Media Release: Friday, May 22, 2015, 4:30 p.m.

Regional Municipality of Waterloo

Administration and Finance Committee

Agenda

Tuesday, May 26, 2015

Approximately 12:00 p.m. (Immediately following Planning and Works Committee)

Regional Council Chamber

150 Frederick Street, Kitchener

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1. Declarations of Pecuniary Interest Under The "Municipal Conflict of Interest Act"

2. Delegations

3. Presentations

Consent Agenda Items

Items on the Consent Agenda can be approved in one motion of Committee to save time. Prior to the motion being voted on, any member of Committee may request that one or more of the items be removed from the Consent Agenda and voted on separately.

4. Request to Remove Items from Consent Agenda

5. Motion to Approve Items or Receive for Information

a) Minutes of the Audit Committee – May 13, 2015 4

Recommendation:

That the minutes of the Audit Committee meeting held May 13, 2015 be approved.

b) COR-FSD-15-10.1, Annual Financial Statements 7

Recommendation:

That the Regional Municipality of Waterloo approve the Consolidated Financial Statements, the Sinking Fund Financial Statements, and the Trust Fund Financial Statements, all for the fiscal year ending December 31, 2014.

c) COR-TRY-15-53, 2015 Property Tax Capping 55

Recommendation:

That the Regional Municipality of Waterloo approve the following options for the 2015 Property Tax Capping Program:

a. Establish the annual limit on tax increases for properties in the commercial, industrial and multi-residential classes at the greater of: ten percent (10%) of the previous year's annualized capped taxes, or 5% of the previous year's current value assessment (CVA) taxes;

b. Establish thresholds for properties in the commercial, industrial and multi-residential classes such that if the taxes on the property calculated under the capping program are within $250 of the current value assessment (CVA) taxes, the CVA taxes will apply;

c. Exclude properties in the commercial, industrial and multi-residential classes that were at their current value assessment taxes in 2014 from the 2015 capping and claw back program;

d. Exclude properties in the commercial, industrial and multi-residential classes that were subject to a claw back in 2014 from becoming a capped property in 2015;

e. Fund the limits on tax increases for 2015 for the commercial, industrial and multi-residential classes by limiting 2015 tax decreases for properties in the same class.

And that the required by-laws to establish the options for the 2015 Property Tax Capping Program and to establish the 2015 claw back percentages for the commercial, industrial and multi-residential classes be included on Regional Council agendas in June 2015;

And further that the Area Municipalities be notified accordingly.

d) CSD-HOU-15-11 / COR-FFM-15-06, Waterloo Region Housing Retaining Wall Agreement with Fairview Mennonite Homes 64

Recommendation:

That the Regional Municipality of Waterloo enter into an agreement with Fairview Mennonite Homes (FMH) for the replacement of the retaining wall between their property at 515 Langs Drive, Cambridge and the Regionally-owned Waterloo Region Housing sites at 518-595 Langs Drive and 778 Walter Street, Cambridge, as detailed in report CSD-HOU-15-11/COR-FFM-15-06 on terms and conditions satisfactory to the Chief Financial Officer and the Regional Solicitor;

And that the 2015 Capital Budget for Housing Services be increased by $252,000 to be funded by Fairview Mennonite Homes for the construction of a retaining wall as outlined in report CSD-HOU-15-11/ COR-FFM-15-06 dated May 26, 2015;

And further that the Commissioner of Community Services be authorized to execute the agreement in a form satisfactory to the Regional Solicitor on behalf of the Regional Municipality of Waterloo as outlined in report CSD-HOU-15-11/COR-FFM-15-06 dated May 26, 2015.

Regular Agenda Resumes

6. Information/Correspondence

a) Council Enquiries and Requests for Information Tracking List 68

7. Other Business

8. Next Meeting – June 16, 2015

9. Adjourn

Regional Municipality of Waterloo

Audit Committee

Minutes

Wednesday, May 13, 2015

2:02 p.m.

Room 217

150 Frederick Street, Kitchener, Ontario

Present were: Chair S. Strickland, T. Galloway, G. Lorentz and K. Seiling

Members absent: K. Redman

Declarations of Pecuniary Interest under the "Municipal Conflict of Interest Act"

None declared.

Presentations

a) Elaine Read, Deloitte LLP - Outline of 2014 Audit Findings

E. Read provided a summary of the audit report, noting that the audit is substantially completed; any outstanding items are noted in the report. She stated that there are no corrected misstatements in the audit and some uncorrected misstatements. She advised that there are no significant deficiencies, only some minor control issues which have already been discussed with the management team and there were no instances of fraud or illegal acts found during the audit. Deloitte will be issuing a standard unmodified opinion for the 2014 audit.

A. Cross, Deloitte LLP, outlined the review of significant audit risks, including the risk of revenue misstatements and tangible capital assets. He stated that there were no issues with the revenue stated, including the revenue for the Light Rail Transit (LRT) project and that tangible capital assets were properly reported.

The Committee reviewed the Summary of uncorrected financial statement misstatements and inquired about the capital project costs expensed instead of capitalized. E. Read stated that the misstatements will remain as unadjusted errors for 2014 and that discussions have taken place with management regarding future adjustments. Staff advised that the misstatements were as a result of the timing of when a particular asset came into service, is considered to be immaterial and will be corrected in 2015. Staff will review the types of questions being asked of project managers in future regarding when a project is complete and assets come into productive use.

Reports – Finance

a) COR-FSD-15-10, Annual Financial Statements

Craig Dyer, Chief Financial Officer, provided highlights of the staff report, noting the distinction between budget and financial statement documents. He stated that, for example, reserve transfers are excluded and amortization is included in the financial statements, per the Public Sector Accounting Board (PSAB) standards.

In response to a Committee question about the Region's Accumulated Surplus on the Statement of Financial Position, he explained that the surplus is comprised of the undepreciated value of capital assets and a balance in reserves and reserve funds.

C. Dyer advised that the other two (2) financial statements relate to the Sinking Fund and the Trust Fund, the latter of which supports Sunnyside Home in accordance with the "Long-Term Care Homes Act".

C. Dyer responded to Committee questions regarding compensation expenses and communication of the financial statements.

The Committee commented that the financial statements should clearly differentiate between the Rapid Transit project and the LRT, and ensure that information about the Rapid Transit project includes details about both the LRT and the aBRT. It was suggested that information about the aBRT should be included in notes referring to the Rapid Transit project; staff will review and amend the Notes to clarify.

Moved by T. Galloway

Seconded by G. Lorentz

That the Regional Municipality of Waterloo approve the Consolidated Financial Statements, the Sinking Fund Financial Statements, and the Trust Fund Financial Statements, all for the fiscal year ending December 31, 2014, as amended.

Carried

Motion to Go Into Closed Session

Moved by T. Galloway

Seconded by K. Seiling

That a closed meeting of the Audit Committee be held on Wednesday, May 13, 2015 at 2:40 p.m. in Room 217 at 150 Frederick Street in accordance with Section 239 of the Municipal Act, 2001, for the purposes of considering the following subject matters:

a) the security of the property of the municipality
b) personal matters about an identifiable individual, including municipal employees

Carried

Motion to Reconvene into Open Session

Moved by T. Galloway

Seconded by G. Lorentz

That the meeting reconvene into open session.

Carried

Other Business

a) LRT Audit Plan

In response to a Committee inquiry about how information about the LRT Audit Plan will be communicated to members of Council, C. Dyer stated that staff will discuss this matter with Deloitte and determine the most appropriate course of action.

Adjourn

The meeting adjourned at 2:55 p.m.

Committee Chair, S. Strickland

Committee Clerk, S. Natolochny

Report: COR-FSD-15-10.1

Region of Waterloo

Corporate Services

Financial Services and Development Financing

To: Chair Sean Strickland and Members of the Administration and Finance Committee

Date: May 26, 2015 **File Code:** F10-20

Subject: Annual Financial Statements

Recommendation:

That the Regional Municipality of Waterloo approve the Consolidated Financial Statements, the Sinking Fund Financial Statements, and the Trust Fund Financial Statements, all for the fiscal year ending December 31, 2014.

Summary: Nil

Report:

Section 294.1 of the “Municipal Act, 2001” (the Act) provides that a municipality shall, for each fiscal year, prepare annual financial statements in accordance with generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board.

The Region’s 2014 Consolidated Financial Statements, Sinking Fund Financial Statements and Trust Fund Financial Statements are attached for review and approval by the Audit Committee. Final signed versions of the statements will be produced following Regional Council approval on June 3, 2015.

Representatives from the Region’s auditing firm Deloitte LLP will be at the meeting to present their audit findings and answer questions relating to the statements. These statements mark the fourth year of the Region’s five year contract with Deloitte. In addition to the statements presented herein, Deloitte completes a number of special purpose audits, which relate to funding and service agreements with the provincial and federal governments.

1) Consolidated Financial Statements

The consolidated financial statements show the results of all regional operations and activities, including those of the Waterloo Regional Police Services and Library Boards. Noteworthy items included in this year's consolidated financial statements include:

- Financial statement and note disclosure (notes 6 and 18) relating to the Region's Light Rail Transit Project;
- New actuarial evaluations of the Region's employee future benefits and workplace safety and insurance liabilities, along with additional disclosure of such liabilities relating to Police and the Region (note 12);
- Increased landfill closure and post closure liabilities (note 13), largely related to a reduction in the discount rate used to calculate such liabilities; and
- Note disclosure (note 19) of a "subsequent event" relating to the acquisition by the Region of Waterloo Community Housing Corporation Inc. (wholly owned by the Region) of the two LaCapanna housing properties on January 1, 2015.

Similar to last year and the year before, a number of improvements to the note disclosure have been implemented to provide for a clearer understanding of various components of the Region's financial statements.

Surplus Reconciliation

The Region's 2014 property tax surplus was $3,012,000 (excluding police and library) and was reported to Administration and Finance Committee on April 14, 2015 (Report COR-TRY-15-35). The Region's consolidated surplus for 2014, as presented in these financial statements is $87,284,000. Note 22 of the financial statements is a reconciliation of the 2014 operating surplus and the 2014 consolidated financial statement surplus. As outlined in the note, there are significant accounting adjustments required in order to comply with generally accepted accounting principles which have a dramatic impact on the presentation of municipal surplus.

The difference between the two figures is in part due to the audited financial statements being prepared on a consolidated basis (including water and wastewater for example), and in part due to the impact of different accounting practices utilized for financial reporting purposes and budgeting/tax levy purposes. For example, for financial statement purposes all transfers to Reserves and Reserve Funds are eliminated while amortization expense of tangible capital assets is included. In addition, in 2014 the difference was also due to the recording of $33.7 million in provincial revenue for the Region's Rapid Transit project, which flows directly to the financial statement surplus. Large surpluses relating to this project will continue over the next three years as the Region receives provincial and federal funds during construction.

In the end, the two surplus presentations serve two different purposes, with the property tax surplus providing Council with a year-end position relative to the property tax levy and the consolidated financial statement surplus meeting reporting requirements of the Province of Ontario and the Public Sector Accounting Board.

2) Sinking Fund Financial Statements

The Regional Sinking Fund is established to retire sinking fund debentures issued by the Region for its own purposes, for area municipality purposes, and up to 2007 for school board purposes. The defining characteristic of a sinking fund debenture is that the entire principal amount is repayable at the end of the term (usually 20 or 30 years). Contributions are made to the sinking fund over the life of the debenture. These contributions, along with related investment income, are used to pay the principal at maturity.

The Sinking Fund balance has dropped significantly over the last two years as 20 year sinking fund debentures issued in 1992 and 1993 have matured. That being said, the Sinking Fund balance will increase in the coming years due to the following Regional sinking fund debenture issues:

1. $9 m/20 year debenture issued in 2000, for which contributions will commence in 2016.
2. $9.4 m/20 year debenture issued in 2001 for which contributions will continue through 2021;
3. $18.6 m/20 year debenture issued in 2012 for which contributions will commence in 2023;
4. $50 m/30 year debenture and $95 m/20 year debenture issued in May 2013, for which contributions commenced in 2014;
5. $50 m/30 year debenture issued in April 2014, for which contributions will commence in 2015.

The financial statements reflect the activity and position of the Sinking Fund for the period ending December 31, 2014.

3) Trust Fund Financial Statements

The Region is required, under the provisions of the “Long-Term Care Homes Act, 2007”, to maintain and manage trust funds on behalf of the residents of Sunnyside Home. The financial statements reflect the activity and position of the Trust Fund for the period ending December 31, 2014. No significant changes are noted.

Notice

The Municipal Act requires that the Treasurer of a municipality publish in a newspaper of general circulation either a copy of the audited financial statements or a notice that the audited financial statements are available to the public at no cost. Staff will publish such notice; post the audited financial statements on the Region's website, and make available a printed copy upon request to comply with the provisions of the Act.

2015 Financial Statements

Accounting standards are changing for the 2015 fiscal year with respect to the reporting of liabilities for contaminated sites. The new standard requires the municipalities to identify all sites that are not in productive use and are contaminated or likely contaminated. Each contaminated site will need to be evaluated against specific recognition criteria and a corresponding financial liability developed. The Region has engaged Deloitte to assist in this process. The timeline is as follows:

February 2015 – Divisional and Finance staff receive training from Deloitte

April 2015 – Divisions determine regional sites that are contaminated and no longer in productive use

May/June 2015 – Review each contaminated site to determine if a liability should be estimated

July – Sept 2015 – Perform site evaluations and/or consulting estimates as required

November 2015 – Update to Audit Committee

Spring 2016 – Include liability for contaminated sites in December 31, 2015 consolidated financial statements

Corporate Strategic Plan:

This report supports Focus Area 5, Service Excellence of the 2011-2014 Corporate Strategic Plan and specifically objective 5.3 to ensure Regional programs and services are efficient and effective and demonstrate accountability to the public.

Financial Implications:

The Region's 2014 consolidated financial statements include an accumulated surplus of $1.8 billion. This surplus, presented in accordance with Public Sector Accounting Board requirements, is comprised of tangible capital assets (net of amortization) which will be utilized by the Region to deliver services to the public in the future, accumulated operational surplus and reserves and reserve funds, net of amounts to be recovered in the future.

Other Department Consultations/Concurrence:

All regional departments and services participate in the Region's year end process.

Attachments:

Appendix 1 – Draft Consolidated Financial Statements for the period ending Dec. 31/14

Appendix 2 – Draft Sinking Fund Financial Statements for the period ending Dec. 31/14

Appendix 3 – Draft Trust Fund Financial Statements for the period ending Dec. 31/14

Prepared By: Peter Holling, Manager, Financial Services

Approved By: Craig Dyer, Commissioner of Corporate Services/Chief Financial Officer

Appendix 1

Consolidated financial statements of

The Regional Municipality of Waterloo

December 31, 2014

The Regional Municipality of Waterloo

December 31, 2014

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Deloitte LLP
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Independent Auditor's Report

To the Members of Council, Inhabitants and Ratepayers of
The Regional Municipality of Waterloo

We have audited the accompanying consolidated financial statements of The Regional Municipality of Waterloo, which comprise the consolidated statement of financial position as at December 31, 2014, and the consolidated statements of operations and accumulated surplus, change in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of The Regional Municipality of Waterloo as at December 31, 2014 and the results of its operations, its cash flows and change in net debt for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants.
Chartered Accountants
Licensed Public Accountants

The Regional Municipality of Waterloo
Consolidated Statement of Financial Position
as at December 31, 2014 (in thousands of dollars)

	2014	2013
	($000s)	($000s)
Financial assets		
Cash	**254,323**	205,514
Accounts receivable	**84,298**	53,829
Other current assets	**2,275**	2,473
Investments (Note 3)	**159,137**	154,996
Long-term receivables (Note 6)	**211,514**	220,940
Loans receivable (Note 4)	**2,830**	2,908
Total financial assets	**714,377**	640,660
Liabilities		
Accounts payable	**61,971**	65,765
Other current liabilities	**53,066**	56,080
Deferred revenue (Note 5)	**91,845**	84,320
Long-term liabilities (Note 6)	**828,862**	649,064
Employee future benefits liability (Note 12)	**149,173**	133,662
Landfill closure and post-closure liability (Note 13)	**60,509**	47,535
Total liabilities	**1,245,426**	1,036,426
Net Financial Debt	**(531,049)**	(395,766)
Non-financial assets		
Tangible capital assets (Note 16)	**2,304,618**	2,088,106
Inventory	**5,495**	4,704
Prepaid expenses	**13,600**	8,336
Total non-financial assets	**2,323,713**	2,101,146
Accumulated surplus (Note 17)	**1,792,664**	1,705,380

The accompanying notes are an integral part of these consolidated financial statements.

The Regional Municipality of Waterloo
Consolidated Statement of Operations and Accumulated Surplus
Year ended December 31, 2014 (in thousands of dollars)

	2014 Budget (Note 21) ($000s)	2014 Actual ($000s)	2013 Actual ($000s)
Revenue			
Property taxes	442,791	446,376	430,701
Government transfers			
Canada	23,472	19,629	30,894
Ontario	231,322	237,871	191,361
User fees and service charges	193,332	200,954	189,779
Fines (Note 8)	8,380	6,573	7,861
Development charges earned	50,246	50,246	39,145
Investment income	8,960	8,978	9,092
Other	377	385	1,062
Total revenue	958,880	971,012	899,895
Expense			
General government	52,449	47,813	48,740
Protection to persons and property	176,674	173,603	159,793
Transportation services	177,907	179,404	181,348
Environmental services	153,613	150,428	134,617
Health services	57,140	55,506	65,416
Social and family services	191,532	195,843	191,215
Social housing	61,118	61,931	59,253
Planning and culture	16,790	19,200	23,921
Total expense	887,223	883,728	864,303
Annual surplus	71,657	87,284	35,592
Accumulated surplus, beginning of year		1,705,380	1,669,788
Accumulated surplus, end of year (Note 17)		1,792,664	1,705,380

The accompanying notes are an integral part of these consolidated financial statements.

The Regional Municipality of Waterloo
Consolidated Statement of Change in Net Debt
Year ended December 31, 2014 (in thousands of dollars)

	2014 Actual ($000s)	2013 Actual ($000s)
Annual Surplus	**87,284**	35,592
Acquisition of tangible capital assets	**(124,146)**	(218,455)
Decrease (increase) in assets under construction	**(184,624)**	14,385
Amortization of tangible capital assets	**91,704**	85,234
(Gain) loss on disposal of tangible capital assets	**34**	(606)
Proceeds on disposal of tangible capital assets	**520**	3,581
Change due to tangible capital assets	**(216,512)**	(115,861)
Increase in inventory	**(791)**	(379)
Decrease / (increase) in prepaid expenses	**(5,264)**	1,832
Change in inventories and prepaid expenses	**(6,055)**	1,453
Change in net debt	**(135,283)**	(78,816)
Net Debt beginning of year	**(395,766)**	(316,950)
Net Debt end of year	**(531,049)**	(395,766)

The accompanying notes are an integral part of these consolidated financial statements.

The Regional Municipality of Waterloo
Consolidated Statement of Cash Flows
Year ended December 31, 2014 (in thousands of dollars)

	2014	2013
	($000s)	($000s)
Operating Activities		
Annual Surplus	**87,284**	35,592
Non-cash charges to operations		
Amortization of tangible capital assets	**91,704**	85,234
Amortization of bond premium	**(1,107)**	(1,365)
Change in employee future benefits liability	**15,511**	9,136
Change in landfill closure and post-closure liability	**12,974**	2,523
(Gain) loss on sale of tangible capital assets	**34**	(606)
Change in non-cash assets and liabilities		
Accounts receivable	**(30,469)**	10,067
Other current assets	**198**	(368)
Accounts payable	**(3,794)**	6,735
Other current liabilities	**(3,014)**	(12,634)
Deferred revenue	**7,525**	(9,117)
Inventory	**(791)**	(379)
Prepaid expense	**(5,264)**	1,832
Net change in cash from operating activities	**170,791**	126,650
Capital Activities		
Acquisition of tangible capital assets	**(124,146)**	(218,455)
Increase in assets under construction	**(184,624)**	14,385
Proceeds on sale of tangible capital assets	**520**	3,581
Net change in cash from capital activities	**(308,250)**	(200,489)
Investing activities		
Proceeds from disposals and redemptions of investments	**29,683**	31,366
Acquisition of investments	**(32,679)**	(9,303)
Decrease in notes receivable	**78**	-
Investment funds interest reinvested	**(38)**	(31)
Net change in cash from investing activities	**(2,956)**	22,032
Financing transactions		
Net long-term liabilities incurred	**231,317**	192,139
Net long-term liabilities repaid	**(42,093)**	(36,819)
Net change in cash from financing transactions	**189,224**	155,320
Net change in cash and cash equivalents	**48,809**	103,513
Cash beginning of year	**205,514**	102,001
Cash end of year	**254,323**	205,514

The accompanying notes are an integral part of these consolidated financial statements.

The Regional Municipality of Waterloo
Notes to the Consolidated Financial Statements
December 31, 2014
(in thousands of dollars)

The Regional Municipality of Waterloo is an upper-tier municipality in the Province of Ontario, Canada. Provincial statutes including the *Municipal Act, the Municipal Affairs Act* and related legislation guide its operations. The Region is comprised of the Cities of Cambridge, Kitchener and Waterloo and the Townships of North Dumfries, Wellesley, Wilmot and Woolwich.

1. Significant accounting policies

The consolidated financial statements of The Regional Municipality of Waterloo (the "Region") are prepared by management in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada ("CPA Canada").

a) Basis of consolidation

i) The consolidated financial statements reflect the financial assets, liabilities, operating revenue and expense and changes in investment in tangible capital assets of the Region. These statements comprise all services and enterprises accountable to the Region and which are owned or controlled by the Region. The following boards are consolidated: the Waterloo Regional Police Services Board ("WRPS") and the Region of Waterloo Library Board.

All interfund assets, liabilities, sources of financing and expenses are eliminated.

ii) The following entities are not consolidated: Grand River Conservation Authority, the Waterloo Regional Heritage Foundation, the Region of Waterloo Arts Fund and the Waterloo Region Municipalities Insurance Pool.

iii) Sinking funds held by the Region for the retirement of long-term liabilities are not consolidated and are shown as a reduction in the amount of long-term liabilities (see note 6).

iv) Trust funds administered by the Region amounting to $127 (2013 - $120) are not consolidated and are reflected in the trust fund's statement of continuity and balance sheet.

b) Basis of accounting

i) Accrual basis of accounting

The Region maintains its accounts on an accrual basis, whereby revenue is recognized in the period in which the transactions or events occurred that gave rise to the revenue, and expense is recognized in the period in which a liability is incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation for payment.

ii) Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expense during the period. Actual results could differ from those estimates. Adjustments, if any, will be reflected in operations in the period of settlement. Significant estimates include landfill closure and post closure liability, employee future benefits liability and the estimated useful life of tangible capital assets.

iii) Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year, and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, determines the change in net debt for the year.

The Regional Municipality of Waterloo
Notes to the Consolidated Financial Statements
December 31, 2014
(in thousands of dollars)

1. Significant accounting policies (continued)

iv) Deferred revenue

In accordance with PSAB requirements, obligatory reserve funds are reported as a component of deferred revenue. Development charge collections have been segregated, as required by the *Development Charges Act*, to finance a portion of the cost of growth-related capital projects. Revenue recognition occurs when the Region has incurred the expenditure for the capital works for which the development charges were collected.

Other funds received for specific purposes are accounted for as deferred revenue until the Region discharges the obligation which led to the receipt of the funds.

v) Government transfers

Government transfers from the province or federal government are recognized in the financial statements as revenue in the period in which the events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amounts can be made.

vi) Reserves and reserve funds

The Region follows the practice of allocating funding to reserves and reserve funds that are retained for general and specific purposes. Reserves and reserve funds are established by Council resolution or by-law and are available for future uses. Amounts are expended in accordance with the terms and policies established by Council. Expenses in respect of items for which the reserves and reserve funds have been created are reported on the consolidated statement of operations and accumulated surplus. The ending reserve and reserve fund balances comprise a portion of the accumulated surplus.

vii) Investment income

Investment income earned on available funds and accumulated surplus is reported as revenue in the period earned. Investment income earned on development charges is added to the fund balance and forms part of the deferred revenue balance.

viii) Tangible capital assets

Tangible capital assets are recorded at cost, which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of tangible capital assets is amortized on a straight-line basis over estimated lives as follows:

Land improvements	10 to 75 years
Buildings	15 to 60 years
Vehicles	3 to 15 years
Machinery and equipment	3 to 40 years
Water and wastewater plants and networks:	
Plants/stations/reservoirs	20 to 60 years
Underground networks	60 to 110 years
Transportation:	
Roads	16 to 100 years
Bridges	40 to 80 years
Other roads assets	16 to 75 years
Leasehold improvements	Over life of lease

For assets with shorter lives (e.g. vehicles, laptop and desktop computers), one half of the amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for use. Landfill cells are amortized

The Regional Municipality of Waterloo
Notes to the Consolidated Financial Statements
December 31, 2014
(in thousands of dollars)

1. Significant accounting policies (continued)

annually on the basis of tonnage filled as a percentage of the estimated total capacity of the facility. For all other assets, amortization begins in the first month of the year following their readiness for use.

The Region has various capitalization thresholds, such that individual tangible capital assets of lesser value are expensed, unless the assets have significant value collectively (pooled assets). Examples of pooled assets are desktop and laptop computers, police vehicles, traffic signals, streetlights, and annual road resurfacing.

Land purchased for service delivery purposes is recorded as a tangible capital asset at the lower of cost or market value. Any land cost premium incurred related to expropriation will be included as part of the asset to be constructed and amortized over its useful life.

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt, and that value is also recorded as revenue. Similarly, transfers of assets to third parties are recorded as an expense equal to the net book value of the asset as of the date of transfer.

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expense as incurred.

ix) Cultural and Historic Assets

Works of art and cultural and historic assets are not recorded as assets in these financial statements. The Region's museums include approximately 52,000 artifacts and archival documents which are considered to be historically significant. All artwork, artifacts, and archival documents are fully catalogued (most with appraised values) in the Region's collections database. The collection is maintained and stored at the Region of Waterloo Curatorial Centre, the Region of Waterloo History Museum, and Joseph Schneider Haus.

x) Inventory

Inventories held for consumption are recorded at the lower of cost or replacement cost.

xi) Land held for resale

Land held for resale is recorded at the cost of acquisition. The proceeds of sale, net of cost, are treated as revenue.

xii) Loans receivable

Loans receivable are recorded at cost less any amount for valuation allowance. Valuation allowances are made when collection is in doubt. Interest is accrued on loans receivable to the extent it is deemed collectable.

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2. Contributions to non-consolidated entities

Further to Note 1, the following contributions were made by the Region to non-consolidated entities:

	2014	2013
	($000s)	($000s)
Grand River Conservation Authority	**5,867**	5,695
Waterloo Region Municipalities Insurance Pool	**1,929**	1,822
Region of Waterloo Arts Fund	**243**	256
Waterloo Regional Heritage Foundation	**106**	112
	8,145	7,885

3. Investments

Investment activities are governed by the *Municipal Act* and the Region's consolidated investment policy. Investments of $159,137 (2013 - $154,996) are recorded at cost. The investments have a market value of $164,049 (2013 - $162,968) at the end of the year. The market value represents the realizable value of the investments if they were sold at December 31, 2014. Investments by type of issuer are listed below:

	2014	2013
	($000s)	($000s)
Issuer		
Government Agencies	**3,167**	3,136
Provincial Governments	**50,225**	43,362
Canadian Municipalities	**47,074**	56,341
Schedule 1 Canadian Banks	**45,059**	50,583
Investment Funds	**13,612**	1,574
	159,137	154,996

4. Loans receivable

The Region has issued interest free loans to non-profit and co-operative housing corporations which are secured through registration of a mortgage on title to the property owned by the Provider. Loans are due and payable when the corporations have stabilized and not later than five years after the maturity date of the first mortgage.

	2014	2013
	($000s)	($000s)
Loans receivable	**2,830**	2,908
	2,830	2,908

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5. Deferred revenue

Deferred revenue set aside for specific purposes by legislation, regulation or agreement as at December 31, is comprised of the following:

($000s)	Balance at December 31, 2013	Inflows	Revenue Earned	Balance at December 31, 2014
Development Charges	67,890	48,576	(50,198)	66,268
Developers Deposits	753	566	(49)	1,270
Federal Gas Tax	15,677	15,576	(6,946)	24,307
Total	**84,320**	**64,718**	**(57,193)**	**91,845**

6. Net long-term liabilities

a) Long-term liabilities reported on the consolidated statement of financial position are comprised of the following:

	2014	2013
	($000s)	($000s)
Total long-term liabilities incurred by the Region, including those incurred on behalf of School Boards and other Municipalities, outstanding at the end of the year amount to:	**837,070**	651,891
The total value of the Region's own sinking fund amounts to:	**(8,208)**	(2,827)
Total long-term liabilities	**828,862**	649,064
Other Municipalities and School Boards have assumed responsibility for the payment of principal and interest charged on certain long-term liabilities issued by the Region above. At the end of the year, the outstanding principal amount of this liability is:	**(211,472)**	(220,890)
Individuals have assumed responsibility for paying principal and interest charges for tile drainage loans. At the end of the year, the outstanding principal amount of this liability is:	**(42)**	(50)
Total long-term receivables	**(211,514)**	(220,940)
Net long-term liabilities, end of year	**617,348**	428,124

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6. Net long-term liabilities (continued)

b) The principal repayments, including contributions to the sinking fund, of net long-term liabilities reported in (a) of this note, are scheduled as follows:

	($000s)
2015-2019	207,920
2020-2024	137,402
2025-2029	78,606
2030-2034	78,804
2035-2039	46,746
2040-2044	67,870
	617,348

c) Net long-term liabilities are planned to be recovered from the following sources of revenue:

	2014	2013
	($000s)	($000s)
Property taxes and general municipal revenue	**477,211**	307,282
Development charge collections	**90,438**	70,000
Wastewater rate revenue	**40,198**	39,220
Water rate revenue	**9,501**	11,622
	617,348	428,124

d) Long-term liabilities include sinking fund debentures issued in the amount of $242,230 (2013 - $192,230) of which $237,099 (2013 - $187,099) is the Region's share. Annual payments to the sinking fund will be made to finance the repayment of the debentures as they mature. During 2014, surplus funding of $214 related to sinking fund debentures which were retired in 2012 and 2013 was distributed to participants. New sinking fund debentures of $50,000 were issued in 2014 for which contributions will commence in 2015. Accumulated contributions to and earnings of the sinking fund total $8,208 (2013 - $3,178) of which $8,208 (2013 - $2,827) is the Region's share.

e) In 2014, the Region entered into a contract with GrandLinq GP for the construction, operation and maintenance of the Region's Stage1 Light Rail Transit project. The contract requires GrandLinq GP to provide long term financing for the first $130,652 of capital costs incurred. The Region will make annual long term financing payments to GrandLinq GP of $10,628 during the 30 year operations and maintenance term. As at December 31, 2014, the amount of capital costs incurred was $114,437 (2013 -$0) and is reported on the consolidated statement of financial position as a long term liability.

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6. Net long-term liabilities (continued)

f) Long-term liabilities assumed by others

The Region has issued debentures in its name on behalf of area municipalities and school boards, and has issued tile drainage loans to property owners. The Region is contingently liable for these long-term liabilities for which the responsibility for payment of principal and interest has been assumed by those bodies. These amounts have been included as long-term receivables on the consolidated statement of financial position.

	2014	2013
	($000s)	($000s)
City of Kitchener	**102,999**	112,039
Waterloo Region District School Board	**54,098**	58,711
City of Cambridge	**14,175**	15,591
Waterloo Catholic District School Board	**14,288**	15,487
City of Waterloo	**17,823**	10,331
Township of Woolwich	**4,268**	4,470
Township of North Dumfries	**2,060**	2,226
Township of Wilmot	**1,414**	1,560
Township of Wellesley	**347**	475
Property Owners (Tile Drainage)	**42**	50
Total debentures assumed by others	**211,514**	220,940

Effective 2007, the Region no longer has responsibility to issue debenture debt for school boards.

7. Payments for net long-term liabilities

Total payments for the net long-term liabilities which are reported on the consolidated financial statements were as follows:

	2014	2013
	($000s)	($000s)
Principal payments including contributions to the sinking fund	**42,093**	36,819
Interest	**17,079**	12,733
	59,172	49,552

The interest rates on debt outstanding at December 31, 2014 ranged from 1.15% to 6.7%.

The following revenues were collected to meet these payments:

	2014	2013
	($000s)	($000s)
Property taxes and general municipal revenue	**48,519**	43,134
Development charge collections	**5,266**	1,660
Water rate revenue	**2,599**	2,597
Wastewater rate revenue	**2,788**	2,161
	59,172	49,552

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8. Provincial offences administration

The Region is responsible for the administration of fines arising under *the Provincial Offences Act* ("POA"). The Region performs court support, administration and collection functions for all related fines and fees and prosecutes matters under the POA. The POA is a procedural law for administering and prosecuting provincial offences, including those committed under *the Highway Traffic Act, Compulsory Automobile Insurance Act, Trespass to Property Act, Liquor Licence Act*, municipal by-laws and minor federal offences. Offenders may pay their fines at any Provincial Offences court office in Ontario, at which time the receipts are recorded in the Integrated Courts Operation Network system ("ICON"). The Region recognizes fine revenue when the receipt of funds is recorded in ICON. Gross revenue for 2014 totals $6,573 (2013 - $7,861).

9. Credit facility

The Region has an operating credit facility of $40,000 with the Bank of Nova Scotia bearing interest at the bank's prime rate minus 0.50% per annum with an effective rate during 2014 of 2.5% (2013 – 2.5%) per annum. At December 31, 2014, the Region's bank indebtedness using the operating credit facility was $0 (2013 - $0).

10. Waterloo Region Housing debt obligations

On January 1, 2000, the Province transferred ownership of 2,557 housing units to the Region. Prior to 2000, the Province issued debentures related to housing properties now owned by the Region. The debt obligation for these debentures remains with the Province and has varying maturity dates. The outstanding debt at December 31, 2014 is $11,005 and principal repayments are scheduled as follows:

	($000s)
2015 - 2019	8,191
2020 - 2024	2,524
2025 onwards	290
	11,005

11. Pension contributions

The Region makes contributions to the Ontario Municipal Employees Retirement System ("OMERS"), which is a multi-employer plan. OMERS is a defined benefit plan which specifies the amount of retirement benefit to be received by the employees based on the length of service and rates of pay. The amount contributed to OMERS for 2014 was $30,248 (2013 - $29,910) for current service of 4,091 eligible employees and is included as an expense on the consolidated statement of operations and accumulated surplus. Contributions were made in 2014 at rates ranging from 9.0% to 15.9% of member earnings, depending on the member's designated retirement age and level of earnings. The OMERS funding ratio for 2014 is 90.8% (2013 – 88.2%), with the goal of being fully funded by 2025.

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12. Employee future benefits liability

Summary of employee future benefits

($000s)	Region (excluding WRPS)	WRPS	2014	2013
Future payments required for:				
Post retirement benefits	**15,912**	**75,306**	**91,218**	82,730
Sick leave	**19,861**	**27,811**	**47,672**	38,366
Workplace Safety & Insurance Board	**3,252**	**7,031**	**10,283**	12,566
Total	**39,025**	**110,148**	**149,173**	133,662

Post retirement benefits

The Region provides post-retirement benefits consisting of Extended Health Care, Out-of-Province Travel Benefits, Dental, Life Insurance, and Accidental Death and Dismemberment to qualifying retirees. These benefits are provided to age 65 for Regional retirees. For WRPS retirees, Dental coverage, if so elected, is recovered from the member; Life Insurance, and Accidental Death and Dismemberment is funded by WRPS and provided to age 65, and Health Care and Out-of Province Travel Benefits are funded by WRPS and are provided for life.

An actuarial evaluation was completed for December 2014 and it was determined that the liability for present and future benefits is $91,218 (2013 - $82,730). The calculations were based on a discount rate of 3.6% (2013 – 4.75%) and an inflation rate for benefits of 2.0% (2013 – 2.0%).

Sick leave

The Region provides sick leave benefits to its employees and unused sick leave accumulates during employees' service. Eligible employees become entitled to receive a cash payment of up to six months of the accumulated sick leave balance upon leaving the Region's employment. As a result of negotiated changes to collective agreements, new employees are not eligible for a sick leave payout. At the end of December 2014, 37% of employees are entitled to this benefit. An actuarial evaluation was completed in December 2014. The actuarial liability at the end of the year for these accumulated days, assuming a 3.6% discount rate, 2.0% inflation and to the extent that they have vested was $47,672 (2013 - $38,366). Approximately 60% of this amount is eligible to be paid in cash upon employee termination and the remaining 40% would be in the form of future year absences.

The cost of benefits paid is provided from a sick leave reserve fund, which is funded through annual payroll charges to operations. A reserve fund of $1,742 (2013 – $2,244) to partially provide for the Regional portion of this liability is included in the accumulated surplus (note 17). The amount paid to employees who left the Region's employment in 2014 amounted to $3,188 (2013 - $1,968).

Amounts payable for employees who become eligible for a sick pay payout in the next five years are:

($000s)	Region (excluding WRPS)	WRPS	2014
2015	2,389	1,832	4,221
2016	784	648	1,432
2017	1,287	958	2,245
2018	1,072	1,297	2,369
2019	1,240	839	2,079
	6,772	5,574	12,346

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12. Employee future benefits liability (continued)

Workplace Safety & Insurance Board (WSIB)

The Region has assumed the liability for any costs awarded under the *Workers' Compensation Act*. During 2014, the Region paid $863 (2013 - $726) in such costs for employees. An actuarial evaluation for the future liability for WSIB was completed in December 2014 and it was determined that the liability for present and future awards is $10,283 (2013 - $12,566). The calculations were based on a discount rate of 3.25% and an inflation rate for benefits of up to 2.0%. An amount of $12,221 (2013 - $11,407) has been provided for current and future awards and is included in the Workplace Safety and Insurance Board reserve fund (Note 17).

13. Landfill closure and post-closure liability

The Region owns and operates one open landfill site and owns and monitors five closed landfill sites. The open site has a remaining capacity of 41% or 6.6 million m3 and has an estimated life expectancy of 15-20 years. The present value of the expected closure and post-closure costs of the open landfill site and the present value of expected monitoring and capital rehabilitation costs of the closed landfill sites have been reported as a liability on the consolidated statement of financial position. The liability was estimated using a discount factor of 3.5%. The closure costs and post-closure costs are based on capital and operating budget estimates. A 25 year estimate of the post-closure costs for the landfill has been included. Any change in the liability is reported as an expense on the consolidated statement of operations and accumulated surplus. A liability of $60,509 (2013 - $47,535) has been reported on the consolidated statement of financial position. Solid waste landfill closure and post-closure costs are funded through the Region's annual budget.

14. Public liability insurance

In 1998, the Region entered into an agreement with the seven area municipalities comprising the Region to form the Waterloo Region Municipalities Insurance Pool (WRMIP). The WRMIP purchases property damage and public liability insurance on a group basis and each member shares a retained level of risk. The members pay an annual levy to fund insurance premiums and prefund expected losses. External coverage through insurance companies is in place for claims in excess of deductibles.

The Region has made provision for a reserve fund for general insurance which as at December 31, 2014 amounted to $4,620 (2013 - $4,609). The provision for the year of $3,547 (2013 - $3,294) was transferred to the insurance reserve.

During the year, 1,273 (2013 – 1,240) claims were settled for $968 (2013 - $563) and have been provided for from the General Insurance Reserve Fund, and accordingly, reported as an expense on the consolidated statement of operations and accumulated surplus.

15. Contingent liabilities

Legal claims

As of December 31, 2014 the Region has been named defendant, co-defendant or plaintiff in a number of outstanding legal actions. No provision has been made for any claims that are expected to be covered by insurance or where the consequences are indeterminable. Liabilities for non-insured claims are recorded in the year in which they are settled.

Expropriations

The Region is involved in a number of expropriation matters typically related to roads and public transit. Expenditures associated with these expropriations are recorded in the year in which settlements are reached.

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16. **Tangible capital assets**

The continuity of cost, amortization and net book value of tangible capital assets is shown on the following table.

Tangible capital assets

Cost	Balance at December 31, 2013	Additions	Disposals	Balance at December 31, 2014
Land	90,713	-	-	90,713
Land improvements	110,801	10,927	-	121,728
Buildings	416,215	18,499	298	434,416
Vehicles	154,071	8,706	10,869	151,908
Machinery and equipment	119,972	7,059	159	126,872
Roads	1,094,082	14,951	21,323	1,087,710
Water and wastewater	967,041	64,004	453	1,030,592
Total Cost	2,952,895	124,146	33,102	3,043,939

Accumulated Amortization	Balance at December 31, 2013	Disposals	Amortization Expense	Balance at December 31, 2014
Land improvements	50,460		3,899	54,359
Buildings	167,294	270	14,245	181,269
Vehicles	83,441	10,739	14,107	86,809
Machinery and equipment	61,555	132	9,006	70,429
Roads	382,518	21,036	30,587	392,069
Water and wastewater	475,633	371	19,860	495,122
Total Accumulated amortization	1,220,901	32,548	91,704	1,280,057

Net Book Value	Net Book Value December 31, 2013	Net Book Value December 31, 2014
Land	90,713	90,713
Land improvements	60,341	67,369
Buildings	248,921	253,147
Vehicles	70,630	65,099
Machinery and equipment	58,417	56,443
Roads	711,564	695,641
Water and wastewater	491,408	535,470
Total net book value	1,731,994	1,763,882
Construction work in progress	284,004	302,488
Construction work in progress - Stage 1-Rapid Transit	72,108	238,248
Total tangible capital assets	2,088,106	2,304,618

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17. Accumulated surplus

Accumulated surplus shown on the Consolidated Statement of Financial Position is analyzed as follows:

As at December 31	2014	2013
	($000s)	($000s)
Surplus:		
Invested in tangible capital assets	2,304,618	2,088,104
Accumulated surplus on operations	290,360	229,464
Amounts to be Recovered		
From future revenue		
Net long term liabilities	(617,348)	(428,124)
Landfill closure and post closure liability	(60,509)	(47,535)
Employee future benefits	(137,148)	(121,028)
From other municipalities and school boards		
Net long term liabilities	(211,514)	(220,940)
From Reserve Funds		
Employee future benefits	(1,742)	(2,244)
Workplace safety and insurance	(10,283)	(11,407)
Total Surplus	1,556,434	1,486,290
Reserves set aside by Council for:		
Capital	110,612	97,827
Equipment replacement	21,841	19,966
Contingencies and stabilization	18,045	17,739
Benefits and insurance	6,361	6,852
Program specific	442	307
Total Reserves	157,301	142,691
Reserve Funds set aside for specific purposes by Council for:		
Community Housing	51,230	50,257
Workplace safety and insurance	12,221	11,407
Waterloo Regional Police Services	7,181	3,762
Regional Transportation Master Plan	3,911	6,789
Brownfield financial incentives	2,771	2,699
Library	981	878
Public art	456	453
Heritage resources	178	154
Total Reserve Funds	78,929	76,399
Accumulated Surplus	1,792,664	1,705,380

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18. Commitments and Contractual Obligations

Lease commitments

At the end of 2014, the Region is responsible for total lease commitments of approximately $6,880 (2013 - $7,089) relating to equipment and buildings.

		Maturity Date	Amount ($000s)
Office space	Varying maturities to	2020	5,442
Other	Varying maturities to	2040	1,438
Total commitments			6,880

Contractual obligations

The Region has entered into a service agreement with the Ontario Clean Water Agency ("OCWA") to operate the Region's wastewater treatment plants, which expires on December 31, 2020. Under the terms of the agreement, OCWA will operate the Region's wastewater treatment plants at an average annual cost of $7,183, subject to possible adjustments for significant changes to the system or underlying costs. Included in the consolidated statement of operations and accumulated surplus is $8,915 (2013 - $8,705) paid to OCWA.

Rapid Transit

In May 2014, the Region entered into a public-private partnership construction and service agreement with GrandLinq GP ("GrandLinq") to construct, operate and maintain a Light Rail Transit ("LRT") system, with construction from 2014-2017 and operations and maintenance from 2017 to 2047. Under the terms of the agreement, GrandLinq will construct the LRT system at a cost of $580,674 and will provide long term financing for the first $130,652 of capital costs incurred. The Region will make annual financing payments to GrandLinq of $10,628 during the operations and maintenance term. GrandLinq will operate the system for an initial period of 10 years, with options to renew at 5-year intervals to 30 years at an average annual cost of $4,036 subject to annual inflation adjustments. GrandLinq will maintain the system for a period of 30 years at an average annual cost of $15,000 subject to annual inflation adjustments. The contract provides for potential fixed-price service level increases over the term of the contract, subject to Regional Council approval at that time. The capital cost of the Stage 1 Rapid Transit project ($818,000), which includes an adapted bus rapid transit component to be built and operated by the Region, will be financed in part by the Province of Ontario and the Government of Canada. The Region entered into a Transfer Payment Agreement with Ontario in March 2014 which provides for funding of $300,000 towards the capital costs of the project. In January 2015, the Region entered into a Contribution Agreement with Canada which will provide for funding of one-third of all eligible capital costs, to a maximum of $265,000. The Region is responsible for the balance of the capital costs as well as the future financing, operating and maintenance costs, to be funded through passenger fare revenue and property taxes.

Brownfield Financial Incentive Program

The Region has a Brownfield Financial Incentive Program (BFIP) to facilitate the remediation and redevelopment of brownfields throughout the Region. Tax Incentive Grants (TIGs), which are one of the components of the BFIP, provide eligible developers with a grant to offset the cost of remediation. Council has approved a number of TIGs that will be funded from reserves and future property tax revenue.

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19. Subsequent event

Early in 2015, La Capanna Homes (Non-Profit) Inc. and La Capanna II Homes (Non-Profit) Inc. transferred two community housing properties to the Region of Waterloo through Region of Waterloo Community Housing Inc., a wholly-owned Regional corporation. The 2015 value of these properties as assessed by the Municipal Property Assessment Corporation is $9,770 and outstanding mortgages on the properties total $4,524 as of January 1, 2015. The financial effect of this transaction is not known at this time, as decisions have yet to be made regarding the future operations of these properties.

20. Budget figures

Budgets are established to set property tax rates and user rates and to finance projects which may be carried out over one or more years. Although they are not directly comparable with current year actual amounts in all cases, they have been restated to conform with public sector accounting standards on the consolidated statement of operations. No budgets were set for items appearing on the consolidated statement of changes in net debt.

21. Expenses by object

The consolidated statement of operations and accumulated surplus presents expense by function. The following table classifies expense by object:

	2014	2013
	($000s)	($000s)
Salaries, wages and employee benefits	**405,514**	387,633
Materials, goods, supplies and utilities	**92,057**	101,270
Contracted services	**145,123**	135,365
Interest	**16,971**	13,201
Amortization	**91,704**	85,234
Transfers to persons and organizations	**132,359**	141,600
	883,728	864,303

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22. Reconciliation of Regional Operating Tax Surplus and Consolidated Financial Statement Annual Surplus

	2014	2013
	($000s)	($000s)
Operating Surplus		
Regional Tax Supported Surplus	3,012	1,861
Region of Waterloo Library Board	58	93
Waterloo Regional Police Services Board	3,428	1,765
Regional User Rate Surplus	3,759	3,591
Total Operating Surplus	10,257	7,310
Add: Revenues Not included In Operating Surplus		
Development Charges	50,246	39,145
Deferred Federal Gas Tax Revenue	6,946	16,219
Capital Grants (Federal and Provincial)	43,600	7,575
Other	-	885
Add: Expenses Included in Operating Surplus, but not in Consolidated Statements		
Transfers to Reserves and Reserve funds	87,055	85,244
Principal Repayments	41,915	36,715
Less: Expenses not Included in Operating Surplus:		
Amortization of Tangible Capital Assets	(91,704)	(85,234)
Operating Expenses in Capital	(27,204)	(56,374)
Change in Actuarial Estimates	(15,501)	(9,137)
Change in Landfill Closure & Post Closure Estimate	(12,975)	(2,522)
Operating expenses in Reserves & Reserve Funds	(5,351)	(4,232)
Consolidated Financial Statement Surplus/(Deficit)	87,284	35,592

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23. Segmented Disclosure

General government is comprised of Council, administration and amounts paid to the Municipal Property Assessment Corporation. These areas are responsible for corporate governance and administration, by-laws and administrative policies, acquiring and managing assets, financial management and human resources management.

Protection to persons and property is comprised of the Waterloo Regional Police Service ("WRPS"), Provincial Offences and the contribution to the Grand River Conservation Authority ("GRCA") for flood control. WRPS maintains the safety and security of all citizens by reducing or eliminating loss of life and property, maintaining law enforcements, and preserving peace and good order. Protection to persons and property also includes flood control from GRCA.

Transportation includes roads, traffic, public transit and Region of Waterloo International Airport. Other transportation services provide planning, development, and maintenance of roads, traffic operations, winter control and street lighting. Grand River Transit provides local public transportation within the Region.

Environmental services include water supply and distribution, wastewater treatment, and waste diversion and disposal. These services provide clean drinking water to residents, collect and treat wastewater, and collect and properly process waste and recycling items.

Health includes paramedic and public health services. Public health services promote and maintain health programs that optimize the health of residents. Paramedic services deliver timely and effective pre-hospital emergency care, along with medically required inter-hospital transportation.

Social Services include social assistance, long-term care and child care services. Social assistance services determine, issue, and monitor clients' eligibility for financial, social and employment assistance. Senior services provide secure and supervised health services for seniors who can no longer live at home through long term care facilities and community programs. Child care services provide subsidized child care spaces, wage subsidies and resources for children with special needs.

Housing delivers programs to provide housing for low and moderate income individuals and families.

Planning and Culture includes community planning services, historic sites at Waterloo Region Museum, Joseph Schneider Haus and McDougall Cottage, and library services provided through branches in the four townships.

The basis of identifying segments is based on Ministry of Municipal Affairs guidelines. The method of allocation for actuarial adjustments and insurance is current year budget or current year actual.

23. Segment disclosure

2014

($000s)	General Government	Protection	Transportation	Environmental	Health	Social Services	Housing	Planning and Culture	Total
Revenue									
Property taxes	31,153	140,176	125,458	35,757	19,367	40,808	31,595	22,062	446,376
Government transfers	3,083	6,980	51,147	-	37,155	143,256	15,608	271	257,500
User fees & service charges	2,650	17,622	42,348	119,859	411	9,881	13,608	1,148	207,527
Development Charges	728	706	29,116	19,670	(31)	-	-	57	50,246
Other	333	464	(406)	(158)	51	4	-	97	385
Investment income	1,388	48	3,398	2,779	(2)	-	1,327	40	8,978
	39,335	165,996	251,061	177,907	56,951	193,949	62,138	23,675	971,012
Expense									
Salaries and benefits	37,660	146,188	79,283	22,056	46,939	59,597	4,143	9,648	405,514
Goods and services	19,791	17,288	51,067	88,826	5,830	35,603	14,955	3,820	237,180
Interest	1,582	694	6,596	5,614	68	1,266	225	926	16,971
Amortization	5,511	5,518	46,055	24,761	1,322	1,989	4,983	1,565	91,704
Transfers and other	(16,731)	3,915	(3,597)	9,171	1,347	97,388	37,625	3,241	132,359
	47,813	173,603	179,404	150,428	55,506	195,843	61,931	19,200	883,728
Net surplus (deficit)	(8,478)	(7,607)	71,657	27,479	1,445	(1,894)	207	4,475	87,284

The Regional Municipality of Waterloo
Notes to the Consolidated Financial Statements
December 31, 2014
(in thousands of dollars)

23. Segment disclosure (continued)

2013

($000s)	General Government	Protection	Transportation	Environmental	Health	Social Services	Housing	Planning and Culture	Total
Revenue									
Property taxes	33,929	133,379	119,041	31,218	19,871	43,641	31,447	18,175	430,701
Government transfers	3,091	6,592	29,343	1,451	36,018	132,886	12,596	278	222,255
User fees & service charges	2,992	17,345	36,977	114,888	684	10,270	13,337	1,147	197,640
Development Charges	510	-	28,717	9,653	194	-	-	71	39,145
Other	462	2,122	(1,783)	158	15	4	-	84	1,062
Investment income	1,703	17	3,490	2,103	252	-	1,490	37	9,092
	42,687	159,455	215,785	159,471	57,034	186,801	58,870	19,792	899,895
Expense									
Salaries and benefits	35,358	132,013	76,780	22,072	45,270	60,885	4,112	11,143	387,633
Goods and services	20,526	17,289	62,517	77,457	6,454	33,834	14,809	3,749	236,635
Interest	1,981	745	4,063	4,031	245	1,305	240	591	13,201
Amortization	5,659	4,983	42,420	22,551	1,053	1,992	5,018	1,558	85,234
Transfers and other	(14,784)	4,763	(4,432)	8,506	12,394	93,199	35,074	6,880	141,600
	48,740	159,793	181,348	134,617	65,416	191,215	59,253	23,921	864,303
Net surplus (deficit)	(6,053)	(338)	34,437	24,854	(8,382)	(4,414)	(383)	(4,129)	35,592

Appendix 2

Financial statements of

The Regional Municipality of Waterloo Sinking Fund

December 31, 2014

The Regional Municipality of Waterloo Sinking Fund
December 31, 2014

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Deloitte LLP
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Independent Auditor's Report

To the Members of Council, Inhabitants and Ratepayers of
The Regional Municipality of Waterloo

We have audited the accompanying financial statements of The Regional Municipality of Waterloo Sinking Fund, which comprise the balance sheet as at December 31, 2014, and the statements of continuity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Regional Municipality of Waterloo Sinking Fund as at December 31, 2014 and its continuity and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants
June 3, 2015

The Regional Municipality of Waterloo Sinking Fund
Balance sheet
as at December 31, 2014

	2014	2013
	$	$
Assets		
Cash	2,622,817	982,532
Interest receivable	6,021	6,021
Investments (Note 4)	5,716,596	2,189,423
Debt payments receivable (Note 5)	114,383,247	98,512,037
	122,728,681	101,690,013
Liability		
Actuarial requirement for retirement of debentures	121,196,271	100,045,129
Excess over actuarial requirements	1,532,410	1,644,884
	122,728,681	101,690,013

The accompanying notes to the financial statements are an integral part of this financial statement.

The Regional Municipality of Waterloo Sinking Fund
Statement of continuity
year ended December 31, 2014

	2014	2013
	$	$
Revenue		
Contributions from current revenue	5,203,285	1,713,815
Gain on sale of investment	-	128,462
Investment revenue	177,925	380,340
	5,381,210	2,222,617
Expenditure		
Maturity - Issue 93-30, April 7, 2013	-	4,750,000
Maturity - Issue 93-31, November 4, 2013	-	7,250,000
Surplus payment (Note 6)	213,752	-
Change in net actuarial requirement	5,279,932	(9,723,366)
	5,493,684	2,276,634
Excess of expenditure over revenue for the year	(112,474)	(54,017)
Excess over actuarial requirements, beginning of year	1,644,884	1,698,901
Excess over actuarial requirements, end of year	1,532,410	1,644,884
Summarized as follows		
Regional Municipality of Waterloo	1,532,410	1,431,132
City of Waterloo	-	134,478
Township of Wilmot	-	79,274
	1,532,410	1,644,884

The accompanying notes to the financial statements are an integral part of this financial statement.

The Regional Municipality of Waterloo Sinking Fund
Statement of cash flows
year ended December 31, 2014

	2014	2013
	$	$
Operating activities		
Excess of expenditure over revenue		
for the year	**(112,474)**	(54,017)
Adjustment for:		
Amortization of premiums on bond investments	**(55,873)**	(75,937)
Change in non-cash assets and liabilities		
Interest receivable	**-**	32,751
Debt payments receivable	**(15,871,210)**	(68,603,882)
Actuarial requirement for retirement of debentures	**21,151,142**	58,880,517
Cash provided (used) by operating activities	**5,111,585**	(9,820,568)
Investing activity		
(Purchases) proceeds from disposals and redemptions of investments	**(3,471,300)**	8,695,501
Net increase (decrease) in cash	**1,640,285**	(1,125,067)
Cash, beginning of year	**982,532**	2,107,599
Cash, end of year	**2,622,817**	982,532

The accompanying notes to the financial statements are an integral part of this financial statement.

The Regional Municipality of Waterloo Sinking Fund
Notes to the financial statements
December 31, 2014

1. **Nature of business**

The Regional Municipality of Waterloo Sinking Fund is a separate fund maintained for the purpose of providing for repayments on Regional Debentures to be retired by means of sinking funds.

2. **Significant accounting policies**

The financial statements of The Regional Municipality of Waterloo Sinking Fund are prepared by management in accordance with Canadian public sector accounting standards. Significant aspects of the accounting policies adopted by the Region are as follows:

Basis of accounting

The Regional Municipality of Waterloo Sinking Fund follows the accrual method of accounting for revenue and expenditures.

Investments

All investments are generally purchased with the intention of holding them until maturity and are recorded at cost adjusted annually for amortization of discount or premium with the amount of such amortization included in investment income in the statement of continuity.

Actuarial requirements

The actuarial requirements of the sinking fund represent the amount required which, together with interest compounded annually, will be sufficient to retire the related debentures at maturity. Interest is calculated at a rate of 5% for issues 00-42 and 01-44, issue 12-74 has interest calculated at a rate of 2.5%, issues 13-75 and 13-76 interest is calculated at 3.25% and issue 14-79 interest is calculated a 3.50%.

Excess (deficiency) over actuarial requirements

To the extent that, in any year, earnings of the sinking fund exceed the amount required to meet the actuarial requirements, such excess earnings are transferred to excess over actuarial requirements. A deficiency in a given year would conversely be deducted from the accumulated excess.

Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Significant estimates are required with respect to debt payments receivable and actuarial requirements for retirement of debentures. These estimates are based on management's best information and judgment, and accordingly, actual results could differ from these estimates.

3. **Sinking fund debentures**

The Sinking Fund is structured to finance the following Regional debentures:

Issue #	Maturity Date	Region of Waterloo	Other participants	Total issue
		$	$	$
Issue 00-42	November 17, 2020	3,731,790	5,131,210	8,863,000
Issue 01-44	November 19, 2021	9,405,000	-	9,405,000
Issue 12-74	November 26, 2032	28,962,000	-	28,962,000
Issue 13-75	May 13, 2033	95,000,000	-	95,000,000
Issue 13-76	May 13, 2043	50,000,000	-	50,000,000
Issue 14-79	April 4, 2044	50,000,000	-	50,000,000
		237,098,790	5,131,210	242,230,000

The Regional Municipality of Waterloo Sinking Fund
Notes to the financial statements
December 31, 2014

4. Investments

The Sinking Fund investments are governed by the Municipal Act and the Region's Consolidated Investment Policy. The investment practice of the Sinking Fund administration is to generally hold investments until maturity. At the end of 2014, investments totaled $5,716,596 (2013 - $2,189,423) which are recorded at cost. The investments have a market value of $5,914,743 (2013 - $2,439,492) at the end of the year. The market value represents the realizable value of the investments if they were sold at December 31, 2014.

	2014	2013
	$	$
Provincial Bonds	**3,475,128**	-
Municipal Debentures	**1,366,980**	1,366,639
Schedule I Banks	**874,488**	822,784
Amortized cost	**5,716,596**	2,189,423

5. Debt payments receivable

Debt payments receivable are determined on a net present value basis using a 5% interest rate for issues 00-42 and 01-44, a 2.5% interest rate for issue 12-74, a 3.25% interest rate for issues 13-75 and 13-76 and a 3.50% interest rate for 14-79.

	2014	2013
	$	$
The Regional Municipality of Waterloo	**110,554,259**	94,865,382
Waterloo Region District School Board	**3,828,988**	3,646,655
Amortized cost	**114,383,247**	98,512,037

6. Maturities

No Sinking Fund debentures matured in 2014. The following Sinking Fund debentures matured in 2013:

Issue #	Maturity Date	Region of Waterloo	Other participants	Total issue
		$	$	$
Issue 93-30	April 7, 2013	2,073,000	2,677,000	4,750,000
Issue 93-31	November 4, 2013	4,653,950	2,596,050	7,250,000
		6,726,950	5,273,050	12,000,000

During 2014, the following Surplus payments were disbursed with respect to the 2013 maturities representing contributions over the life of the sinking fund debentures in excess of the requirements to retire the Sinking Fund debentures.

	$
City of Waterloo	**134,478**
Township of Wilmot	**79,274**
	213,752

The Regional Municipality of Waterloo Sinking Fund
Notes to the financial statements
December 31, 2014

7. New issues

The following Sinking Fund debenture was issued in 2014:

Issue #	Maturity Date	Region of Waterloo	Other participants	Total issue
		$	$	$
Issue 14-79	April 4, 2044	50,000,000	-	50,000,000
		50,000,000	-	50,000,000

Appendix 3

Financial statements of

The Regional Municipality of Waterloo Trust Fund

December 31, 2014

The Regional Municipality of Waterloo Trust Fund
December 31, 2014

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Independent Auditor's Report

To the Members of Council, Inhabitants and Ratepayers of
The Regional Municipality of Waterloo

We have audited the accompanying financial statements of The Regional Municipality of Waterloo Trust Fund, which comprise the balance sheet as at December 31, 2014 and the statement of continuity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of The Regional Municipality of Waterloo Trust Fund as at December 31, 2014 and the continuity of the trust fund for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants
June 3, 2015

The Regional Municipality of Waterloo Trust Fund

Statement of continuity

year ended December 31, 2014

	2014	2013
	$	$
Balance, beginning of year	87,966	116,603
Revenue		
Residents' receipts	445,503	439,569
Disbursements	437,970	468,206
Net revenue (disbursements)	7,533	(28,637)
Balance, end of year	95,499	87,966

The accompanying notes to the financial statements are an integral part of this financial statement.

The Regional Municipality of Waterloo Trust Fund
Balance sheet
as at December 31, 2014

	2014	2013
	$	$
Assets		
Cash	89,278	72,469
Accounts receivable	6,221	15,497
	95,499	87,966
Due to residents	95,499	87,966

The accompanying notes to the financial statements are an integral part of this financial statement.

The Regional Municipality of Waterloo Trust Fund
Notes to the financial statements
December 31, 2014

1. Trust fund purpose

These financial statements relate to funds held in trust by the Regional Municipality of Waterloo for residents of the Sunnyside Home. The use and operation of the fund is governed by the Long-Term Care Homes Act, 2007.

2. Significant accounting policies

The financial statements of The Regional Municipality of Waterloo Trust Fund are prepared by management in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board of CPA Canada.

3. Statement of cash flows

A statement of cash flows is not presented as the operating, financing, and investing information is readily apparent from the financial statements presented.

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Report: COR-TRY-15-53

Region of Waterloo

Corporate Services

Treasury Services

To: Chair Sean Strickland and Members of the Administration and Finance Committee

Date: May 26, 2015 **File Code:** F22-00

Subject: 2015 Property Tax Capping

Recommendation:

That the Regional Municipality of Waterloo approve the following options for the 2015 Property Tax Capping Program:

a. Establish the annual limit on tax increases for properties in the commercial, industrial and multi-residential classes at the greater of: ten percent (10%) of the previous year's annualized capped taxes, or 5% of the previous year's current value assessment (CVA) taxes;

b. Establish thresholds for properties in the commercial, industrial and multi-residential classes such that if the taxes on the property calculated under the capping program are within $250 of the current value assessment (CVA) taxes, the CVA taxes will apply;

c. Exclude properties in the commercial, industrial and multi-residential classes that were at their current value assessment taxes in 2014 from the 2015 capping and claw back program;

d. Exclude properties in the commercial, industrial and multi-residential classes that were subject to a claw back in 2014 from becoming a capped property in 2015;

e. Fund the limits on tax increases for 2015 for the commercial, industrial and multi-residential classes by limiting 2015 tax decreases for properties in the same class.

And that the required by-laws to establish the options for the 2015 Property Tax Capping Program and to establish the 2015 claw back percentages for the commercial, industrial and multi-residential classes be included on Regional Council agendas in June 2015;

And further that the Area Municipalities be notified accordingly.

Summary:

Changes in provincial legislation in 2005 and 2009 provided single tier and upper tier municipalities with options for determining the annual property tax capping program for multi-residential, commercial and industrial properties (the capped classes). Capping options must be approved on an annual basis or the default option that applied prior to 2005, where tax increases were limited to 5% of previous years capped taxes plus municipal budget increases, will apply. Since 2005, the Region has approved a number of the capping options including a ten percent (10%) limit, thresholds of $250, limits on tax decreases to fund capping costs within the same class and the “Stay at CVA” option, one of the new capping options introduced by the Province in 2009. In 2011, the Region approved further changes to the program to establish the annual limit or cap at the greater of 10% of prior year’s capped taxes or 5% of prior year current value assessment (CVA) taxes and to implement the “Cross CVA” option to the extent that properties subject to a claw back in a given year were prohibited from moving to a capped status in the subsequent year.

The recommended capping program for 2015 is the same program used in years 2011-2014. The Area Treasurers are in agreement with the recommended capping program for 2015. While the use of these capping program options assists the Region with its efforts to get out of capping, the fact remains that **there are currently two mitigation strategies in place, capping and the reassessment phase-in, when only one is required.**

Report:

1.0 Background

In 1998, the Province passed legislation to temporarily protect Ontario businesses from large property tax increases resulting from property tax reform. The legislation limited property tax increases for commercial, industrial and multi-residential properties (the capped classes) to 10% in 1998 and a further 5% in each of 1999 and 2000. The 10-5-5 limits applied to tax increases related to property tax reform and budgetary increases were in addition to the limits. The limits on tax increases for the capped classes were financed by limiting tax decreases for other properties within the same class and there were no impacts on the uncapped property classes, including the residential class.

"The Continued Protection for Taxpayers Act, 2000" (Bill 140) established a permanent program to implement the Province's commitment of limiting tax increases for the capped classes. With Bill 140, the ability to pass municipal levy increases on to the capped classes depends on the tax ratios established for the capped classes relative to threshold ratios prescribed by the Province. Municipal levy or budget increases are in addition to the increases calculated under the capping program provided municipalities are at or below the threshold ratios for the capped classes as is the case in this Region. The Region's approved tax ratios for the multi-residential, commercial and industrial classes for 2015, at 1.95, are all below the provincial thresholds. Under Bill 140, municipalities can finance all or part of the capping costs by limiting tax decreases for properties in the same class, through internal revenues, or through the general levy. Since capping began in 1998, annual capping costs in this Region have been funded by limiting decreases for properties in the same class without experiencing any shortfalls.

2.0 Capping Program Options

Effective 2005, the Province provided a number of capping options, rather than simply mandatory requirements, to enable municipalities to make decisions which respond to local conditions. The options include:

1. an increase in the amount of the annual cap from 5% to up to 10% of previous year's capped taxes;
2. the ability to set an upper limit at the greater of a 5% to 10% cap on previous year's capped taxes or 5% of previous year's current value assessment (CVA) taxes;
3. the ability to move capped and/or claw back properties directly to their current value assessment (CVA) taxes if they are within $250 of the CVA taxes;
4. the ability to combine option 3) with either of options 1) or 2);
5. the ability to use different options or combinations of options for each of the three capped classes.

The Region uses options 1 - 4 and a consistent capping program for the three classes.

An additional option to "phase-out" the preferential treatment given to new construction was adopted by Regional Council in 2005. Effective 2008, all new construction is taxed at its CVA taxes.

In 2009, the Province introduced further capping options to provide municipalities with increased flexibility under the business tax capping program. Those options include:

1. An option which removes properties from the capping and claw back program once they have reached their CVA level taxes (the "Stay at CVA" option). For example, properties can be removed from the 2015 capping program if they were at their CVA taxes in 2014.

2. An option which prohibits properties that were capped in one year (2014) from becoming a clawed back property in the next year (2015) and/or prohibits properties that were clawed back in one year from becoming a capped property in the next year (the “Cross CVA” option).

3. An option which allows municipalities to implement both the “Stay at CVA” and “Cross CVA” options (the “Both” option).

For properties that exit the capping program under these options, future assessment changes would be mitigated by the province-wide assessment phase-in.

These options are intended to assist with the incompatibility that exists between capping programs and assessment phase-ins and enable municipalities to reduce capping impacts in terms of cost and number of properties capped. The options also eliminate the previous “taxpayer unfairness,” where properties could continually be protected through subsequent reassessments, and assist municipalities to get out of capping where capping is not needed.

The Region adopted the “Stay at CVA” option in 2010 and the “Cross CVA” option in 2011 to the extent that properties subject to a claw back could not cross over to become a capped property.

3.0 Recommended Capping Program for 2015

For 2015, staff is recommending a capping program based on the same options recommended and approved for the 2011 through 2014 programs. With the recommended program, the tax increase or “cap” would be based on the greater of 10% of previous year’s annualized capped taxes or 5% of previous year’s CVA taxes. There are some “outlier” properties that have received significant capping protection over the years with a cap based on 10% of prior years capped taxes as their capped taxes are significantly lower than their CVA taxes. Continued use of the 5% CVA cap for these properties moves these properties towards their CVA taxes at a faster rate.

The recommended 2015 program would continue to have thresholds of $250 applicable to both capped and claw back properties and include the “Stay at CVA” option so properties that were at CVA taxes in 2014 would be excluded from the 2015 capping and claw back program regardless of the tax increase or decrease for the property. The recommended program would also continue with the “Cross CVA” option to the extent that properties subject to a claw back in 2014 are prohibited from moving to a capped status in 2015. Finally, under the recommended program, capping costs would be funded by limiting tax decreases within the same property class.

This program is recommended for the following reasons:

- capping costs, number of capped properties and claw back percentages are the lowest;
- capping costs are funded by limiting decreases within the same property class; there are no shortfalls, no budget impacts, no need for other funding sources such as reserve funds and no impact on the other property classes;
- all three capped classes are treated the same which is simpler for area municipal staff to administer and easier for taxpayers who own property in more than one of the capped classes;
- the cap on tax increases is at the maximum allowed under legislation;
- the "Stay at CVA" option, which is one of the best tools to assist with the goal of "getting out of capping," continues to prohibit properties that have reached their CVA taxes from returning to capped or claw back status;
- the "Cross CVA" option prevents properties from moving from claw back to capped status;
- essentially, the greatest number of properties are paying full CVA taxes and the lowest number of properties are affected by capping;
- progress towards the goal of getting out of the capping program altogether;
- the assessment phase-in program continues to provide benefits to properties losing protection under the capping program:
- same program as previous years which simplifies capping for taxpayers.

Appendix 1, attached, shows a comparison of the 2015 capping options based on:

- the 5% Default program;
- the program used from 2005-2009 which included the use of $250 thresholds;
- the program used in 2010 which added the "Stay at CVA" option;
- the program used in 2011 through 2014 which added the option to limit increases at the greater of 10% of capped taxes or 5% of CVA taxes and the "Cross CVA" program to exclude claw back to capped movements (recommended program for 2015);
- the program used in 2011-2014 programs with the full "Cross CVA" program to exclude movement from both claw back to capped <u>and</u> capped to claw back status.

The recommended program for 2015, which is the same program adopted for years 2011-2014, is noted in the second column from the right on Appendix 1. In all cases, the analysis is based on 2015 Area Municipal tax rates and the data currently available in the OPTA system, which is provided by the Province and used to calculate capping impacts. Past experience has shown that capping costs and the number of properties impacted by capping generally decrease between the time the capping options are modeled and the data is finalized for billing.

With the recommended 2015 program, capping costs are $486,206 with 123 or 1.5% of properties capped and 369 or 4.4% of properties with a claw back. A total of 492 or 5.9% of all properties in the capped classes are affected by the program. While the recommended 2015 program and the program that includes the full "Cross CVA" option are essentially the same based on current data, the recommended program better aligns with the goal of getting out of capping as it prohibits properties from moving from claw back to capped status. The other options shown on Appendix 1 have higher capping costs and impact a greater number of properties, particularly the Default 5% program where capping costs are $1.086 million and 63.8% of all properties in the commercial, industrial and multi-residential classes are affected by the capping program. In the absence of a Council resolution approving a capping program for 2015, the Default 5% option will apply. Approval of recommended options for 2015 does not bind the Region to continue with the options in subsequent years as Council is required to approve capping programs annually.

Appendix 2 shows capping results for 2005 – 2014 (at a summary level) and the recommended program for 2015. Data for 1998, the first year of property tax capping, is also shown.

4.0 Area Treasurers' Position

The Area Treasurers, who support a capping program that does not result in capping shortfalls and positions the Region to get out of capping, are in agreement with the recommended program for 2015. Under the Region's recommended program for 2015, approximately 1% of multi-residential and 1% of commercial properties receive a capping benefit. That percentage increases to 3.2% for industrial properties. A total of 369 properties are subject to a clawback to benefit 123 capped properties with total capping costs of $0.486 million. Just as the Province provides upper and single tier municipalities with options for determining the annual property tax capping program for multi-residential, commercial and industrial properties, the Area Treasurers feel the Province should provide municipalities with options for exiting the capping program entirely. The Area Treasurers continue to work towards the goal of getting out of capping.

5.0 Timing and By-law Requirements

Under the "Municipal Act," the Region must pass a by-law to include any of the capping options for 2015. If a by-law including the recommended options is not passed, the Default 5% capping option would apply. Tax increases for capped properties would be limited to 5% of previous year's capped taxes plus budgetary increases. This would result in capping costs of $1.086 million and impact 63.8% of all properties in the capped classes compared to $0.486 million and 5.9% for the recommended option. While the Region has until the end of the year to establish the 2015 capping program, passing the 2015 capping by-law sooner enables the Area Municipalities to bill final taxes for the capped classes. Upon approval of the recommendation, the required by-law will be placed on the June 3, 2015 Council agenda. The final claw back percentages for 2015 will then be determined and the required by-law to establish those percentages will be placed on the June 24, 2015 Council agenda.

Corporate Strategic Plan: Nil

Financial Implications:

The recommended capping program for 2015 has the lowest possible capping costs and impacts the fewest number of properties in the capped classes. Capping costs will be funded by limiting decreases for other properties in the same class so there is no impact on the residential taxpayer and no impact on the total amount of property taxes collected for 2015.

Other Department Consultations/Concurrence: Nil

Attachments:

Appendix 1 – 2015 Capping Program Options
Appendix 2 – Comparison of 2005 – 2014 Capping Programs

Prepared By: Angela Hinchberger, Director, Treasury Services/Deputy Treasurer

Approved By: Craig Dyer, Commissioner of Corporate Services/Chief Financial Officer

Appendix 1

THE REGIONAL MUNICIPALITY OF WATERLOO
2015 CAPPING PROGRAM OPTIONS

						RECOMMENDED
		2015 as at May 11, 2014 (Actual Tax Rates)				
	2014	Default 5%	10% Cap Thresholds (2005-2009)	10% Cap Thresholds Stay at CVA (2010)	10% or 5% CVA Thresholds Stay & Cross CVA Ex. Claw to Cap (2011-2014)	10% or 5% CVA Thresholds Stay at CVA Cross CVA
MULTI-RESIDENTIAL						
Clawback %	32.72%	46.12%	23.29%	28.37%	28.31%	28.31%
Capping Costs	$53,622	$126,736	$41,572	$35,305	$35,238	$35,238
Clawbacks	$53,622	$126,736	$41,572	$35,305	$35,238	$35,238
Net Class Impact	$0	$0	$0	$0	$0	$0
# of Prop Capped	15	74	15	10	10	10
# of Prop Clawback	26	354	51	25	25	25
# of Prop - Thresholds	2	-	308	5	3	4
# of Prop - No Impact	901	515	569	903	905	904
Total Properties	944	943	943	943	943	943
COMMERCIAL						
Clawback %	28.54%	19.26%	14.27%	26.18%	25.94%	25.94%
Capping Costs	$322,818	$687,274	$358,708	$239,111	$236,619	$236,619
Clawbacks	$322,818	$687,274	$358,708	$239,111	$236,619	$236,619
Net Class Impact	$0	$0	$0	$0	$0	$0
# of Prop Capped	99	641	93	64	64	64
# of Prop Clawback	220	3,070	391	196	195	195
# of Prop - Thresholds	23	-	2,744	28	7	28
# of Prop - No Impact	5,537	2,184	2,667	5,607	5,629	5,608
Total Properties	5,879	5,895	5,895	5,895	5,895	5,895
INDUSTRIAL						
Clawback %	32.91%	21.71%	22.64%	26.69%	26.20%	26.20%
Capping Costs	$292,945	$272,325	$225,647	$218,319	$214,349	$214,349
Clawbacks	$292,945	$272,325	$225,647	$218,319	$214,349	$214,349
Net Class Impact	$0	$0	$0	$0	$0	$0
# of Prop Capped	57	110	57	49	49	49
# of Prop Clawback	155	1,092	220	149	149	149
# of Prop - Thresholds	2	-	883	5	3	5
# of Prop - No Impact	1,316	329	371	1,328	1,330	1,328
Total Properties	1,530	1,531	1,531	1,531	1,531	1,531
ALL CLASSES						
Capping Costs	$669,385	$1,086,335	$625,927	$492,735	$486,206	$486,206
Clawbacks	$669,385	$1,086,335	$625,927	$492,735	$486,206	$486,206
Net Class Impact	$0	$0	$0	$0	$0	$0
# of Prop Capped	171	825	165	123	123	123
# of Prop Clawback	401	4,516	662	370	369	369
# of Prop - Thresholds	27	n/a	3,935	38	13	37
# of Prop - No Impact	7,754	3,028	3,607	7,838	7,864	7,840
Total Properties	8,353	8,369	8,369	8,369	8,369	8,369
% of Properties Capped	2.0%	9.9%	2.0%	1.5%	1.5%	1.5%
% of Properties Affected	6.8%	63.8%	9.9%	5.9%	5.9%	5.9%

Alternative formats available upon request

Appendix 2

THE REGIONAL MUNICIPALITY OF WATERLOO

Comparison 2005 - 2014 Capping Programs

	1998	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Parameters												Recommended
- % for capped taxes	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
- % for CVA taxes	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	5.0%	5.0%	5.0%	5.0%	5.0%
- capping threshold	$0	$250	$250	$250	$250	$250	$250	$250	$250	$250	$250	$250
- clawback threshold	0	250	250	250	250	250	250	250	250	250	250	250
- Stay at CVA	n/a	n/a	n/a	n/a	n/a	no	yes	yes	yes	yes	yes	yes
- Exc. Claw back to Cap	n/a	n/a	n/a	n/a	n/a	no	no	yes	yes	yes	yes	yes
- Exc. Cap to Claw back	n/a	n/a	n/a	n/a	n/a	no	no	no	no	no	no	no
TOTAL All Classes												
Capping Costs	$12,494,316	$4,183,643	$4,214,593	$2,529,167	$1,742,709	$2,223,693	$2,304,685	$1,832,270	$1,455,915	$923,567	$669,385	$486,206
Clawback %											--	--
- Multi-res	52.80%	25.92%	49.21%	13.43%	10.43%	11.44%	7.69%	16.99%	17.60%	63.48%	32.72%	28.31%
- Commercial	52.50%	56.65%	33.33%	69.54%	72.76%	34.17%	46.92%	33.65%	22.36%	25.92%	28.54%	25.94%
- Industrial	43.30%	49.84%	31.89%	17.26%	13.15%	17.81%	20.92%	12.70%	9.92%	25.40%	32.91%	26.20%
Capped Properties	3,328	1,161	1,298	631	398	743	595	440	323	222	171	123
Properties at CVA Taxes	1,184	1,231	2,321	3,643	4,289	3,205	6,153	6,446	6,822	7,399	7,754	7,864
Prop. At CVA per thresholds	n/a	3,238	2,308	1,854	2,082	2,732	181	233	120	296	27	13
Total at CVA	1,184	4,469	4,629	5,497	6,371	5,937	6,334	6,679	6,942	7,695	7,781	7,877
New Construction *	n/a	236	248	303	0	0	0	0	0	0	0	0
Clawback Properties	3,064	1,968	1,773	1,541	1,213	1,351	1,250	1,120	1,048	411	401	369
Total Properties	7,576	7,834	7,948	7,972	7,982	8,031	8,179	8,239	8,313	8,328	8,353	8,369
% of Properties Capped	**43.9%**	**14.8%**	**16.3%**	**7.9%**	**5.0%**	**9.3%**	**7.3%**	**5.3%**	**3.9%**	**2.7%**	**2.0%**	**1.5%**
% of Properties Affected	84.4%	39.9%	38.6%	27.2%	20.2%	26.1%	22.6%	18.9%	16.5%	7.6%	6.8%	5.9%
Capping Shortfall	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0

* Effective 2008, New Construction Taxed at full CVA taxes

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Alternative formats available upon request

Report: CSD-HOU-15-11

COR-FFM-15-06

Region of Waterloo

Community Services

Housing Services

Corporate Services

Facilities Management and Fleet Services

To: Chair Sean Strickland and Members of the Administration and Finance Committee

Date: May 26, 2015 **File Code:** D27-80

Subject: Waterloo Region Housing Retaining Wall Agreement with Fairview Mennonite Homes

Recommendation:

That the Regional Municipality of Waterloo enter into an agreement with Fairview Mennonite Homes (FMH) for the replacement of the retaining wall between their property at 515 Langs Drive, Cambridge and the Regionally-owned Waterloo Region Housing sites at 518-595 Langs Drive and 778 Walter Street, Cambridge, as detailed in report CSD-HOU-15-11/COR-FFM-15-06 on terms and conditions satisfactory to the Chief Financial Officer and the Regional Solicitor;

And that the 2015 Capital Budget for Housing Services be increased by $252,000 to be funded by Fairview Mennonite Homes for the construction of a retaining wall as outlined in report CSD-HOU-15-11/ COR-FFM-15-06 dated May 26, 2015;

And further that the Commissioner of Community Services be authorized to execute the agreement in a form satisfactory to the Regional Solicitor on behalf of the Regional Municipality of Waterloo as outlined in report CSD-HOU-15-11/COR-FFM-15-06 dated May 26, 2015.

Summary:

Nil

Report:

1.0 Background

The Region of Waterloo owns two properties used for Waterloo Region Housing (WRH) purposes located at 518-595 Langs Drive and 778 Walter Street, Cambridge, which abut a property owned by Fairview Mennonite Homes (FMH) at 515 Langs Drive. FMH is a not-for-profit housing provider that receives subsidy of approximately $165,000 from the Region annually.

There is an existing concrete retaining wall along the common property line between the FMH property and the Region owned property. The wall appears to have been constructed in the 1970’s, at around the time that the FMH building and the adjacent Regional buildings were constructed. All of the properties have limited historical documentation available. The retaining wall was found to be in poor condition during an inspection, with significant cracking and sections leaning noticeably over the property line onto Region owned lands, and must be replaced for safety reasons.

2.0 Agreement with Fairview Mennonite Homes

It is proposed that the retaining wall be replaced and located on the FMH lands. FMH would own the retaining wall following reconstruction, with full responsibility for future maintenance and repairs, except in circumstances where it has been determined that damages have been caused by the Region’s negligence or by those for whom the Region is responsible (including tenants, residents and invitees of the property). In order to achieve this future clarity and rectify the immediate safety concerns, staff recommends that the Region enter into an agreement with FMH for the replacement of the retaining wall. The retaining wall would be reconstructed by the Region, with 40% of the construction cost to be paid by WRH and 60% to be paid by FMH. The project would be completed in 2015.

Regional staff has been in conversation with staff at Fairview Mennonite Homes about this retaining wall concern over several years in anticipation of the need (which is now urgent), and FMH is supportive of a cost-sharing agreement with the Region to cover the replacement costs. The benefit of the agreement for both parties is that the present safety risk will be addressed and the ownership of the retaining wall and future responsibility for maintenance and repair will be established and clarified.

Corporate Strategic Plan:

This initiative aligns with the 2011-2014 Region’s Corporate Strategic Focus Area 4, Healthy and Inclusive Communities, as well as Focus Area 2 to develop, optimize and maintain infrastructure to meet current and projected needs.

Financial Implications:

The estimated construction cost to replace the retaining wall is $420,000. The Region's share would be $168,000 (40%) and FMH's share would be $252,000 (60%). The Region would also oversee the construction project (including procurement of consultant services for the design and contract administration, surveying, soliciting bids, pre-bid meetings, awarding of contract, site meetings, certification of progress and final completion and building permits and site plan approvals if necessary), at an estimated cost of $30,000. The total cost to the Region is therefore estimated at $198,000. The following table summarizes the overall cost and contributions to the replacement of the retaining wall:

Expenditures:	
Construction Costs	$420,000
Project Management Costs	30,000
Total	$450,000
Funding:	
Region of Waterloo	$198,000
Fairview Mennonite Homes	252,000
Total	$450,000

The 2015 approved WRH capital budget includes $200,000 for the Region's share of the project. To proceed with the project, the 2015 Capital Budget must be increased by $252,000 to incorporate FMH's share of the project. The 2015 WRH capital program is funded through a combination of federal grants, revenue (taxation) and the Housing Reserve Fund. Upon completion, all maintenance and repair costs associated with this structure will be the responsibility of FMH.

Other Department Consultations/Concurrence:

Finance and Legal Services have been consulted on this report.

Attachments: Appendix A - Site Drawing

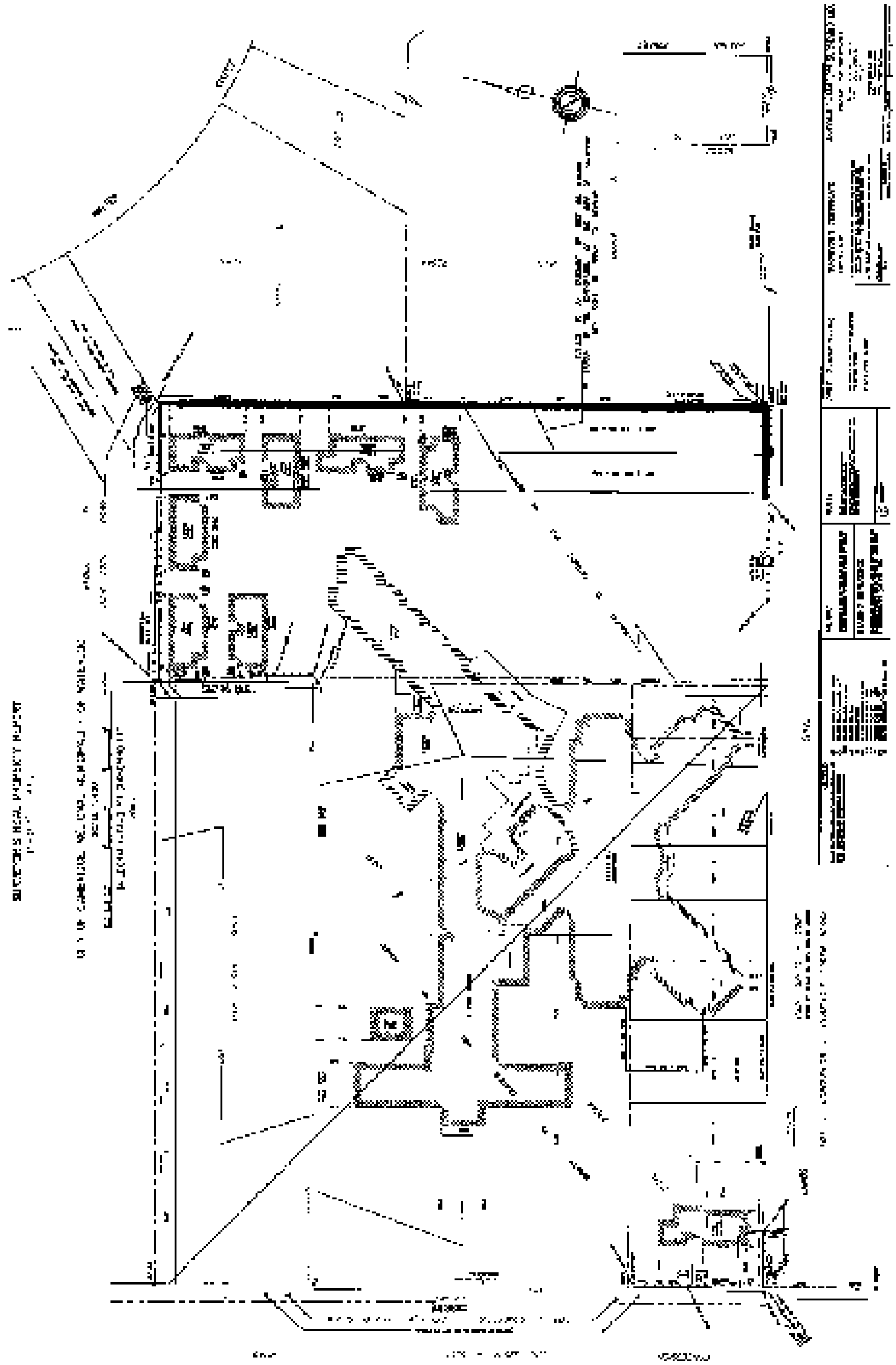
Prepared By: **Deb Schlichter**, Director, Housing Services

Kari Feldmann, Senior Project Manager, Facilities Management

Approved By: **Douglas Bartholomew-Saunders**, Commissioner, Community Services

Craig Dyer, Commissioner of Corporate Services/Chief Financial Officer

Appendix A: Site Map



Council Enquiries and Requests for Information				
Administration and Finance Committee				
Meeting date	**Requestor**	**Request**	**Assigned Department(s)**	**Anticipated Response Date**
24-Mar-15	T. Galloway	Report on options and impacts regarding blending Multi-Residential and New Multi-Residential property classes.	PDLS/COR (Finance)	Oct-2015