



REGIONAL MUNICIPALITY OF WATERLOO BUDGET COMMITTEE AGENDA

Wednesday October 24, 2012
4:00 – 6:00 p.m.
Council Chambers, 2nd Floor
150 Frederick Street, Kitchener

Page #

1. **DECLARATIONS OF PECUNIARY INTEREST UNDER THE MUNICIPAL CONFLICT OF INTEREST ACT**
2. **OPENING REMARKS** (T. Galloway)
3. **OPENING REMARKS** (M. Murray)
4. **2013 PRELIMINARY BUDGET PRESENTATION** (M. Murray/C. Dyer)
 - [F-12-086, Preliminary 2013 Budget Overview](#) 1
 - Information Papers
 - [Assessment Growth](#) 8
 - [Status of Associated Agencies](#) 10
5. **ADJOURN**



TO: Chair T. Galloway and Members of the Budget Committee

DATE: October 24, 2012 **FILE CODE:** F05-30

SUBJECT: PRELIMINARY 2013 BUDGET OVERVIEW

RECOMMENDATION:

For Information

SUMMARY:

The objective of the first Budget Committee meeting is to provide a high level overview of the proposed 2013 budget. Subsequent Budget Committee meetings will provide an opportunity for detailed discussion on both the proposed 2013 base budget as well as emerging issues.

The Regional base budget is the amount of funding required to deliver the current Council approved level of service. Accordingly, the base budget excludes service expansions and enhancements. The 2013 base budget is impacted by several significant cost drivers including a reduction in landfill tipping fee revenues, cost of living adjustments (COLA), Ontario Municipal Employees Retirement System (OMERS) premium increases, debt servicing costs, and waste collection contracts. The 2013 base budget incorporates funding for the Regional Transportation Master Plan (RTMP) as approved by Council in June of 2011. The increased transfer to the RTMP Reserve Fund is offset by the continued Ontario Works upload and a savings in debt servicing costs relating to Regional facilities.

Staff has continued the successful budget review practices implemented in previous years. This has included detailed budget reviews by senior administration at the Region, encompassing the 10 year capital plan, three year operating budgets/actual, proposed 2013 base budgets, user fees and charges and budget reduction proposals. Wherever possible, materials/supplies and purchased services budgets have been maintained at 2012 levels. Transfers to external organizations have also been maintained at 2012 levels with the exception of those which are per capita driven. Assessment growth has been assumed at 1.3% (see attached budget information paper).

The opening position for the 2013 base budget for direct Regional programs is a tax increase of approximately 2.24%. Including a provision of 0.25% for program expansions, the opening regional budget position is estimated at 2.49%. These figures exclude the impact of the Waterloo Regional Police Service. User rate budget projections remain on target with last year, with 2013 rate increases projected at 6.9% for water and 7.9% for wastewater.

The 2013 budget remains a work in progress. Staff continue to investigate various budget reduction options and potential revenue adjustments, and are reviewing funding for various capital projects.

REPORT:

2012 Regional Budget Recap

The 2012 Regional Budget is summarized in the following table:

\$ in millions	Property Tax Programs	User Rate Programs	Total
Operating expenditure	\$667.8	\$65.0	\$732.8
Capital expenditure	\$347.1	\$118.2	\$465.3
Combined expenditure			\$1,198.1

The 2012 Budget included a Regional tax levy of \$398 million, an average tax rate impact of 2.53% (of which 1.23% related to direct Regional programs and 1.30% related to Police Services), and user rate increases of 6.9 % for water and 7.9% for wastewater effective March 1, 2012.

The Regional Budget is affected by a variety of factors including:

- Senior government legislation, regulation, policy and funding (with the latter currently characterized by a focus on deficit reduction at both federal and provincial levels)
- Council direction and policy
- The state of the economy, at a local and global level
- Interest rates and various inflation indices
- Unemployment and social assistance rates
- Residential and non-residential growth – Waterloo Region is a major growth centre for Ontario and Canada
- Condition of municipal infrastructure
- Citizen expectations for government sponsored services and programs
- Changing population demographics

Accordingly, developing the annual Regional Budget must take into account the multiple and sometimes conflicting impacts of these factors.

2013 Base Budget Opening Position

The 2013 base budget is the amount of funding required to deliver the current Council approved level of service. Adjustments to the base budget typically include COLA, benefits, inflation, annualization of prior year's approved initiatives, revenue adjustments, debt charges and provincially mandated changes. The opening base budget position for direct Regional programs is a tax rate increase of 2.24%. Appendix A shows the major cost drivers impacting the 2013 opening base budget position. Further details on base budget changes will be provided for the November 21st Budget Committee meeting when the preliminary base budget book is circulated to Budget Committee. The preliminary budget book details the base budget changes for all Regional programs.

This base budget opening position does not include budget impacts for Waterloo Regional Police Services or any funding for new initiatives. For information on the status of budgets for the Associated Agencies, please refer to the information paper included in the agenda package. The opening base budget position includes an estimate of 1.3% in assessment growth pro-rated between Regional Services and Police Services. Further information is provided in the attached budget information paper.

Major budget impacts projected for 2013 include reduced tipping fee revenue from commercial, industrial and institutional sources, increased OMERS contribution rates and other benefit rates, additional debt servicing costs to finance capital projects, cost of living adjustments, the long term funding strategy for roads, and waste collection contracts. Efficiencies will be reflected through a variety of budgets, and notably through projected savings in GRT staffing resources. Revenue

increases are reflected in preliminary budgets for transit fare revenue, payments-in-lieu of taxes, Provincial Gas Tax Revenue, employee parking recoveries, and Provincial Offences Act (POA) fines.

Budget Reduction Strategy

Regional staff continue to undertake base budget reviews as a key process in bringing forward a draft budget. Similar to past years, the Corporate Leadership Team (CLT) completed these reviews for 2013. Budget review sessions with the CAO and CFO covered operating budgets (including a 3 year expenditure/revenue review), capital budgets (including the need, timing, cost and financing of both approved and proposed capital projects) and program user fees. This process identified sustainable base budget reductions of \$1.9 million, representing a tax rate decrease of 0.48%. These reductions are quite varied and include revenue adjustments, changes in subsidy assumptions, and expenditure reductions.

Other strategies to control costs and identify cost savings in 2013 include incorporating savings identified through the purchasing process, ensuring that commissioners continue to sign off on the replacement of all staff vacancies, and requiring all programs, including Water and Wastewater, to find budget reductions.

The chart below highlights the history of base budget reductions since 2005, including 2013.

Base Budget Review Reductions (\$M's)									
2005	2006	2007	2008	2009	2010	2011	2012	2013	Total
\$1.1	\$5.4	\$0.95	\$0.85	\$3.4	\$2.1	\$2.4	\$2.1	\$1.9	\$20.2

Base budget reviews have generated over \$20 million in sustainable budget savings since 2005. Adjustments made through previous reviews and growth-related pressures are challenging the ability of staff to capture further reductions and revenue increases. As always, one particular challenge for base budget reviews is the significant level of mandatory and non-discretionary programs such as Ontario Works, Housing, Public Health, payments to contractors (waste collection and roads) and debt charges.

Regional Transportation Master Plan (RTMP)

The 2013 base budget includes a contribution to the RTMP Reserve Fund (1.5% levy increase) as approved by Regional Council in 2011. The approved Rapid Transit (RT) implementation option established funding for the Region's portion of Stage 1 costs, subject to annual budget deliberations, based on an annual tax rate increase of 1.2% per year (2012-2018) area rated to the urban transit service area and funding for improvements to Grand River Transit, subject to annual budget deliberations, based on an annual tax rate increase of 0.3% per year (2012-2018) also area rated to the urban transit service area.

Funding generated through each year's budget is being contributed to the RTMP Reserve Fund to be drawn upon to fund the RT project and GRT service expansion. Regional Council also approved in 2011, subject to annual budget deliberations, that budget reductions resulting from the retirement of debt on regional buildings at 150 Frederick and 99 Regina Streets and the uploading of social assistance costs (2012-2018) be allocated to fund a portion of the RT capital and maintenance and operating costs. The debt retirement and upload savings average 0.5% per year from 2012 to 2018. For 2013, the reduction from the debt retirement is \$4.5 million or a 1.14% tax rate reduction.

2013 Upload Savings

The Province is continuing the upload of certain cost shared programs. This upload is in recognition that the costs of income redistribution programs such as Ontario Works (OW) and the Ontario Disability Support Program (ODSP) are more appropriately funded by provincial taxes rather than municipal property taxes. The 2013 budget impact from upload savings is projected to be \$1.5 million or 0.37% as the cost sharing ratio for Ontario Works changes to 85.8% / 14.2%. The 2013 budget year also marks the second year of uploading for Court Security. Court Security costs are being uploaded at a rate of approximately \$0.5 million per year for seven years (2012-2018). The benefit arising from the uploading of Court Security costs will be reflected in the Waterloo Regional Police Services budget where the costs for Court Security reside.

Base Budget Information Updates

There are several areas of the budget that staff continues to monitor including assessment growth, status of the associated agencies, fuel costs, and Ontario Works caseload. Information on these and other items with significant budget impacts will be brought forward to Budget Committee as the 2013 budget process unfolds. As noted previously, the base budget includes a number of revenue adjustments. Some of the adjustments are increases to reflect actual or expected revenues while other adjustments reflect fee increases or recoveries such as those for employee parking. A budget information paper detailing the revenue changes is planned for the Budget Committee meeting in November.

Budget Issue Papers

Budget Issue Papers detail expansion requests driven by new or amended legislation and regulations, growth pressures and increasing demands for service. Staff has identified a limited number of budget issues for 2013 having regard for the challenging nature of the 2013 budget and the unsettled state of the economy. The proposed budget issue papers will be circulated to Budget Committee for the November 21st meeting. Staff has included a proposed allowance of 0.25% for service enhancements in the 2013 budget.

It should be noted that the budget figures presented herein do not include any change to the Discretionary Benefits program. These benefits, which are provided to Ontario Works and Ontario Disability Support Program recipients, include dental and vision care for adults, prosthetics, orthotics, food hampers, interpreter services and funerals. As of July 1, 2012 the Province has capped the maximum amount cost shared for discretionary benefits at \$10 per case per month. Regional Council directed staff in May 2012 to maintain the current level of service for the remainder of 2012 with the Region funding the additional 2012 cost from the Regional surplus. The additional municipal cost in 2012 is estimated to be \$1.7 million. Staff will report back to Council with a strategy for discretionary benefits including potential budget impacts, to be considered as part of the 2013 budget process.

User Rate Budgets

The 2013 Water and Wastewater budgets are being developed and finalized. It is expected that the recommended rate increases will be generally consistent with those predicted in last year's rate model, being 6.9% for water and 7.9% for wastewater. User rates will be discussed in detail at Budget Committee on November 21st, with approval scheduled to follow on December 5th. Any rate changes approved by Council would be effective March 1, 2013.

Budget Schedule

Future budgets meetings are scheduled and shown in Appendix B.

CORPORATE STRATEGIC PLAN:

The 2013 budget is reflective of the 2011-2014 Corporate Strategic Plan, which seeks to maintain programs and services while moving towards a more sustainable community framework.

FINANCIAL IMPLICATIONS:

This report provides a high level overview as a starting point to assist the Budget Committee in establishing the 2013 budget. It is important to note that a 1% change in the tax rate results in a \$16.64 annual change to the average residential property owner, based on a house assessed at \$269,000. A 1% tax rate increase generates additional \$3.98 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 – 2013 Budget Continuity Schedule
Appendix B – 2013 Budget Schedule

PREPARED BY: *C. Dyer*, Chief Financial Officer

APPROVED BY: *M. Murray*, Chief Administrative Officer

Appendix A – 2013 Budget Continuity Schedule

2013 PRELIMINARY TAX BUDGET CONTINUITY SCHEDULE (all \$ figures in millions)			
Description	2013 incremental \$	Tax levy requirement	% tax impact in 2013
2012 Regional Tax Levy		\$397.9	
Debt servicing costs	\$4.0		
Waste Management - loss of ICI tipping fee revenue	\$3.0		
Cost of living adjustments	\$3.0		
OMERS rate increase	\$1.6		
Other benefits	\$1.6		
Waste management collection contracts	\$1.4		
Long term funding strategy for roads (0.3%)	\$1.2		
Inflation, misc materials/supplies and purchased service increases	\$1.1		
Fuel	\$0.7		
Net employee parking recoveries	-\$0.2		
PIL revenue	-\$0.2		
Provincial gas tax revenue	-\$0.3		
Provincial Conditional Grants	-\$0.4		
GRT fare revenue	-\$0.8		
GRT resource deployment savings	-\$0.7		
Base budget adjustments from Admin reviews: combination of reduced expenditures without service level impacts and additional revenues	-\$1.9		
Discretionary Benefits	??		
RTMP reserve contribution (1.5%)	\$5.3		
Less: OW upload savings	-\$1.5		
Less: debt servicing cost reduction (Admin buildings)	-\$4.5		
Net RTMP cost	-\$0.7		
Base budget impact	\$12.4	\$410.3	3.13%
Region's share of assessment growth (based on 1.3%)			-0.89%
Base budget impact net of assessment growth	\$12.4	\$410.3	2.24%
Provision for service enhancements	\$1.0		0.25%
Preliminary Regional budget position (excluding discretionary benefits and police)	\$13.4	\$411.3	2.49%
Waterloo Regional Police Service	??	??	??

Notes

1% levy impact is approximately \$4 million.

Negative figures denote levy reduction/savings.

Appendix B – 2013 Budget Schedule

PURPOSE OF THE BUDGET SESSION	PLANNED DATE	PLANNED TIME
Budget Overview Session - 2013 base budget overview	October 24, 2012	4:00 pm – 6:00 pm
Detailed Budget Review – Day One - User Rate Overview - Review base budget	November 21, 2012	12:00 pm - 5:00 pm
Public Input – Budget Delegations	November 21, 2012	6:00 pm
Detailed Budget Review – Day Two - Associated Agencies (Police and GRCA) - Approval of User Rates - Develop preliminary final position for 2013	December 5, 2012	12:00 pm - 5:00 pm
Public Input – Budget Delegations	December 5, 2012	6:00 pm
Final Budget Approval	January 16, 2013	3:00 – 6:00 pm

2013 BUDGET

2013 BUDGET INFORMATION

INFORMATION: ASSESSMENT GROWTH

Estimated Assessment Growth

The 2013 preliminary property tax budget includes estimated assessment growth of 1.30%. Assessment growth to-date (October 15th, 2012), is 1.29%. Data from the third supplementary tax run continues to be added to the roll however the Municipal Property Assessment Corporation (MPAC) is also processing write-offs, requests for reconsiderations and appeals. Staff will monitor assessment data over the next few weeks and will provide updated information for each Budget Committee Meeting.

A history of assessment growth for the years 1998 through 2012 plus the estimated growth for 2013 is attached as Appendix 1. During that time, assessment growth has ranged from a low of 1.0% in 1998 to a high of 3.53% in 2006. Assessment growth for 2012 was 1.85% and lower assessment growth was anticipated for 2013 due to the slow down in economic activity and the allocation of MPAC resources to the province-wide reassessment.

Reassessment Impacts

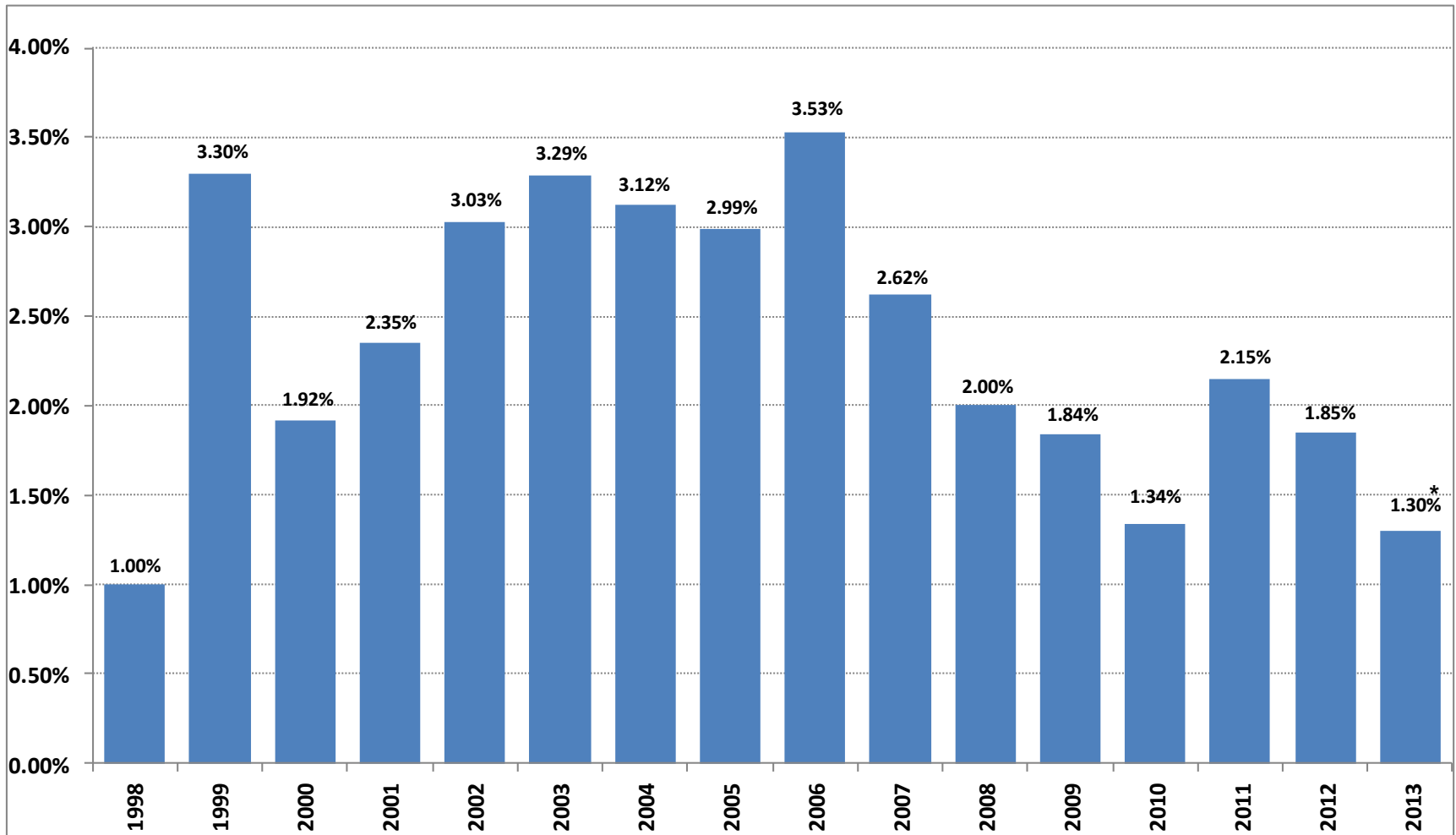
All properties in Ontario are being reassessed at January 1, 2012 values for the 2013-2016 taxation years. The last reassessment was for the 2009 tax year when properties were reassessed at January 1, 2008 values. Once again reassessment increases are being phased-in over four (4) years while reassessment decreases will occur immediately for 2013. While preliminary reassessment impacts are available for the residential and farm property classes, impacts for the commercial, industrial and multi-residential classes will not be available until late November/early December. Until that information is available, potential shifts between property classes resulting from the reassessment can not be determined. Impacts arising from the reassessment will be reported once they are known.

Financial Implications

The preliminary 2013 base budget includes estimated assessment growth of 1.30% which equates to approximately \$5.17 million of Regional revenue. Assessment growth of 1.0% equals \$3.98 million in revenue to the Region. Final assessment growth should be known by mid December at which time the MPAC will provide municipalities with the 2013 assessment rolls.

2013 Regional Budget History Of Assessment Growth

Appendix 1



2013 BUDGET

2013 BUDGET INFORMATION

INFORMATION: STATUS OF ASSOCIATED AGENCIES

This Information Paper addresses the current status of the Associated Agency Budgets.

Waterloo Regional Police Services (Preliminary Budget Increase TBD)

The 2013 budget for Waterloo Regional Police Services is currently being reviewed by Police staff and will be discussed at the Police Services Board meeting on November 7, 2012. It is anticipated that information will be available for the November 21st Budget Committee meeting. Police Services will present the 2013 budget to Budget Committee at the December 5th meeting.

Grand River Conservation Authority (Preliminary Budget Increase 4.5%)

a) General Levy

The 2013 budget for the GRCA has been developed by staff and is now under review by the GRCA Committee of the Whole with final approval scheduled for February 2013. Draft budget information presented in September projects an increase of 4.0% or \$390,160 in the general levy for 2013, down \$40,000 from the 4.42% increase projected in July. It should be noted that the GRCA base budget does not include any levy for the Source Protection Planning Program as this program is funded 100% by the Province. The Source Protection program has been significantly reduced for 2013 to match the reduction in provincial funding. Representatives from the GRCA will present the 2013 budget to Budget Committee at the December 5th meeting.

b) Apportionment

The GRCA levy is apportioned based on each municipality's modified current value assessment relative to the total modified current value assessment across the watershed. Modified current value assessment is determined by applying established factors to the current value assessment in each of the property classes and is based on the prior year's assessment roll (e.g. the apportionment for 2013 is based on the 2012 assessment data). Under this formula, the Region's share of the 2013 general levy will be 56.7%. This is slightly higher than the Region's 2012 share of 56.5%. The preliminary 4.0% increase in the GRCA general levy results in an increase of 4.3% or \$236,699 on the Region's share (from \$5.515 million to \$5.752 million). The increase to the Region's budget would actually be \$294,410 or 5.4% as the Region's 2012 budget assumed a 2.0% increase in the GRCA general levy (2.3% after apportionment) while the GRCA approved a 3.0% increase (3.4% after apportionment).

As part of the 2004 budget, Regional Council approved funding the Region's entire share of the GRCA levy from Water (45.3%) and Wastewater (54.7%) Services for a \$0 impact on the tax levy. The Region's preliminary 2013 Operating Budget for water and wastewater includes an increase of \$245,230 or 4.5% which brings the funding to the actual 2012 GRCA levy and adjusts for 3.0% in the general levy (3.4% after apportionment). At present, there is a difference of \$49,180 between the Region's provision and the preliminary GRCA 2013 budget.

2013 BUDGET

2013 BUDGET INFORMATION

INFORMATION: STATUS OF ASSOCIATED AGENCIES CONT'D

Municipal Property Assessment Corporation (Preliminary Budget Increase 3.0%)

The Region's 2012 costs for assessment delivery services, as established by the Board of Directors for the Municipal Property Assessment Corporation (MPAC), was \$6,299,677. This amount was based on the total budget for MPAC (MPAC costs) and the Region's proportionate share of total assessment and number of properties as compared to totals for the Province. The 2013 base budget includes \$6,488,667, an increase of \$188,990 or 3% over the 2012 costs. MPAC costs for 2013 are expected to take into account increased operating expenses related to property inspections and other data collection activities as well as inflationary pressures. In addition, the Region's share of the costs may change due to the province-wide reassessment. The final cost to the Region will be confirmed in January 2013.

Canada's Technology Triangle (Preliminary Budget Increase 0.0%)

Canada's Technology Triangle (CTT) is a not-for-profit public-private regional economic development partnership that is funded in part by the Region and the Area Municipalities. For several years the Region had been providing \$400,000 per year in funding for CTT with the level of funding increasing to \$416,000, an increase of 4.0%, in 2007. Since that time, Regional funding for CTT has increased in the range of 1.57% to 3.13% as shown in the following table. The 2013 base budget for CTT includes funding at the same level as 2012.

Budget Year	Region Funding	\$ Increase	% Increase
2007	416,000	\$16,000	4.0%
2008	429,000	13,000	3.13
2009	436,000	7,000	1.63
2010	447,000	11,000	2.52
2011	454,000	7,000	1.57
2012	468,000	14,000	3.08
2013 Proposed	468,000	0	0

Waterloo Region Tourism and Marketing Corporation (Preliminary Budget Increase 9.1%)

The Waterloo Region Tourism and Marketing Corporation (WRTMC) is a tourism destination marketing organization developed in 2006 and 2007 by a Steering Committee that included Chief Administrative Officers from the Region and 5 Area Municipalities. The WRTMC is a public-private partnership modeled after CTT Inc. It has a budget of approximately \$830,000 funded through Region and Area Municipal contributions, paid memberships, and member participation in collaborative marketing opportunities. The WRTMC has over 180 paid memberships and provides a number of benefits to the tourism industry and the community through its provision of tourism-related services and destination marketing. For the past several years, the Region has funded its share of the costs, in the amount of \$300,000, through annual

2013 BUDGET

2013 BUDGET INFORMATION

INFORMATION: STATUS OF ASSOCIATED AGENCIES CONT'D

operating budget funding of \$250,000 and one-time capital funding of \$50,000. In order to reduce the reliance on one-time capital funding, \$275,000 in funding was approved in 2012 funded entirely by the tax levy. A further \$25,000 has been included in the 2013 budget in order to restore the funding amount to its historical \$300,000 level.

Communitech (Preliminary Budget Increase 0.0%)

The 2013 base budget includes a \$35,000 contribution to the Communitech Technology Association. Communitech is a not-for-profit, member supported organization that is recognized as the voice of the technology industry for Canada's Technology Triangle. Communitech brings together the initiatives and the people needed for the continued development of a critical mass for the technology industry. The \$35,000 includes \$5,000 for the Region's corporate membership in the Association and funding for various Communitech programs and initiatives. The Region has been providing \$35,000 in annual funding since 2003.

Waterloo Regional Heritage Foundation (Preliminary Budget Increase 1.45%)

The Waterloo Region Heritage Foundation was created to encourage and promote interest in the preservation of the heritage and culture of Waterloo Region. While the Waterloo Regional Heritage Foundation was included in the grants to voluntary organizations budget through 2000, a separate budget was established for this organization in 2001 as recommended by the Grants Committee. The 2013 base budget includes funding of \$111,800 for the Waterloo Regional Heritage Foundation based on 20 cents per capita and an updated year end population estimate of 559,000. The 2013 budget amount is \$1,600 or 1.45% higher than the approved 2012 funding of \$110,200.

Region of Waterloo Arts Fund (Preliminary Budget Increase 1.27%)

During 2001, Regional Council approved the creation of the Region of Waterloo Arts Fund to provide arm's length funding for the performing, visual and literary arts in the Region of Waterloo. Similar to the Waterloo Regional Heritage Foundation, the Arts Fund is funded by an annual per capita grant from the Region of Waterloo. During the 2008 budget process, the Region of Waterloo Arts Fund requested an increase in funding from 20 cents per capita to 48 to 50 cents per capita over two years and Regional Council approved increased funding to 40 cents per capita. As part of the 2011 grant process, the Region allocated unused funds of \$32,000 from the Arts, Culture and Community Organizations budget to the Region of Waterloo Arts Fund base budget. The 2013 base budget of \$255,600 is based on this \$32,000 plus 40 cents per capita and an updated year end population estimate of 559,000. The 2013 budget amount is \$3,200 or 1.27% higher than the approved 2012 funding of \$252,400.