

REGIONAL MUNICIPALITY OF WATERLOO BUDGET COMMITTEE MINUTES

Wednesday October 24, 2012
4:06 p.m.
Council Chambers, 2nd Floor
150 Frederick Street, Kitchener

Present were: Chair Tom Galloway, L. Armstrong, J. Brewer, T. Cowan, D. Craig, R. Deutschmann, J. Haalboom, B. Halloran*, R. Kelterborn, G. Lorentz, C. Millar, J. Mitchell, K. Seiling, S. Strickland, J. Wideman and C. Zehr

DECLARATIONS OF PECUNIARY INTEREST UNDER THE MUNICIPAL CONFLICT OF INTEREST ACT

None

OPENING REMARKS

Chair Tom Galloway provided opening remarks thanking staff for their work to date and discussing the business to be conducted at the meeting. He introduced the Region's recently appointed Chief Financial Officer, Craig Dyer. Tom Galloway emphasized that the presentation to be given would provide an overview of the base budget and that no decisions on the budget are expected to be made during this meeting. He encouraged members of the Committee to make requests for any additional information for future meetings.

Mike Murray, Chief Administrative Officer, spoke about some of the significant pressures and factors affecting this budget. He indicated that Senior Management staff and the Finance team have been working together and are currently looking at a potential Regional position of 2.5% tax rate increase. Staff will continue to work on improving the bottom line.

In response to an inquiry, M. Murray spoke about the success of program reviews undertaken over the last few years which are used to identify areas for potential improvement.

REPORT

a) F-12-086, Preliminary 2013 Budget Overview

Received for information.

2013 PRELIMINARY BUDGET PRESENTATION

C. Dyer, Chief Financial Officer, provided a [power point presentation](#). A copy is appended to the original minutes.

He gave a recap of the 2012 Budget as set out in the attached presentation and proceeded with an overview of the 2013 Base Budget and explained the following:

- The value of a 1% tax increase
- Major budget impacts
- Waste Management tonnage yearly comparison

- Budget review processes
- Rapid Transit Plan and enhancement to support it (slide titled Regional Transportation Master Plan)
- Upload Savings
- New Budget Issues
- Discretionary Benefits
- Assessment Growth
- Planned Base Budget Updates
- Fuel
- Ontario Works Caseload
- User Rate Budgets

*B. Halloran entered the meeting during the overview of Major Budget Impacts.

C. Dyer advised that the initial tax impact for Regional Programs (excluding Waterloo Regional Police budget impacts and discretionary benefits) was 2.49%, which was the base budget (including Rapid Transit Plan and enhancements to support it) at 2.24%, plus allowance for Budget issues at 0.25%.

Staff was requested to provide the details of the cost of living adjustments and the Ontario Municipal Employees Retirement System (OMERS) increase at a future meeting.

There was discussion surrounding the OMERS employer to employee contribution ratio. Staff explained that the OMERS board, which includes representation from the Municipal Sector, determines annual contribution rates. Regional Chairman K. Seiling added that AMO created a small team of pension experts to take a look at the issue from the perspective of municipalities.

Committee reviewed the Waste Management Tonnage, tipping fees and their impacts on the budget. It was noted that there is a Waste Management Master Plan under development. Also, C. Dyer explained that the tonnage shortfall and tipping fees experienced since 2006 are being tracked and staff will have additional information to report at a future meeting.

A member sought clarification from staff on how court security uploading was being captured. Staff agreed to look at whether there was any flexibility in uploads.

C. Dyer advised that the base budget does not include any amount for Ontario Works discretionary benefits at this time. Staff will be bringing more information forward on this issue for Committee's consideration. Committee requested that staff invite the groups affected by a decision on discretionary benefits to the meeting when it is being considered. C. Dyer advised that the budget impact to maintain the current service level would be \$3.7 million for 2013.

C. Dyer explained the process for the re-assessments that will be returned by Municipal Property Assessment Corporation (MPAC) for the 2013 tax year and that such impacts will be dealt with outside of the 2013 Budget process.

There was some discussion about the Waterloo Regional Police Services (WRPS) budget and it was noted that the WRPS Board meets in November to review its 2013 budget.

Committee members posed questions to staff about how the Region buys fuel and the terms of contracts relating thereto. Staff were requested to report back on what other municipalities are doing and if there was an opportunity for piggy backing.

C. Dyer provided an overview of the Ontario Works caseload and wrapped up the presentation

by reviewing the next steps in the 2013 Budget process and the key messages of this Budget year.

In regard to Discretionary Benefits, staff was requested to look at other areas within the budget that could be used as an off-set. Chair Galloway noted that Community Services Committee would review this matter and an issue paper and alternatives could be part of that discussion.

Committee decided that the title be changed to Ontario Works Discretionary Benefits.

Staff was also requested to report back to Community Services or Budget Committees with the Ontario Works Discretionary Benefits context, rationale, detailed calculations, and the Region's spending in comparison to other municipalities in the Province.

Staff was requested to provide the following information: 5 year reserve quantum and transactions; previous 5 years gapping; long term funding strategy for roads; and a high level report on infrastructure deficit.

Staff was requested to include the following in the Staff Complement Report: complement for each year, changes proposed by department and area, time of year, and phasing.

The Committee obtained detail on the potential tax impact and what work could be done to reduce it. The detailed Budget review would begin at the November 21, 2012 meeting.

Information Papers

Assessment Growth
Status of Associated Agencies

Received for information.

ADJOURN

MOVED by L. Armstrong
SECONDED by S. Strickland


THAT the meeting adjourn at 6:00 p.m.

CARRIED

COMMITTEE CHAIR, *T. Galloway*

COMMITTEE CLERK, *J. Reid*

2013 Preliminary Budget Overview



Region of Waterloo

October 24, 2012




2013 Regional Budget Today's Agenda

- 2012 Budget recap
- High-level 2013 Budget overview
- Major 2013 Budget issues
- Review next steps
- Discussion

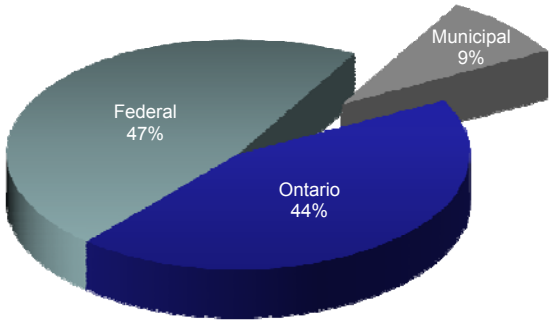
2012 Budget Recap



Region of Waterloo



2012 Government Tax Dollars



Source	Percentage
Federal	47%
Ontario	44%
Municipal	9%

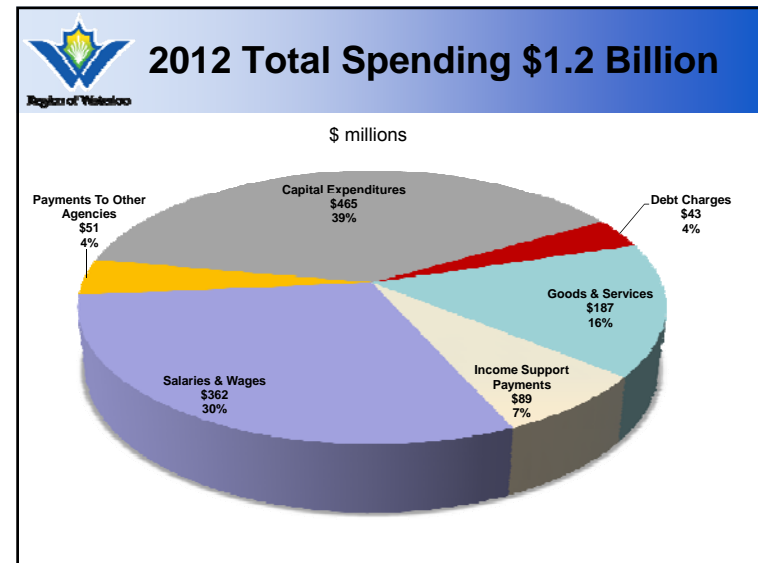
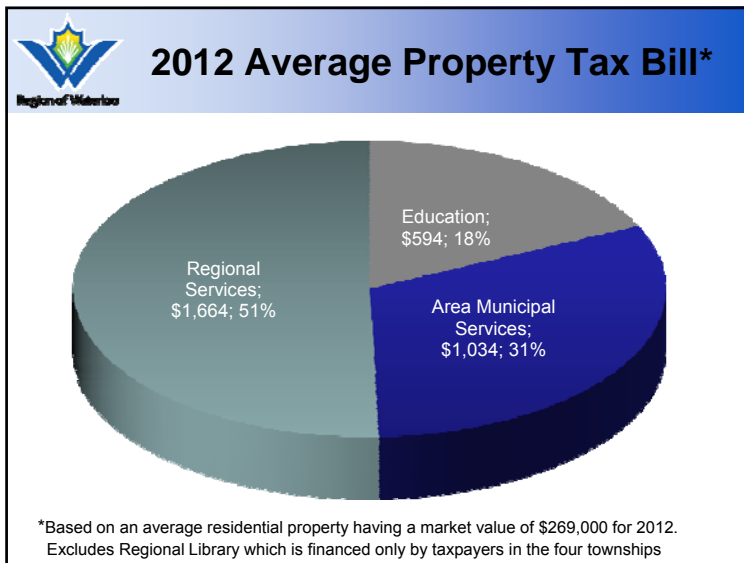
*Source: AMO, 2012

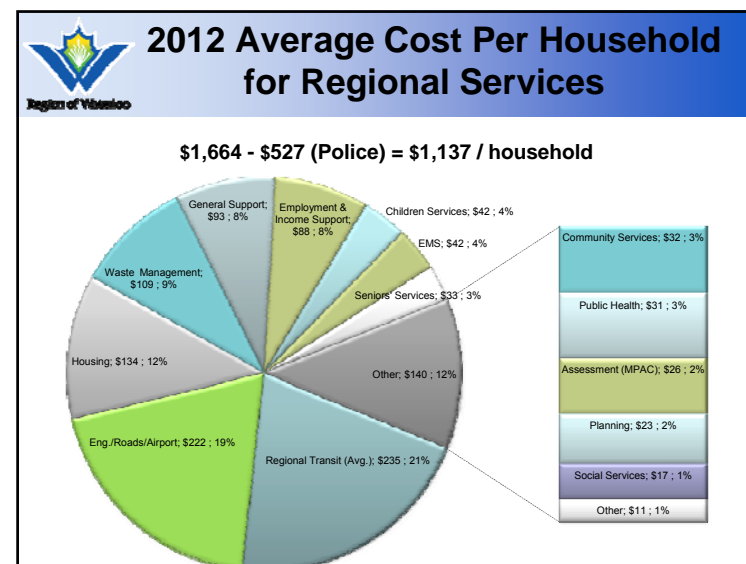
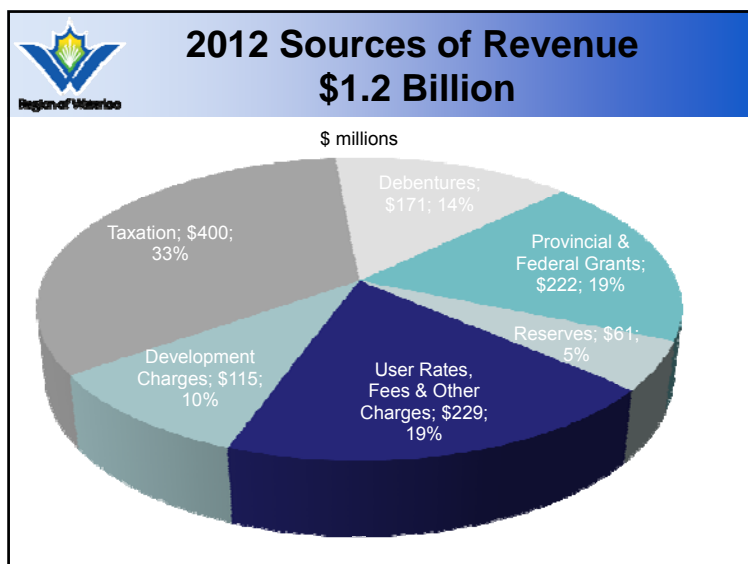
2012 Budget Recap

- User Rate Budgets approved on December 14, 2011
 - Water rate increase of 6.9%
 - Wastewater rate increase of 7.9%
- Operating budget = \$98 million
- 10 year capital spending = \$1.2 billion

2012 Budget Recap

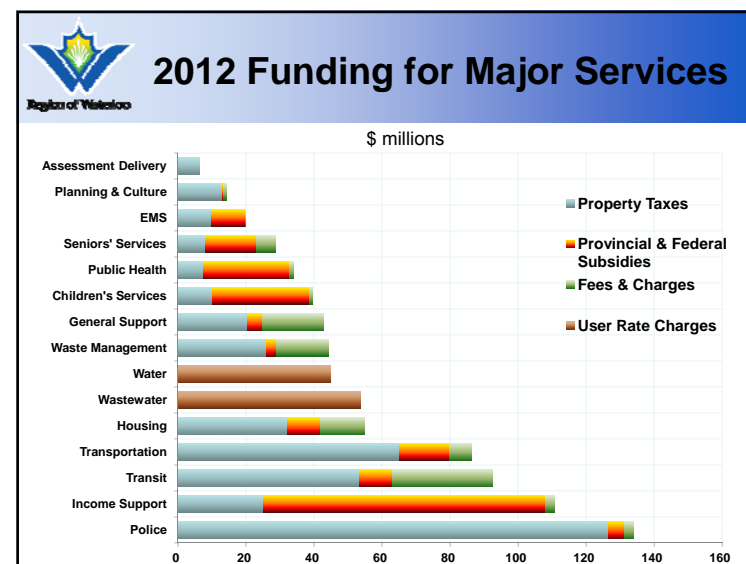
- Tax Supported Budget approved on January 18, 2012
- Tax increase of 2.53%
 - Direct Region 1.23%
 - WRPS 1.30%
- Assessment growth = 1.85%
- Operating budget = \$735 million
- Tax levy = \$398 million
- 10 year capital spending = \$2.68 billion





2012 Average Annual Cost Per Household Water & Wastewater

Water Supply	=	<u>\$176.78</u>
Wastewater Treatment	=	<u>\$159.61</u>
Annual Total	=	<u>\$336.39</u>



2013 Base Budget Overview



Region of Waterloo



Factors Affecting Municipal Budgets

- Senior government legislation, regulation, policy and funding
- Council direction and policy
- State of the economy - local and global
- Interest rates and various inflation indices
- Unemployment rates and social assistance caseload



Factors Affecting Municipal Budgets


- Residential and non-residential growth
- Condition of municipal infrastructure
- Citizen expectations for government sponsored services and programs
- Changing population demographics



2013 Base Budget


Definition:

The funding required to deliver the current Council-approved service levels.




Value of 1%

- 1% tax rate increase in 2013 generates \$3.98 million in revenue
- 1% tax rate increase results in a \$16.64 increase in the average residential tax bill




Major 2013 Budget Impacts

- Reduced tipping fee revenue from commercial, industrial and institutional sources
- OMERS contribution rates and other benefit rate increases
- Debt servicing costs to finance capital projects
- Cost of living adjustments
- Long term funding strategy for Roads
- Waste collection contracts



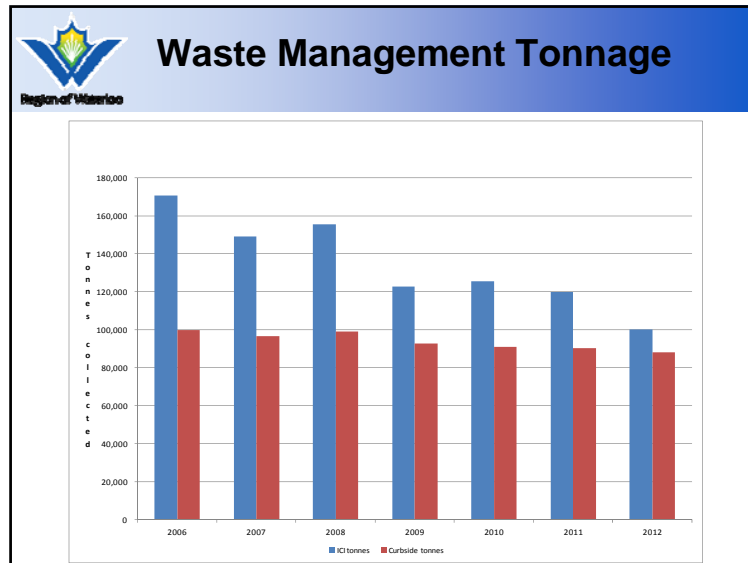
Major 2013 Budget Impacts

- Revenue increases are reflected in:
 - Transit fare revenue
 - Payments-in-lieu of taxes
 - Provincial Gas Tax revenue
 - Employee parking recoveries
 - Provincial Offences Act fines



Major 2013 Budget Impacts

Description	2013 incremental \$
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	\$1.8
Net employee parking recoveries	-\$0.2
PIL revenue	-\$0.2
Provincial funding	-\$0.7
GRT fare revenue	-\$0.8



Budget Review Process

- Detailed reviews of departmental budgets with CAO, CFO and departmental staff
 - Capital projects
 - 3 year budget versus actual comparisons
 - Base budget reviews
 - User fees and charges
 - Budget reduction options

Budget Review Process

- Numerous adjustments were already reflected in base budgets prior to departmental reviews
- For example:
 - GRT driver utilization efficiencies: attendance management program and greater use of part-time employees – 10 FTEs/\$700,000 reduction
 - Waste Management moving from four stream to two stream collection - \$400,000 reduction
- Many other smaller expenditure and revenue adjustments


Budget Review Process

- Additional reductions discussed and incorporated at review meetings
- \$1.9 million in sustainable savings without impacting service levels
- For example:
 - Various revenue and subsidy adjustments
 - Purchased service and material/supply reductions
- Additional permanent savings may require service level reductions




Regional Transportation Master Plan

- June 15th, 2011 Regional Council approved annual 1.5% tax rate increase for RTMP 2012-2018
- Area-rated to urban service areas
- Cost offset in part by debt retirement on Regional administration buildings and uploading of social assistance costs




Upload Savings

- Ontario Works (OW) benefits being uploaded from 2012 to 2018
- OW cost sharing ratio for 2013: 85.8% / 14.2%
- \$1.5 million upload savings in 2012
- Court Security being uploaded from 2012 to 2018 (\$3.5 million) with revenue from Province credited to the Police Budget




New Budget Issues

- Budget Issue Papers (BIP) support service enhancement requests
- Draft BIPs for 2013 include:
 - EMS response times and restructuring
 - AODA compliance
 - Clean Water Act implementation
- Preliminary budget includes allowance of 0.25% for new issues
- Details to be provided in November 21 agenda



Discretionary Benefits

- 2012-13 Provincial Budget capped funding for Discretionary Benefits as of July 1, 2012
- Services include dental and vision care for adults, prosthetics, orthotics, food hampers, interpreter services and funerals
- Total expenditures of approximately \$6.0 million
- Council direction was to maintain the current level of service for the remainder of 2012 - additional cost in 2012 = \$1.7 million



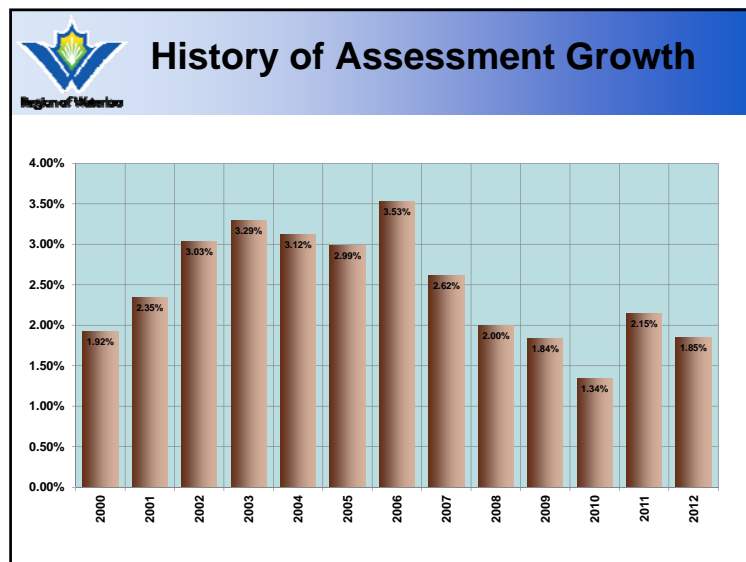

Discretionary Benefits

- Base budget figures do not include additional funding for Discretionary Benefits
- Staff to provide an information report to Committee on November 6
- Council to determine service levels and budget requirements for 2013 as part of budget process




Assessment Growth

- Assessment growth is currently 1.30%
- Additional supplementary and omitted assessments are being keyed, along with adjustments and write-offs
- Final roll will be returned in early December
- Assessment growth is shared between Regional Programs (0.89%) & Police Services (0.41%)


2013 Base Budget

<u>Regional Programs (opening position)</u>	<u>% tax impact</u>
2013 Regional Base increase	3.79%
Admin review savings	-0.48%
Assessment growth	-0.89%
Opening Base Budget position	2.42%
Approved commitments RTMP (1.5% urban: 1.3% RT, 0.2% GRT)	1.32%
Less: Upload savings	-0.38%
Less: Debt retirement	-1.13%
Net impact for RTMP	<u>-0.18%</u>
Base Budget including RTMP	<u>2.24%</u>
(before new issues or Police)	
Total estimated assessment growth of 1.30% has been prorated to Regional Programs and Police	




Potential Regional Position


	<u>Tax Impact</u>
Base Budget Including RTMP	2.24%
Allowance for Budget Issues	<u>0.25%</u>
Potential tax rate impact Regional Programs (excluding Police)	2.49%

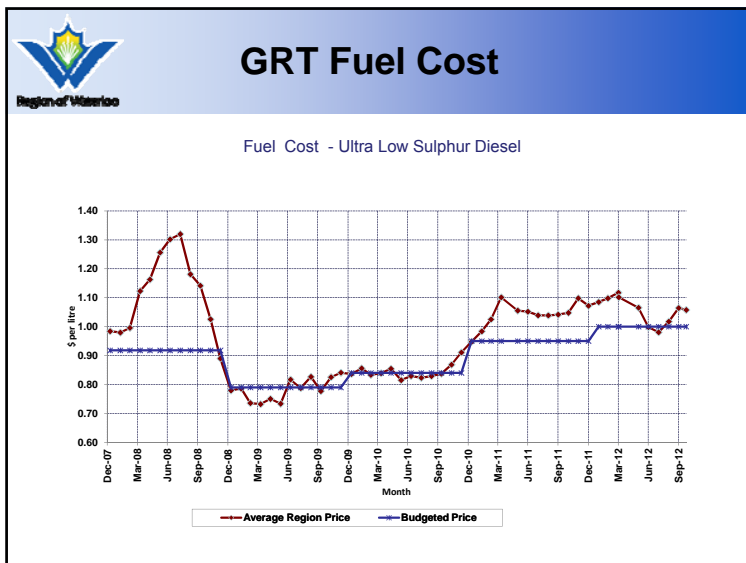


2013 Regional Budget Position

Region	2.49%
Police	??
Final Tax Impact	<u>???</u>

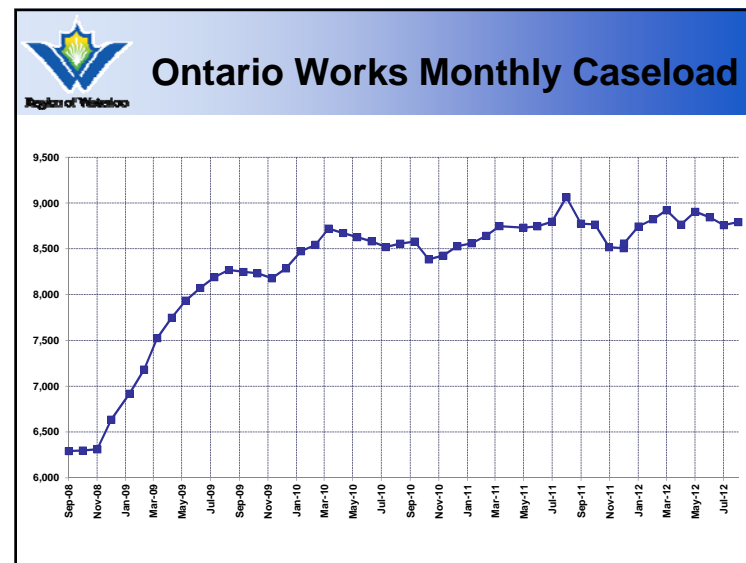
- 
- ### Planned Base Budget Updates
- Assessment Growth
 - Status of Associated Agencies
 - Fuel Costs
 - OW Caseloads
 - Revenue Adjustments included in Base Budget (expected revenues and fee increases) - budget info paper for November 21 meeting


- 
- ### Fuel
- Fuel price set at \$1.00/litre in 2012 Budget
 - Region paying \$1.059 in 2012 (September YTD)
 - Staff have increased the budgeted price for fuel to \$1.05/litre for 2013
 - Fuel prices will be monitored and reported to Committee during the budget process



-
- ### Ontario Works
- Caseload increased significantly in 2009, was fairly constant in 2010 and increased slightly in 2011 and 2012.
 - Region has adopted a strategy of funding the increased municipal cost from the Tax Stabilization Reserve Fund (TSRF) throughout the upload period.


-
- ### Ontario Works
- TSRF balance is expected to be lower at December 31, 2012 than a year ago.
 - If caseload levels remain relatively stable, projections indicate the funding strategy will be sustainable to the end of the upload period.
 - Staff will continue to monitor and provide more details during the budget process.






User Rate Budgets

- Recommended rate increases expected to be 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 21, with approval scheduled to follow on December 5
- Any rate changes approved by Council would be effective March 1, 2013




2013 Budget - Next Steps

- Staff to finalize proposed 2013 budgets and BIPs
- Program budget book printing and distribution
- November 21, 2012 Budget Committee
 - Property tax presentations (e.g. EMS, Waste Management, revenues)
 - User Rate Budget presentations
 - Review Budget Issue Papers
- Police and GRCA to attend December 5, 2012 Budget Committee



2013 Budget Schedule

October 24, 2012	Budget Overview Session	4:00 – 6:00 pm
November 21, 2012	Detailed Budget Review – Day One • Review base budget • Budget Issue Papers • Review User Rates Public Input • Budget Delegations	12:00 – 5:00 pm 6:00 pm
December 5, 2012	Detailed Budget Review – Day Two • Associated Agencies (Police & GRCA) • Develop final position 2013 • Approval of user rates Public Input • Budget Delegations	12:00 – 5:00 pm 6:00 pm
January 16, 2013	Final Budget Approval	3:00 – 6:00 pm



2013 Preliminary Budget Key Messages

- There are some significant challenges to be addressed in this budget.
- We are on top of it.
- We still have some work to do.

Budget Discussion



Region of Waterloo