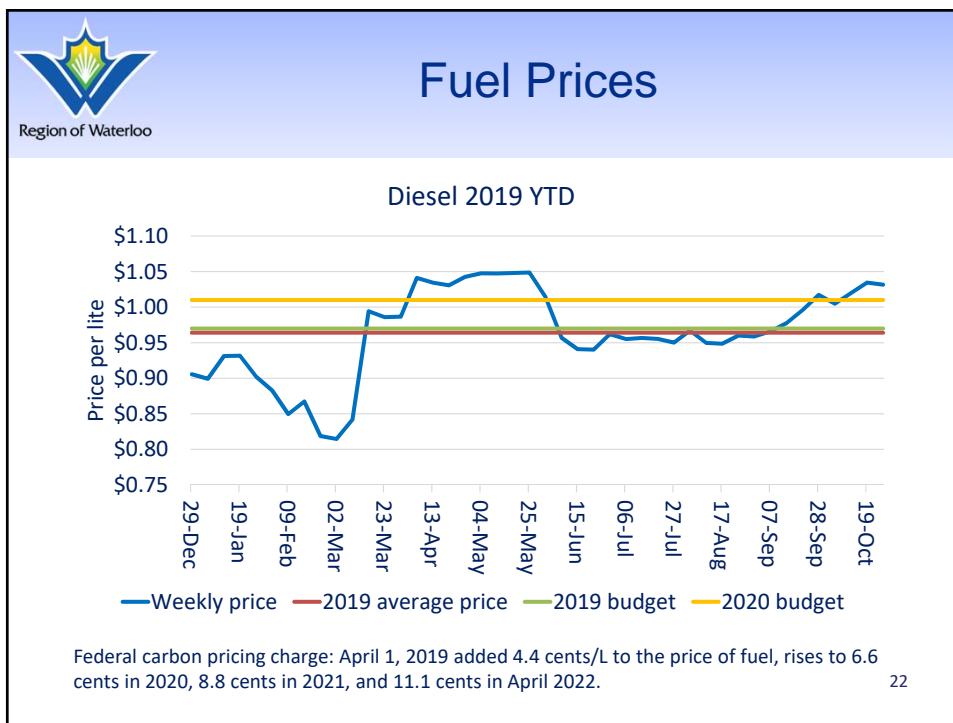
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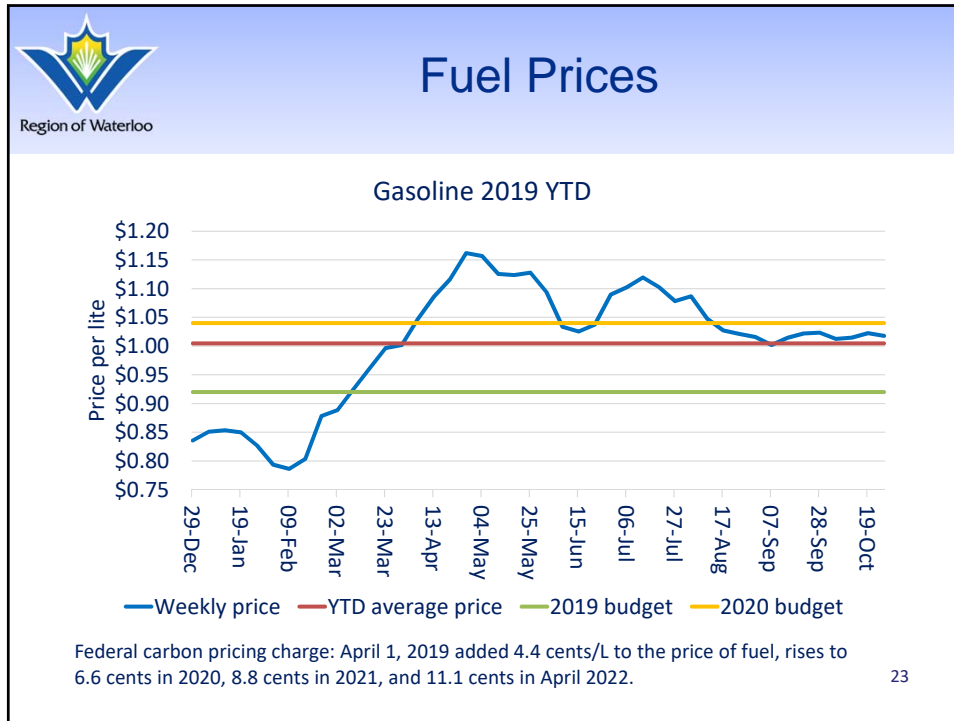


## Changing economic climate

	Last year	Now
Federal deficit	(\$14.0 b)	(\$19.8 b) Projection
Provincial deficit	(\$7.4 b)	<del>(\$10.3b)</del> (\$9.0b) projection
Ontario CPI	2.5%	1.7%
Unemployment rate (KCW)	5.2%	6.2%
Ontario Works caseload	9,193	9,272
10 year cost of borrowing	3.1%	2.3%
Oil price per barrel (\$US)	\$51	\$58
\$1 CAD	\$0.75USD	\$0.76USD

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**Water and Wastewater overview**  
Region of Waterloo


**Water supply**

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

**Wastewater treatment**

- 13 treatment plants
- Higher level of treatment required due to discharge in rivers

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## 2019 User Rate Budgets recap


**User Rate Budgets approved on Feb. 6/19**

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

**2019 User Rate impacts**

- Water Supply = 2.9%
- Wastewater Treatment = 6.9%
- Retail water = 7.9%
- Retail wastewater = 4.9%


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## Proposed 2020 User Rates

Wholesale Rate (effective January 1, 2020)	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%)


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### Average Annual Wholesale Cost Per Household

	2019	Proposed 2020	Inc.
Water Supply	\$219	\$223	\$4
Wastewater Treatment	\$256	\$266	\$10
<b>Annual Total</b>	<b>\$475</b>	<b>\$489</b>	<b>\$14</b>

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### Water Capital Program


**2020-2029 capital plan (\$504 m)**

**Funding sources:**

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

**Debt financing under review**

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## Wastewater Capital Program


**2020-2029 capital plan (\$493 m)**

**Funding sources:**

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

**Debt financing under review**

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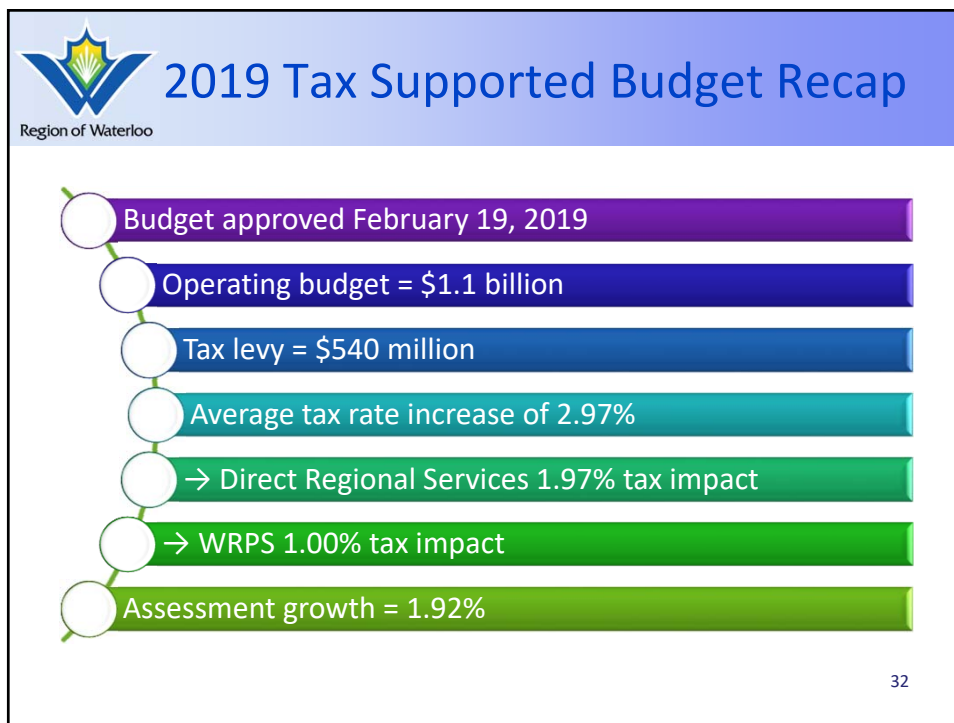
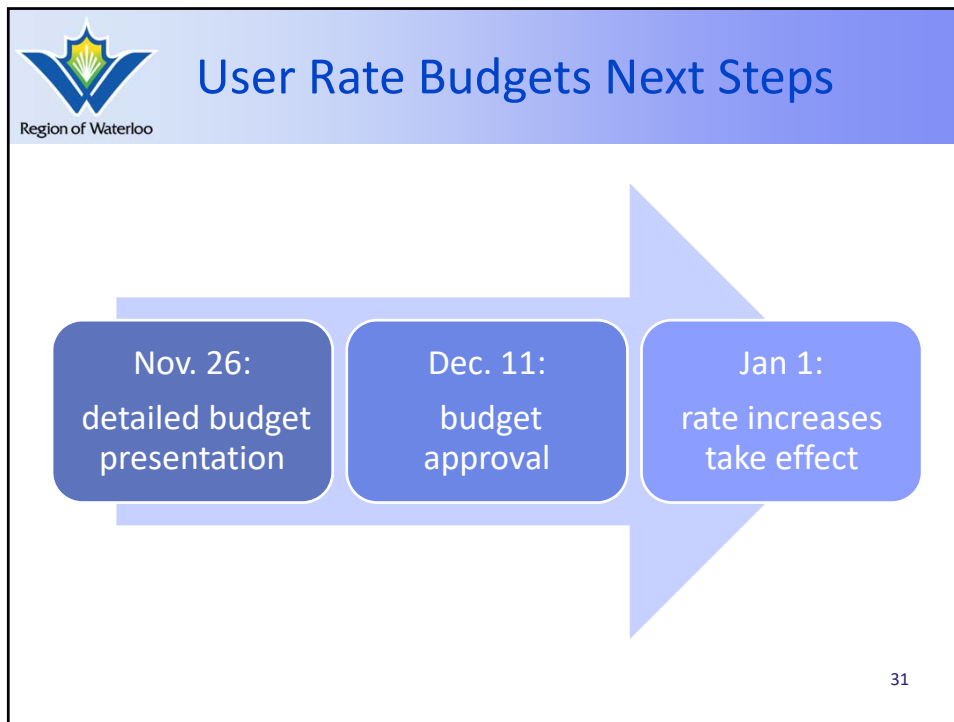


## 2020 Budget Update Key Messages


**User Rate Budgets**

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

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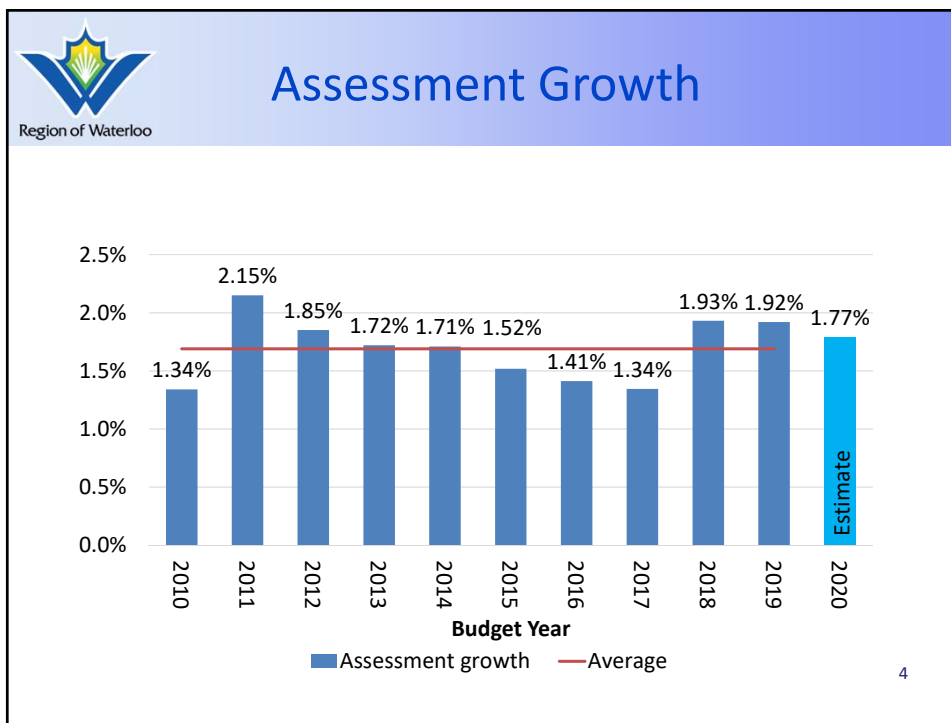



## 2020 Tax Supported Budget status

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

Assessment growth of 1.77% in 2019 for 2020 budget  
 Revenue generated by a 1% tax increase = \$5.5m  
 Cost of 1% increase to average household valued at \$344,200 = \$20.23

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## Internal Budget Review Process

Region of Waterloo

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

Capital projects	3 year budget versus actual comparisons	Base budget review	User fees and charges
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## 2020 Base Budget Pressures

Region of Waterloo

Annualization of service enhancements	Development Charge Exemptions	Waste Collection and other service contracts
Winter Maintenance	Asset maintenance and renewal	Stage 1 Rapid Transit (final year)

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## 2019 Budget Issue papers property tax levy impact

\$millions	2019	2020 Annualization*	Total
Public transit	\$2,782	\$763	\$3,545
Paramedic	479	409	888
Other	1,897	943	2,840
<b>Total</b>	<b>\$5,158</b>	<b>\$2,115</b>	<b>\$7,273</b>

\* Adjusted to reflect Conestoga College service budget issue paper revisions outlined in report TES-TRS-19-10, dated May 28, 2019 and the deferral of several budget issue papers as outlined in the June 2020 Budget Guideline and Timetable report (COR-FSD-19-42)


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## Non-tax revenue estimates

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

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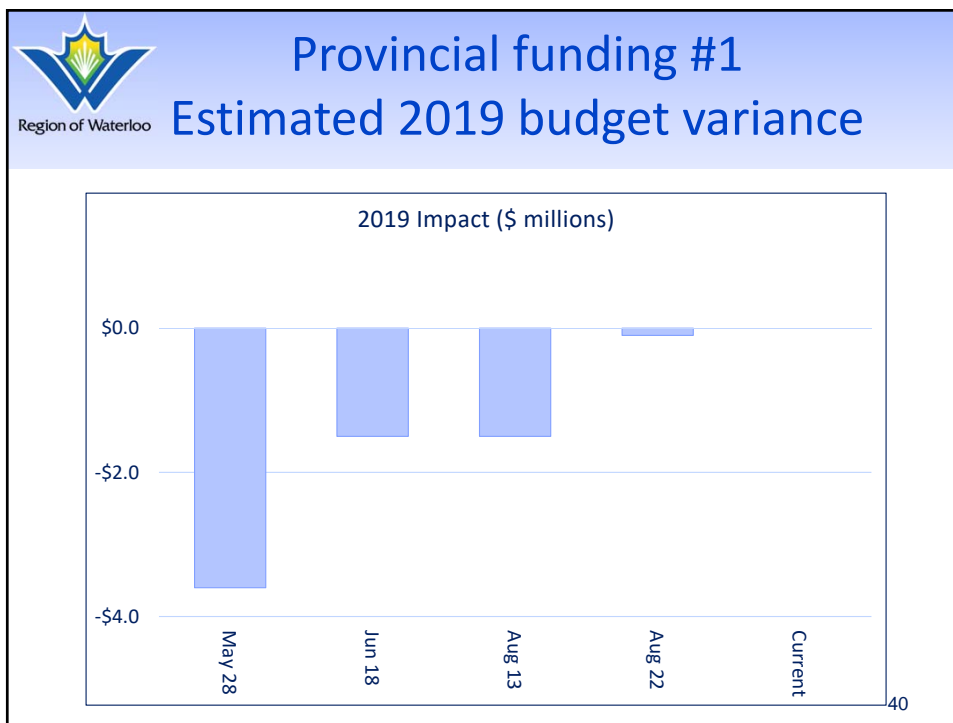
## Provincial & Federal Government Funding

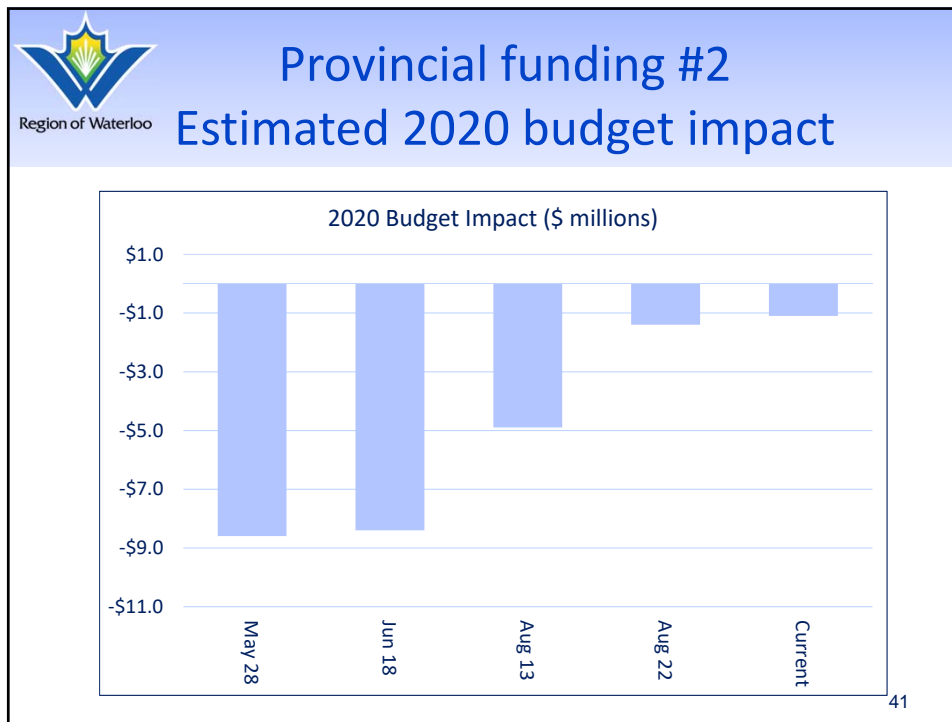
Region of Waterloo

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

\* \$16.2 million in additional one-time Federal Gas Tax funding was received in 2019

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**Provincial funding #3  
Estimated future impacts**

Program	Total Annual Impact	Incremental budget Impacts		
		2020	2021	2022
Public Health	\$5.4	\$0.8	\$3.9	\$0.7
Children's Services	6.1	2.4	2.0	1.7
OW - Employment Ontario	0.3	0.3	-	-
Provincial Funding reductions	11.8	3.5	5.9	2.4
Debt servicing cost no longer recoverable from RDCs under Bill 108	0.5	-	-	0.5
<b>Total</b>	<b>\$12.3</b>	<b>\$3.5</b>	<b>\$5.9</b>	<b>\$2.9</b>
Less: Employment Ontario reduction in staffing and purchase of services (CSD-EIS-19-03)	(0.3)	(0.3)	-	-
Less: Discontinuation of the Children's Services Fee Reduction Pilot and other one-time funding approaches (CSD-CHS-19-06)	(6.1)	(2.4)	(2.0)	(1.7)
<b>Estimated net levy impact</b>	<b>\$5.9</b>	<b>\$0.8</b>	<b>\$3.9</b>	<b>\$1.2</b>

All figures in \$millions, excludes Police Services


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### Approved RDC exemption funding strategy

Projected Annual RDC Funding Requirements (\$ millions)						
	Core Area Exemptions (previous by-law)	Brownfield Sites RDC Incentive	Cambridge Core Areas Exemptions	Industrial Development Discount	Office Development Discount	Annual Total
<b>Total</b>	<b>\$4.1</b>	<b>\$5.0</b>	<b>\$2.7</b>	<b>\$2.5</b>	<b>\$0.5</b>	<b>\$14.8</b>


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### Approved RDC exemption funding strategy

\$ millions	Incremental Budget Adjustments				
	2019 Budget	2020	2021	2022	Total
User Rates	\$1.6	\$1.0	\$1.5	\$1.4	\$5.5
Tax Levy	3.0	2.8	1.8	1.7	9.3
<b>Total</b>	<b>\$4.6</b>	<b>\$3.8</b>	<b>\$3.3</b>	<b>\$3.1</b>	<b>\$14.8</b>

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## Base Budget Adjustments

Region of Waterloo


**Efficiencies and cost savings without impacting service levels:**

energy saving retrofits	reviewing and adjusting staffing levels and overtime requirements	new user fee revenues	office supplies and minor maintenance
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Base Budget Reductions (\$millions)						
	2016	2017	2018	2019	2020	Total
Tax supported	\$1.7	\$2.6	\$1.7	\$1.1	\$1.6	<b>\$8.7</b>
User rates	0.9	0.8	0.4	1.1	1.7	<b>4.9</b>
<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>

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## 2020 Budget Issue Papers

Region of Waterloo

Budget Issue Paper (\$ thousands)	2020 budget impact	Adjusted 2020 impact to meet Council budget target
Paramedic Services master plan implementation	\$1,019	\$433
GRT business plan implementation	2,166	928
Mobility PLUS business plan implementation	194	194
Route 77 Wilmot Township Service enhancements	59	59
WRH Master Plan Implementation	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>\$3,805</b>	<b>\$1,981</b>
<b>2020 Tax Impact</b>	<b>0.69%</b>	<b>0.36%</b>

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## Tax Supported Budget status

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Assessment growth of 1.77% in 2019 for 2020 budget  
 Revenue generated by a 1% tax increase = \$5.5m  
 Cost of 1% increase to average household valued at \$344,200 = \$20.23

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## Capital infrastructure

Existing

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

New

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

10 year capital program

- Funded from property taxes, user fees, development charges, grants
- Financed through current year revenues, reserves, and long term borrowing

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## Draft 2020-2029 Tax Supported Capital Program

10 year  
investment  
plan = \$3.5 b

- Roads rehabilitation and expansion
- Public Transit
- Facilities expansion and renewal
- Waste Management
- Paramedic Services
- Airport
- Cultural Services

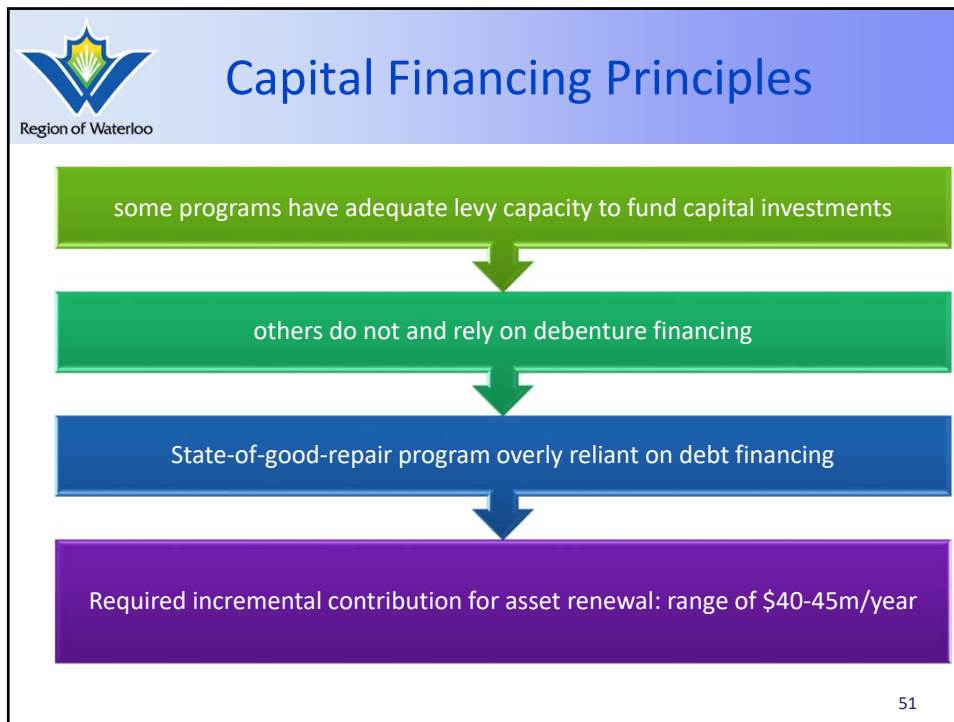
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## Capital Funding & Financing

FUNDING	FINANCING
<div style="background-color: #663399; color: white; padding: 10px; border-radius: 10px; margin-bottom: 10px;">Property taxes</div> <div style="background-color: #009999; color: white; padding: 10px; border-radius: 10px; margin-bottom: 10px;">Development Charges</div> <div style="background-color: #669933; color: white; padding: 10px; border-radius: 10px;">Grants / Subsidies / Recoveries</div>	<div style="background-color: #cccccc; padding: 10px; border-radius: 10px; margin-bottom: 10px;"> <ul style="list-style-type: none"> <li>• Current year tax revenues</li> <li>• From reserves</li> <li>• Long term borrowing</li> </ul> </div> <div style="background-color: #c0e0e0; padding: 10px; border-radius: 10px; margin-bottom: 10px;"> <ul style="list-style-type: none"> <li>• From reserve funds</li> <li>• Long term borrowing</li> </ul> </div> <div style="background-color: #c0e0c0; padding: 10px; border-radius: 10px;"> <ul style="list-style-type: none"> <li>• Contributions from other levels of government and third parties</li> </ul> </div>

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**Capital Asset Renewal Funding Gap**

Region of Waterloo

Capital funding (\$ thousands)	2019 contribution	Contribution target	Shortfall
Airport capital	\$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 capital	16,062	23,522	(7,460)
Waste Management capital	1,400	6,500	(5,100)
<b>Subtotal</b>	<b>\$31,153</b>	<b>\$73,476</b>	<b>(\$42,323)</b>

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## Growth Related Capital

Region of Waterloo


New development charge rates came into effect on August 1

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

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

Future community benefits charge

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## Growth Related Capital


Region of Waterloo

Staff report published last Wednesday

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

Staff proposing to delay certain transportation capital projects to mitigate collection risk

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## Growth Related Capital

Region of Waterloo

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Bill 138 introduced and received 1<sup>st</sup> reading last Wednesday


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

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Community benefits charge would be appealable to the LPAT

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## Growth Related Capital


Region of Waterloo

Staff are updating the funding and financing of water, wastewater and transportation capital projects

Recommend no action on the staff report

Staff to follow up with a report on Bill 138 (Nov. 26 or Dec. 3)

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## Capital Program Key Messages


Build operating budget capacity to finance capital

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

Focus debt on significant new infrastructure

Implementation of a capital asset renewal funding strategy

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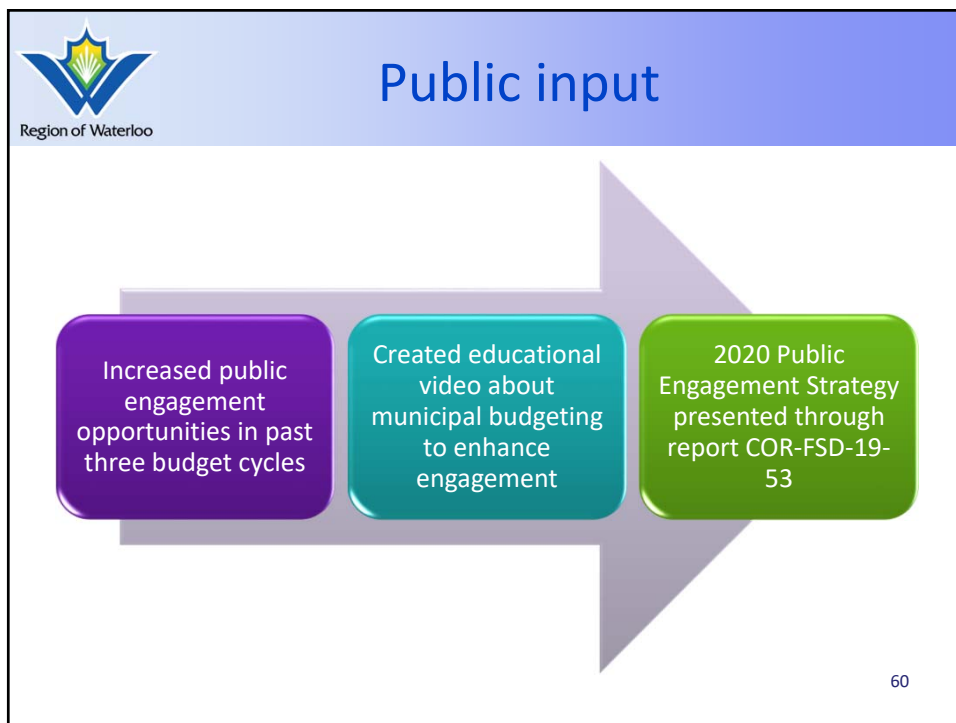
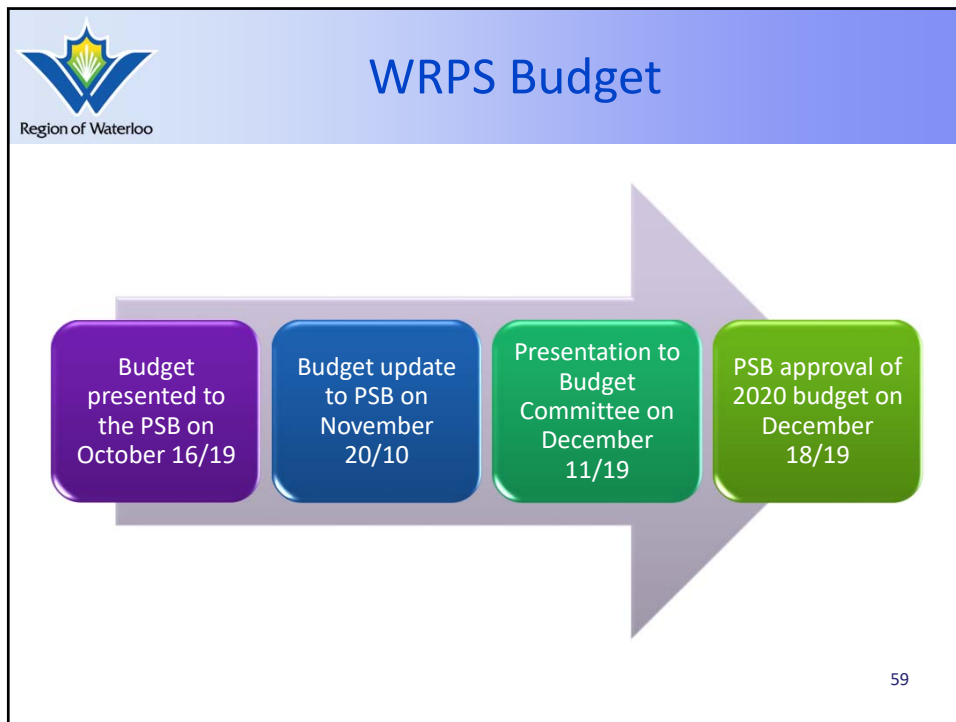



## WRPS (Waterloo Regional Police Service) Preliminary 2020 Budget

WRPS Operating Budget Estimates				
(\$millions)	2019 Approved	2020 Preliminary	\$ Change	% Change
Expenditure	\$187.0	\$199.8	\$12.8	6.85%
Revenue	(\$17.5)	(\$17.6)	(\$0.1)	0.61%
Property Tax Requirement	\$169.5	\$182.2	\$12.7	7.49%
Tax Rate Impact	1.00%	1.77%	--	--

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

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## 2020 Budget public engagement strategy

Goal of the 2020 public engagement initiative is to inform citizens of the cost of Regional Services and seek input on the value of:

current service levels	service enhancements being proposed during the 2020 budget process
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## Public engagement strategy timeline

Date	Action
Oct – Nov 2019	Develop feedback questions for online public engagement tool
Nov 13, 2019	Present report to Budget Committee on proposed strategy
Nov 20, 2019	Launch online public engagement tool Extensively promote initiative
Dec 20, 2019	Close online public engagement tool
January 2020	Provide analysis to Budget Committee of results

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**2020 Budget schedule**

Region of Waterloo

**Nov. 26, 2019:**

- Budget Committee reviews
- User rate budgets and GRCA presentation
- Public input

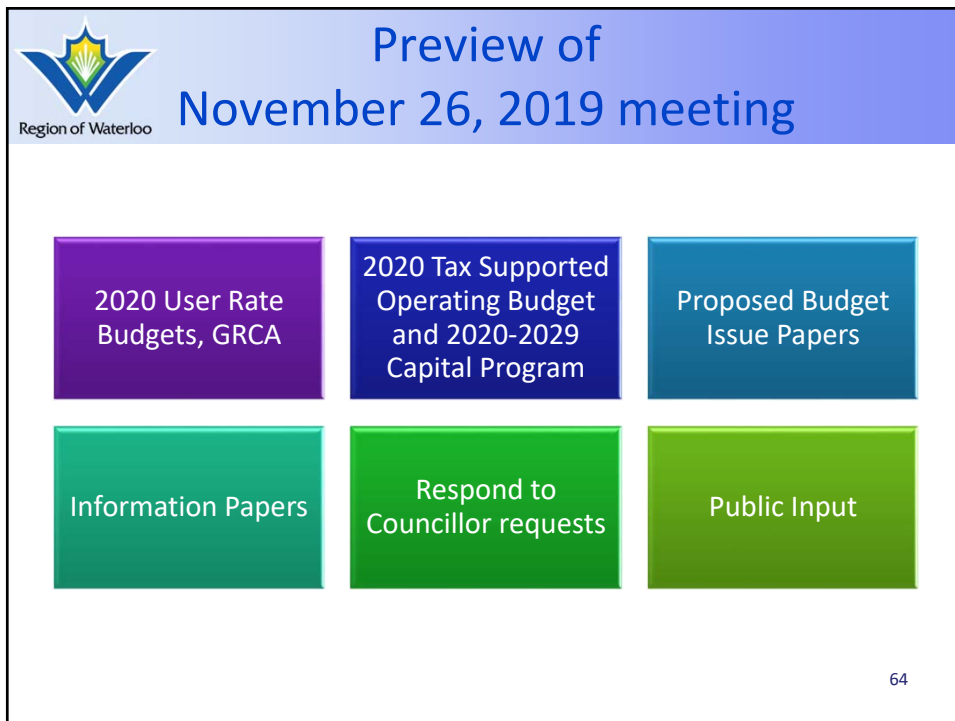
**Dec. 11, 2019:**

- Budget Committee reviews
- User rate budget approval
- WRPS presentation
- Public input

**Jan. 22, 2020:**

- Tax supported budget approval
- User fees and charges

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**Preview of November 26, 2019 meeting**

Region of Waterloo

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

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## 2020 Budget Update Key Messages

- context**
  - Low interest rates, fuel price increases
  - Delayed provincial funding reductions
- capital financing**
  - Funding for capital asset renewal
  - Bill 108/138 and impacts to funding of growth
  - RDC exemption funding strategy
- operations**
  - Service expansion per master plan approvals
  - Service contracts
  - Winter maintenance

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## 2020 Budget Update Key Messages

**Tax  
Supported  
Budget**

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

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Region of Waterloo

# 2020 Budget

# Questions?

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