



Media Release: Friday, December 12, 2014, 4:30 p.m.

Regional Municipality of Waterloo Administration and Finance Committee

Agenda

Tuesday, December 16, 2014

1:00 p.m.

Regional Council Chamber

150 Frederick Street, Kitchener

1. Motion to Go Into Closed Session

That a closed meeting of Council be held on Tuesday, December 16, 2014 at 12:45 p.m. in the Waterloo County Room in accordance with Section 239 of the “Municipal Act, 2001”, for the purposes of considering the following subject matters:

- a) proposed or pending litigation and proposed or pending acquisition of land in the City of Waterloo
- b) proposed or pending litigation and proposed or pending acquisition of land in the City of Waterloo

2. Motion to Reconvene Into Open Session

3. Declarations of Pecuniary Interest under “The Municipal Conflict of Interest Act”

4. Delegations

5. Presentation

- a) Overview of Key Issues for 2015 – M. Murray

6. Reports – Office of the Chief Administrator

- a) [CAO-IAU-15-001](#), Service Review - Project Update

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- b) [CAO-SPL-15-001](#), 2015-2018 Strategic Planning Process 16

Reports – Corporate Services

- c) [COR-FSD-14-132](#), 2015 Budget Process (Staff Presentation) 24

7. Information/Correspondence

- a) Council Enquiries and Requests for Information Tracking List

8. Other Business

9. Next Meeting – Tuesday, January 13, 2015

10. Adjourn



Report: CAO-IAU-15-001

Region of Waterloo
Office of the Chief Administrator
Internal Audit

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

Date: December 16, 2014 **File Code:** A32-40/RSR

Subject: **Service Review – Project Update**

Recommendation:

For Information.

Summary: Nil.

Report:

Background

On January 15, 2014, Regional Council adopted the following resolution regarding a potential Regional Service Review:

“Be it resolved that the Regional Municipality of Waterloo tender for and secure the services of a third party consulting firm to conduct a service review of all Regional services and programs, that this review be led by a subcommittee of Regional Council and the CAO and that the third party consulting firm report to Regional Council with the purpose of finding efficiencies in the delivery and overall service levels of Regional services and programs and that the CAO report back by the Summer of 2014 with a report detailing the scope of work and RFP for review.”

On June 25, 2014, Regional Council approved undertaking a Regional Service Review under the direction of the Audit Committee. The overall purpose of the Service Review is to ensure that the Region’s services provide the best value to the community.

The Service Review will address questions such as:

- Is the organization providing the desired level of service as efficiently as possible?

Are there ways to provide the desired services more efficiently?

- What programs and services should the organization be providing?
- Because of changing circumstances, are there programs or services that the organization should no longer be providing?
- For those programs and services that the organization continues to provide, what “level of service” should be provided?
- Are there mechanisms of continuous improvement that could be implemented to improve the efficiency and effectiveness of service delivery on an ongoing basis?

The Service Review is designed around these questions and will encompass all Regional services with the exception of Waterloo Regional Police Service which is governed by a separate board.

Governance

The resolution adopted by Council on January 15, 2014 states that the service review would be “led by a subcommittee of Regional Council and the CAO.” Given the scope and nature of the project, Council has designated the Audit Committee to provide direction and oversight to this initiative. As indicated in the Audit Committee’s Terms of Reference, the Audit Committee was established to monitor the effectiveness and efficiency of Regional programs. The Audit Committee operates as a sub-committee of Administration and Finance Committee and includes the following members:

- Chair of Administration and Finance Committee (will also Chair Audit Committee).
- Vice-Chair of Administration and Finance Committee.
- Chair of Planning and Works Committee.
- Chair of Community Services Committee.
- Regional Chair (ex-officio).

A Project Steering Committee has also been established, which is comprised of the following:

- Audit Committee.
- Chief Administrative Officer.
- Commissioner of Corporate Services / Chief Financial Officer.
- Commissioner, Public Health & Emergency Services.
- Manager, Internal Audit (Project Manager).

Request for Proposal & Consultant Selection

A Request for Proposal (RFP) was prepared in order to engage a consulting firm to undertake the Service Review. The RFP was reviewed by the Audit Committee, and issued in late July, 2014. Consultant submissions were evaluated in accordance with the Region’s Purchasing By-law which included quality and price factors. The Evaluation Committee was comprised of the Audit Committee and several senior staff members.

KPMG LLP received the highest overall score, and had the lowest fee proposal. In October, 2014, the Region awarded the proposal to KPMG through the CAO's Office and advised Council (Report CA-14-011).

Project Approach

Goals and Objectives

Like all municipalities, the Region of Waterloo continually strives to strike an appropriate balance between service expectations and financial constraints. Carrying out service reviews is one of the strategies to ensure that the Region continues to provide the best value to the community and to help ensure the Region is considering all opportunities to enhance efficiency and effectiveness of its services taking into account fiscal and service impacts.

In November, 2014, the Project Steering Committee met, and with the assistance of KPMG, the goals and objectives were refined. The overall goal of the service review is to determine whether the Region is providing the best value to the community, or how the Region could provide even better value. Specific project objectives include:

- Understand whether the Region is providing the desired level of service as efficiently and effectively as possible, and identify ways to enhance the efficiency and effectiveness of the Region's services.
- Identify whether there are any changes to the levels of service the Region should consider.
- Recommend mechanisms of continuous improvement that can improve the efficiency and effectiveness of Regional service delivery on an ongoing basis.

Key Project Tasks and Phases

The Service Review is organized into five key phases, which are outlined below. Previous documents and reports [e.g. F-14-074/CA-14-006 (June 17, 2014) and CA-14-011 (October 8, 2014)] noted the need to coordinate the Service Review with the Region's 2015-2018 Strategic Planning Process which will be proceeding over generally the same time period. The interaction between these two processes is outlined below, as well as in Report CAO-SPL-15-001 (December 16, 2014).

Phase One: Project Planning

The first phase of the project consisted of working with KPMG to refine the project approach. These activities took place in October and November, 2014. The project planning phase helped to clarify and document the project goals and objectives, project principles, scope and timing of the deliverables.

Phase Two: Service Profiles

The second phase of the study is the development of an inventory of programs and services provided by the Region using KPMG's Municipal Reference Model. KPMG has

extensive experience in profiling citizen facing and internal services using the Municipal Reference Model for Canadian municipalities.

KPMG will facilitate working group sessions with senior staff to ensure that the requested information required for the service profiles is understood by the affected Regional Staff. Each service profile will contain the following: service name and purpose, service description, service levels, financial and performance data and rationale for service level assessment and service data (ie. mandatory, essential, traditional, other discretionary). Some of the information in the service profiles will be provided by Regional staff; other information will be provided by KPMG. A service profile for the Public Health program, from the City of Hamilton Service Review, has been included in Appendix 1 for illustrative purposes.

Service Profiles are expected to be completed by early February, 2015.

Phase Three: Benchmarking and Data Collection

This phase consists of analyzing the municipal context within which the Region operates to determinate relevant factors that may influence possible changes. Furthermore, the identification of leading practices allows for service delivery options to be informed by the experiences of comparable municipal organizations. This phase will include the consultant surveying a number of comparator municipalities followed by the benchmarking of Regional services to identify opportunities for improved efficiency and effectiveness.

This phase also provides an opportunity for public engagement and input. It will be important to engage the public at appropriate times during the Service Review project. With input from KPMG and the Steering Committee, it is proposed that the initial public engagement and input to the Service Review would include the methods noted below. As noted, it is proposed that these public input opportunities be designed so that the input could inform both the Service Review and inform the Region's 2015-2018 Strategic Planning process.

- a) Public Survey – the Region is undertaking an RFP process (Request for Proposals) to engage a third party survey firm to gather statistically reliable information which would inform the Service Review and the Strategic Plan. KPMG will provide input regarding survey questions which will inform the Service Review. It will be important that the survey proceed in January 2015, so that it can provide timely input to the Service Review in February 2015. This will be important to meeting the overall Service Review completion target of late June 2015.
- b) On-line Engagement – the Region plans to host an on-line engagement forum to solicit broad public input regarding the Service Review. This input would also be used to inform the Strategic Plan. The on-line forum would encourage responses to both open-ended questions and survey-type questions. It may also provide

access to an on-line version of the survey noted in a). Participation in the on-line forum would be promoted in a variety of ways.

Details regarding the proposed 2015-2018 Strategic Planning Process can be found in Report CAO-SPL-15-001, dated December 16, 2014.

The benchmarking, initial public engagement and data collection phase will take place in January and February, 2015. This phase will conclude with the preparation of an interim report which will be available in early March.

Phase Four: Analysis

In the analysis phase of the project, KPMG will identify a list of potential opportunities for improvements in efficiency, effectiveness and/or service levels. KPMG will work with the Steering Committee and Council to identify the most promising opportunities for improvement (approximately 5). KPMG will conduct a deeper analysis regarding these top opportunities for improvement. The deliverable from this phase will be the development of recommendations that could improve the efficiency and effectiveness of Regional programs and services; recommendations of continuous improvement tools that could be implemented; and, possible changes to service levels that more effectively balance cost and benefits and any other opportunities for cost savings or cost recovery.

During this phase, additional public engagement activities may take place to receive feedback on the recommendations to improve the efficiency and effectiveness of Regional programs and services, and changes to service levels. The methods of public engagement in this phase could potentially be through focus groups and/or on-line engagement.

The analysis phase will take place from March – May 2015.

Phase Five: Final Report and Presentation

In this phase, KPMG will summarize all of the work completed during the previous phases and develop a final report with an executive summary. The draft final report will be provided to the Audit Committee for review and feedback prior to being finalized. The report will include practical, achievable and realistic recommendations on the Region's Service delivery model.

Once the final report has been validated, KPMG will present the findings and recommendations to Regional Council. It is expected that this will occur at an open meeting of Council in late June. At this or a subsequent meeting, Council would seek public input and comment on KPMG's recommendations. Following this public input, Council would ultimately make decisions regarding the recommendations provided by KPMG.

The key project tasks and milestones are illustrated in Figure 1. The interaction between the Service Review and Strategic Plan tasks and timing is illustrated in Figure 2.

Corporate Strategic Plan:

The Service Review is consistent with Focus Area 5.3: Ensure Regional programs and services are efficient and effective and demonstrate accountability to the public.

Financial Implications:

The Region's cost of the Service Review proposal (C2014-26 Region Service Review) is in the amount of \$298,338.70 including a contingency amount of \$27,121.70 and all applicable taxes.

The project will be funded as set out in the table below, as approved in Report F-14-074/CA-14-006. The available budget is more than sufficient to cover the costs of the Region Service Review.

	2014	2015	TOTAL
Internal Audit Operating Budget	\$65,000	\$65,000	\$130,000
Capital Levy Reserve Fund	\$0	\$170,000	\$170,000
TOTAL	\$65,000	\$235,000	\$300,000

Other Department Consultations/Concurrence:

This report was developed in consultation with Finance staff.

Attachments:

Figure 1: Service Review – Key Tasks and Milestones.

Figure 2: Service Review and Strategic Plan – Key Tasks and Milestones.

Appendix 1 – City of Hamilton Service Delivery Review – Public Health Service Profile – Family Health (Illustrative Purposes).

Prepared By: David Young, Manager, Internal Audit

Approved By: Michael L. Murray, Chief Administrative Officer

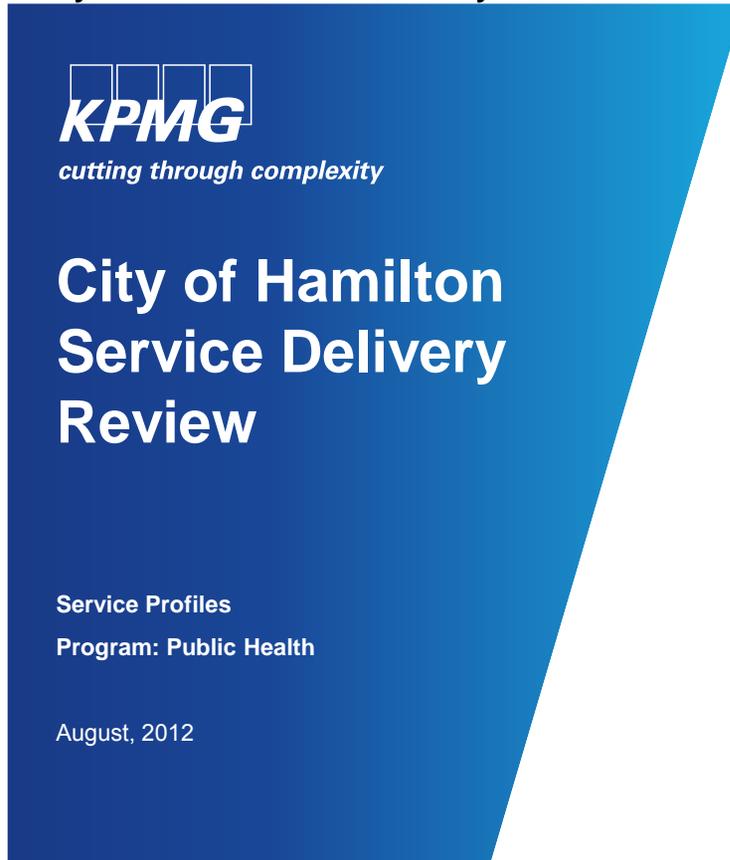
Figure 1 - Service Review - Key Tasks and Milestones

Region of Waterloo - Service Review	December	January	February	March	April	May	June	July
1. Service Profiles								
Development of Service Profiles	■	■	■	■				
2. Benchmarking & Input								
Benchmarking Review	■	■	■	■				
Council Input		■	■	■				
Public Survey		■	■	■	■			
Online Input		■	■	■	■			
Interim Report				■	■			
3. Analysis & Recommendations								
Develop shortlist of key opportunities				■	■			
Deeper analysis on key opportunities					■	■	■	■
4. Report & Presentation								
Prepare Report						■	■	■
Presentation to Council (Public Meeting)								■
Legend								
- Key Tasks	■							
- Key Milestone				■				

Figure 2 - Service Review & Strategic Plan - Key Tasks and Milestones

Region of Waterloo - Service Review	December	January	February	March	April	May	June	July	August	September
1. Service Profiles										
Development of Service Profiles										
2. Benchmarking & Input										
Benchmarking Review										
Council Input										
Public Survey										
Online Input										
Interim Report										
3. Analysis & Recommendations										
Develop shortlist of key opportunities										
Deeper analysis on key opportunities										
4. Report & Presentation										
Prepare Report										
Presentation to Council (Public Meeting)										
Region of Waterloo - Strategic Plan										
1. Compiling Background Information										
Development of Waterloo Region Profile										
2. Gathering public input										
Public Survey										
Online forum										
Other input methods (if necessary - to be determined)										
3. Develop Strategic Priorities										
First Council Strategic Planning session (draft strategic priorities)										
Second Council Strategic planning session if needed										
Potential public input on priorities (to be determined)										
Council strategic planning session (confirm priorities)										
4. Identify Actions to achieve Strategic Objectives										
Staff draft actions										
Public input regarding potential actions										
Final Strategic Plan for Council approval (priorities & actions)										

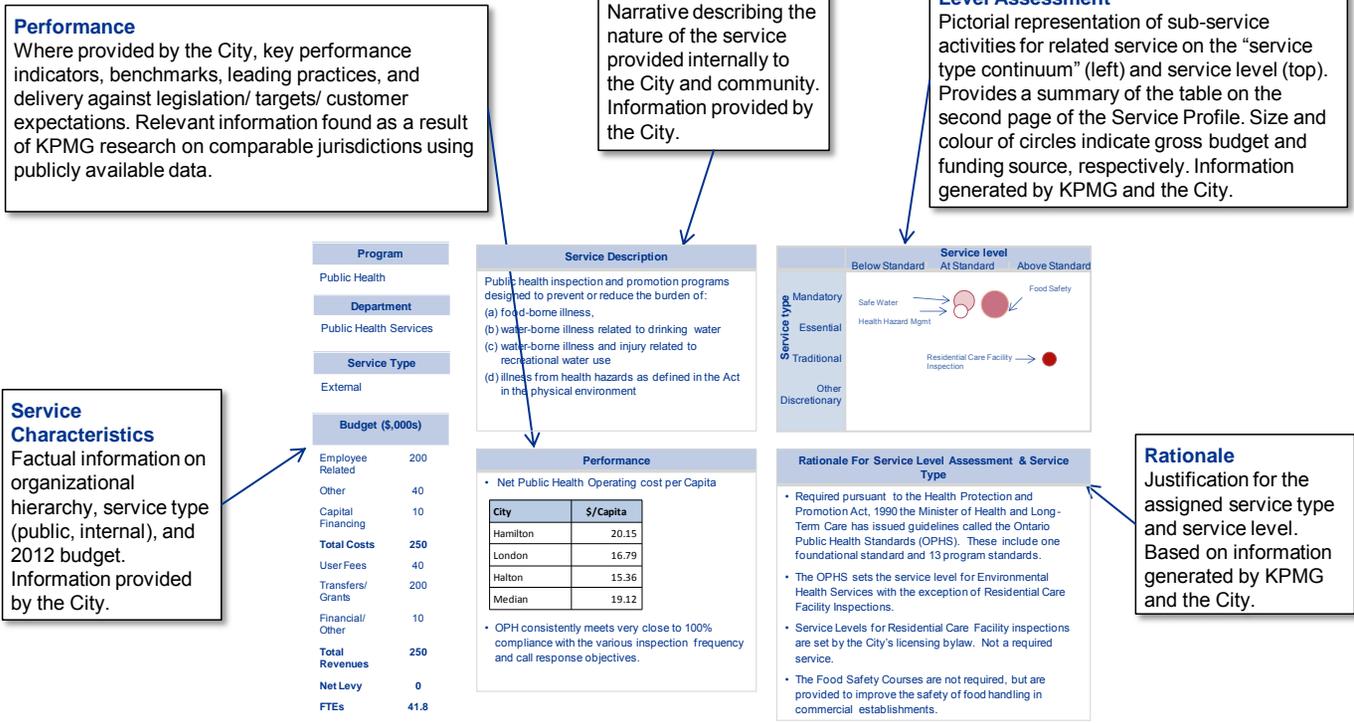
Legend
 - Key Tasks
 - Key Milestone

Appendix 1 – City of Hamilton Service Delivery Review – Public Health Service Profile – Family Health (Illustrative Purposes)

Introduction

How to Read This Document – Service Profile Legend

Service Profile – Page 1



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Introduction

How to Read This Document – Service Profile Legend

Service Profile – Page 2

Sub-service or Activity
Each of the sub-services or activities that make up the Service is described on a separate line. Each line provides the name and a brief description of the sub-service or activity.

Financial Data
Financial data provided by the City showing the level of expenditures on the sub-service or activity and the extent to which the sub-service or activity is funded through user fees, grants and/or the property tax levy.

Categorization
Each sub-service or activity is categorized according to the Service Level provided, the Type of Service provided and Source of the service level. See the following page for a description of the codes used.

Notes
Provides additional information to describe the sub-service or activity when this would be useful.

Sub-Services							
Subservice Name & Description	Costs (\$000's)	Revenues (\$000's)	Service Level & Source	Service Type	FTEs	Notes	
Food Safety Inspections of all food premises, Delivery of the Mandatory Food Handler Certification Course, Response to food health issues	Employee Related	50	User Fees	35	S+	E	<ul style="list-style-type: none"> • Approximately 7200 inspections of 2900 premises and 50 special events • Administered 380 food safety complaints and 3 food safety recalls • Free Food Safety Courses offered
	Other	25	Transfers/ Grants	45			
	Capital	15	Rates	10	L	1	
	Total	90	Total	90		16.0	
Health Hazard Prevention and Management Identify, assess and manage health hazards, on topics such as: asbestos, pest control, environmental lead, mould, hazardous odours, pesticides, needles/sharps, chemical contaminants, sewage, clandestine drug operations	Employee Related	50	User Fees	50	S	E	<ul style="list-style-type: none"> • 1500+ inspections (requested or complaint) of group home/funeral home/foster home/homes for special care; Audit over 50 of Cooling Towers annually; inspect 53 seasonal farm worker houses. Recent studies of Child Blood Lead levels, Outdoor Air Pollution, Heat vulnerability
	Other	25	Transfers/ Grants	25			
	Capital	15	Rates	15	L	1	
	Total	90	Total	90		13.2	
Safe Water Manage safety of drinking water systems, and water haulers, public beaches, pools and spas. Respond to drinking water related incidents, illness, injury or outbreak.	Employee Related	50	User Fees	50	S	E	<ul style="list-style-type: none"> • 212 SDWS; 15 Water haulers; 600 Pool and Spa inspections; 80 Non-regulated rec water facility inspections; 40 beach postings; 80 AWQI's; 450 calls to Safe Water Line;
	Other	25	Transfers/ Grants	25			
	Capital	15	Rates	15	L	1	
	Total	90	Total	90		10.6	
Residential Care Facility Inspection Inspections of all Residential Care Facilities by Public Health Inspectors and Registered Nurses	Employee Related	50	User Fees	50	A	E	<ul style="list-style-type: none"> • 644 inspections annually (276 RN and 368 PHI) • The service level target is 3 inspections annually by Registered Nurse and 4 inspections annually by Public Health Inspector . • 100% of complaints investigated.
	Other	25	Transfers/ Grants	25			
	Capital	15	Financial/ Other	15	M	4	
	Total	90	Total	90		2.0	

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Introduction

How to Read This Document – Service Profile Legend

Service Profile – Terms and Acronyms

Service Type:

0. Internal
1. Mandatory
2. Essential
3. Traditional
4. Other Discretionary

Service Level:

- A = Above standard
- S = At standard
- S + : Some service levels of the sub-services/activities are higher
 - S – : Some service levels of the sub-services/activities are lower
- B = Below standard

Budget:

- The budget figures on page 1 of each service profile, and the financial data (costs and revenues) on page 2 of each service profile are based on the City's 2012 Budget and provided by the City to KPMG.

Shade of RED reflects % of tax funding (% of net to gross). For internal services, costs allocated to public services are shown as recoveries

-  Self Supporting Service (User fees or funding from other governments) or no more than 5% tax supported
-  5% - 50%
-  50% - 90%
-  More than 90% tax supported

Service Level Source Category:

- L = Legislated
- B = Council Bylaw
- P = Council approved policy
- M = Management Directive
- IS = Institution / Association / Industry / Sector / Benchmark or Recommended "Best Practice"
- FA = Funding Agreement / Grant Covenant
- T = Traditional/ past practice

Service Profile Family Health

Program		Service Description	Service level		
Public Health			Below Standard	At Standard	Above Standard
Department		Public Health programs designed to: enable all children to attain and sustain optimal health and developmental potential, and enable all individuals and families to achieve optimal preconception health, experience a healthy pregnancy, have the healthiest newborn(s) possible, and be prepared for parenthood. This includes health promotion, delivery of prenatal classes, Healthy Babies Healthy Children home visiting, and dental Children in Need of Treatment (CINOT) program.			
Service Type					
External					
Budget (\$,000s)					
Employee Related	11,711	Performance	Rationale For Service Level Assessment & Service Type		
Other	2,599		<ul style="list-style-type: none"> • Required pursuant to the Health Protection and Promotion Act, the Child and Family Services Act, Regulated Health Professionals Act, Dental Hygiene Act, Dentistry Act, Municipal Freedom of Information and Protection of Privacy, Personal Health and Information Protection • 2010 Environmental scan indicates many health units providing prenatal, Hamilton's number of sessions and attendees is comparable to Halton • Child Health and Reproductive Health met OPHS requirements and target levels however Child and adolescent clients were well below target 		
Capital Financing	1,417				
Total Costs	15,727				
User Fees	423				
Transfers/ Grants	12,935				
Financial/ Other	0				
Total Revenues	13,359				
Net Levy	2,368				
FTEs	125.9				

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Service Profile Family Health

Sub-Services							
Subservice Name & Description	Costs (\$000's)	Revenues (\$000's)	Service Level & Source	Service Type	FTEs	Notes	
Child Health Universal screening, telephone support, home visiting, clinics, group programming, public education and advocacy to support with children up to age six in: nutrition; positive parenting; child safety; and healthy growth and development for families	Employee Related	8,625	User Fees	209	S	E	• 4,600 Screen, 11,100 Phone contacts, 7,400 home visits, 3,700 clinic visits, 2,800 group participants in 2011. • Dental: All 143 schools screened, 175 community outreach events, 7,374 dental claims paid • 456 in-depth assessments • 325 referrals to long term home visiting • Overall exceeded required OPHS levels
	Other	2,037	Transfers/ Grants	9,610			
	Capital	1,354	Tax	1,837	L	1	
	Total	11,656	Total	11,656			
Reproductive Health To enable individuals and families to achieve optimal preconception health, experience a healthy pregnancy, have the healthiest newborn possible, and be prepared for parenthood by providing consultation , groups and advice	Employee Related	1,421	User Fees	55	S	E	• OPHS requirements are consistently achieved • 55 Prenatal series reached a total of 598 participants in 2011, meeting legislative service levels
	Other	159	Transfers/ Grants	1,129			
	Capital	26	Tax	422	L	1	
	Total	1,606	Total	1,606			
Child and Adolescent Services Delivery of outpatient mental health treatment services to children and youth ages 2-18 and their families. Key activities: quick access services, complex trauma team, SOFT team, Forensic Team	Employee Related	2,025	User Fees	159	S-	E	• 5,000 hours of direct service per year • 550 child and adolescent clients in 2011 vs. target of 770 (well below target) • 48 clients for YOA vs. target of 35 • Zero wait times for services • 100% overall satisfaction rate at mostly and very satisfied.
	Other	403	Transfers/ Grants	2,196			
	Capital	37	Tax	110	FA	3	
	Total	2,465	Total	2,465			

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The information contained herein has been compiled for the City of Hamilton Service Delivery Review. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

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Report: CAO-SPL-15-001

Region of Waterloo
Office of the Chief Administrator
Strategic Planning and Strategic Initiatives

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

Date: December 16, 2014 **File Code:** A26-50

Subject: 2015-2018 Strategic Planning Process

Recommendation:

That the Regional Municipality of Waterloo endorse the overall approach to develop the 2015-2018 Strategic Plan as presented in CAO-SPL-15-001, dated December 16, 2014 and appoint Councillors to the Strategic Plan Steering Committee.

Summary:

The Region's Strategic Plan provides a framework that guides priority-setting and decision-making for Regional Council and staff. The Strategic Plan articulates what the Region wants to achieve and how the organization is working towards that vision. It provides a focus for Council and staff, and helps to guide the allocation of limited resources to those priorities that are most important for the organization. This report provides an outline of the proposed process to develop a strategic plan for the 2015-2018 term of Council.

Report:

Strategic Plan Framework

Regional Council's practice has been to establish a Strategic Plan for each term of Council that identifies the organization's priorities for the next four years. The Region's Strategic Plan has been used as a tool to help the organization:

- Focus energy and resources on the most pressing needs and priorities.
- Ensure that staff and Council are working toward the same goals.

- Assess and adjust the organization's direction in response to a changing environment and the most pressing needs of the community.
- Guide decision-making and budget allocation to the strategic priorities.

The strategic planning process is expected to result in achievable and focused directions for the Region, and will ensure that department work plans and annual budgets support and align with Council's priorities once approved.

The main components of the Strategic Plan have included the Region of Waterloo's:

Vision: which describes the preferred future and the impact that the organization hopes to have on the community.

Mission: which describes the organization's purpose and addresses why the organization exists.

Values: which are the collective commitment to how staff and Council work with citizens, customers, colleagues and community partners.

Focus Areas: which are areas of focus for staff and Council to achieve the vision of an inclusive, thriving and sustainable community.

Strategic Objectives: which define "what" the Region is trying to accomplish within each area of focus, adding clarity, describing the overall intent and direction of the focus area, and helping staff align their work to the focus area.

Actions: which identify "how" the Region will achieve each of the strategic objectives.

It is proposed that this framework be used to develop the 2015-2018 Strategic Plan.

Proposed Strategic Planning Process - 2015-2018

There have been many lessons learned over the past Strategic Planning cycles and it is proposed that the 2015-2018 planning process build on these lessons learned as well as the successes from previous planning processes. Five stages to develop the 2015-2018 Strategic Plan are being proposed as outlined below.

Given that the Region is also undertaking a Service Review in early 2015, the timing of several elements of the proposed Strategic Planning process have been adjusted (delayed), so that they can be appropriately informed by both the interim and final outcomes of the Service Review. The link between the Strategic Planning Process and the Service Review is described further in this report and in the Service Review Update report of December 16, 2014 (CAO-IAU-15-001).

Stage 1: Compiling background information (December 2014 to January 2015)

In Stage 1, statistical trends and future projections will be identified to provide the context for the planning work in subsequent phases. A profile of the community and an analysis of the demographics will help set the context and inform Council and other stakeholders about key trends and issues to consider as they identify future priorities. This information will be provided to Council as background information during Council's initial strategic planning deliberations in March 2015. (See Stage 3)

Stage 2: Gathering input (January to February 2015)

To ensure that the plan is relevant to the community and reflects community priorities, public input will be sought at appropriate times during the process. This stage will involve the collection of input from citizens and staff to inform the development of priorities for the next 4 years. Questions that could be asked of the public in this stage include:

- What do citizens feel are the most important qualities that contribute to the quality of life in this community?
- What are the biggest issues facing this community?
- What are the priorities that citizens/customers and community stakeholders believe the Region should focus its efforts over the next 4 years?
- What are citizen's experience, expectations and levels of satisfaction with Regional services?

KPMG will also propose specific questions related to the Service Review.

Methods to gather input during this phase could include:

Public Survey: A statistically reliable public survey is proposed to help inform Council's development of strategic priorities as well as to inform the Service Review. The survey will collect mostly quantitative results from a random sample of citizens in order to ensure that the process is objective and statistically reliable. The Region is undertaking an RFP process (Request for Proposals) to engage a third party survey firm to implement an appropriate survey. The Council Strategic Planning Steering Committee and the Service Review Steering Committee would provide input on the questions to be asked in the survey prior to implementation. The results of the survey will be presented to Council at the Strategic Planning Session in late March 2015. (See Stage 3)

On-line Engagement: An on-line discussion forum is also being proposed. Online engagement will supplement the public input process to: increase engagement; diversify engagement; take advantage of existing community networks and interests; share information and engage a younger demographic. Council will have the opportunity to participate in the online conversations. Input for the Service Review would also be gathered through this method. Participation in this on-line forum will be promoted in a variety of ways.

There may also be other opportunities to gather public input during this phase of the process, depending on Council's preferences. Additional opportunities will be discussed with the Strategic Planning Steering Committee.

There will also be opportunities for staff to provide input throughout the planning process. Focus groups and an online survey are some of the tools that will help collect information from staff as well as generate conversation to identify pressing issues and trends staff experience in their daily work.

By the end of this stage input regarding issues and priorities will have been generated from a broad cross-section of the community as well as Regional staff. The information collected will be summarized and provided to Council in the next stage of the planning process.

Stage 3: Establishing focus areas and strategic objectives (March to June 2015)

It is proposed that an initial Council workshop be scheduled for late March. During this workshop Council would have an opportunity to discuss: the community profile developed during Stage 1; the results of the public survey and the on-line forum completed during Stage 2; and the Service Review Interim Report. Based on all of this input, Council would have an opportunity to identify initial/draft focus areas, strategic priorities and objectives for 2015 to 2018. Council may choose to seek additional public input regarding these "draft" priorities through April and May.

A subsequent Council workshop would be scheduled for late June or early July to confirm and finalize Focus Areas and Strategic Objectives. This discussion would be informed by the Service Review final report and recommendations which are expected in June.

Stage 4: Develop actions to achieve our strategic objectives (July to September 2015)

Once Council has determined the strategic priorities/objectives, the next step will be to identify appropriate actions to achieve the objectives. The objectives identify "what" the Region hopes to accomplish; the actions will identify "how" the Region plans to achieve Council's objectives over the next 4 years.

It is envisioned that a second set of public consultations would be implemented in this stage to help identify potential actions to make progress on the priorities and objectives identified by Council at the end of Stage 3. Public input would be gathered through an online discussion forum and topic specific forums. In past strategic planning cycles the Region has hosted a community leader forum at this stage of the planning which has been very helpful in identifying potential actions to address community needs, while at the same time discussing potential for collaboration with other community organizations.

Based on the Council identified priorities and objectives, and based on the additional public input, staff would identify potential "actions" to achieve the objectives. A report with recommended focus areas, strategic objectives and actions would come to Council for approval in mid-September 2015 in order to align with the 2016 budget process.

Stage 5: Measuring, monitoring and communicating the Strategic Plan (September 2015 to November 2015)

Stage 5 will ensure that the plan is communicated to community partners, stakeholders and staff. A detailed communications plan will be developed that takes advantage of Regional communications resources, orientation and training of staff, corporate alignment efforts, partnership development, and dissemination of the Strategic Plan to the community. In the past the Region has used several methods in order to communicate the Strategic Plan progress. As part of our commitment to greener choices, in the past we have developed a web-based tool to encourage people to view the progress online. This web-based tool would be built upon for the 2015 -2018 process and can be found at <http://seeourprogress.regionofwaterloo.ca/>.

This phase will also involve the development of the progress indicators on each of the strategic objectives as well as actions found in the Strategic Plan. A process and system to monitor and track progress on all of the actions over the next four years will be developed. It is proposed that the Department Strategic Plans would be completed by the end of this stage.

The key tasks and milestones in the proposed Strategic Planning Process are illustrated in Figure 1. The interaction between the Service Review and the Strategic Plan tasks and timing is illustrated in Figure 2.

The proposed approach described above has a number of advantages:

- It allows the Strategic Plan to be informed by the Service Review.
- It allows for efficient collection of initial input (survey and on-line) to inform the Service Review and Strategic Plan; and
- It allows for the completion of both the Service Review and the Strategic Plan prior to the start of the 2016 budget process – ensuring that the results of both processes will inform the 2016 and future budgets.

Strategic Plan Steering Committee

Involvement of Regional Councillors will be critical to the overall planning process and to the success of the 2015-2018 Strategic Plan. In order to foster Council's participation and leadership throughout the process, it is proposed that Council select 4 members to participate on a Strategic Plan Steering Committee. This Steering Committee would provide advice and direction to Regional staff on the process and act as a "sounding board" regarding various elements of the Strategic Plan. Regional staff responsible for the management of the strategic planning process would assist with the overall work of this Steering Committee. The members of the Steering Committee could include some members of the Service Review Steering Committee to help coordinate these two concurrent processes.

Corporate Strategic Plan:

The corporate strategic planning process provides the framework to ensure effective and efficient governance, which recognizes and responds to the most pressing needs of

the community. By developing a strategic plan it allows the organization to focus energy and resources on the most pressing needs and priorities while ensuring that staff and Council are working toward the same goals. Ultimately the strategic plan will guide decision-making and budget allocation to fulfil the strategic priorities.

Financial Implications:

The financial implications of the Strategic Plan actions are addressed during the normal budget process and in individual program budgets.

The costs to undertake the activities for the proposed 2015 – 2018 planning process can be accommodated within existing budgets.

Other Department Consultations/Concurrence:

The Corporate Leadership Team has been consulted with in the development of the proposed process as outlined in this report.

Attachments:

Figure 1: Strategic Plan – Key Tasks and Milestones

Figure 2: Service Review & Strategic Plan - Key Tasks and Milestones

Prepared By: Lorie Fioze, Manager, Strategic Planning and Strategic Initiatives

Approved By: Michael L. Murray, Chief Administrative Officer

Figure 1 - Strategic Plan - Key Tasks and Milestones

Region of Waterloo - Strategic Plan	December	January	February	March	April	May	June	July	August	September
1. Compiling Background Information										
Development of Waterloo Region Profile	■	■	■	■						
2. Gathering public input										
Public Survey		■	■	■	■					
Online forum		■	■	■						
Other input methods (if necessary - to be determined)		■	■	■	■					
3. Develop Strategic Priorities										
First Council Strategic Planning session (draft strategic priorities)					■					
Second Council Strategic planning session if needed						■				
Potential public input on priorities (to be determined)						■	■	■	■	
Council strategic planning session (confirm priorities)								■		
4. Identify Actions to achieve Strategic Objectives										
Staff draft actions								■	■	■
Public input regarding potential actions								■	■	■
Final Strategic Plan for Council approval (priorities & actions)										■

Legend

- Key Tasks ■
- Key Milestone ■

Figure 2 - Service Review & Strategic Plan - Key Tasks and Milestones

Region of Waterloo - Service Review	December	January	February	March	April	May	June	July	August	September
1. Service Profiles										
Development of Service Profiles	■	■	■	■						
2. Benchmarking & Input										
Benchmarking Review	■	■	■	■						
Council Input		■	■	■						
Public Survey		■	■	■	■					
Online Input		■	■	■	■					
Interim Report				■	■					
3. Analysis & Recommendations										
Develop shortlist of key opportunities				■	■					
Deeper analysis on key opportunities					■	■	■	■		
4. Report & Presentation										
Prepare Report						■	■	■		
Presentation to Council (Public Meeting)								■		
Region of Waterloo - Strategic Plan										
1. Compiling Background Information										
Development of Waterloo Region Profile	■	■	■	■						
2. Gathering public input										
Public Survey		■	■	■	■					
Online forum		■	■	■	■					
Other input methods (if necessary - to be determined)		■	■	■	■					
3. Develop Strategic Priorities										
First Council Strategic Planning session (draft strategic priorities)					■					
Second Council Strategic planning session if needed					■					
Potential public input on priorities (to be determined)						■	■	■	■	
Council strategic planning session (confirm priorities)								■		
4. Identify Actions to achieve Strategic Objectives										
Staff draft actions								■	■	■
Public input regarding potential actions								■	■	■
Final Strategic Plan for Council approval (priorities & actions)										■

Legend	
- Key Tasks	■
- Key Milestone	■



Report: COR-FSD-14-132

Region of Waterloo

Corporate Services Department

Financial Services & Development Financing

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

Date: December 16, 2014 **File Code:** F05-30

Subject: 2015 Budget Process

Recommendation:

That the Regional Municipality of Waterloo approve the 2015 budget timetable as set out in Appendix A to report COR-FSD-14-132, dated December 16, 2014.

Summary:

Nil

Report:

The purpose of this report is to provide a general overview of municipal budgeting, to outline the annual budget review and approval process at the Region of Waterloo, and to identify the major factors impacting the 2015 Operating Budget and 2015-2024 Capital Program. Future staff reports will provide a more detailed analysis of the proposed 2015 budgets and the associated service levels and capital works.

1. Legislative Requirements

Section 289 of the “Municipal Act, 2001” requires an upper-tier municipality to annually “prepare and adopt a budget including estimates of all sums required during the year...”. The Act also requires Ontario municipalities, unlike the federal and provincial governments, to have balanced budgets. In other words, the estimated revenues of the municipality must be at least equal to the estimated expenditure in any given year’s budget. Municipalities in Ontario are required to adopt a fiscal year which ends on December 31.

The purpose of the budget is to support the municipality's strategic plan and priorities by establishing the desired service levels of the municipality for the coming year, and the financial and staffing resources required to achieve those service levels. The budget provides the benchmark against which actual financial results will be measured and reported. Unlike federal and provincial governments, the revenue tools available to municipalities exclude income or sales taxes. Municipally imposed revenue sources are therefore limited to property taxes, development charges, and user fees. Through the annual budget process, municipal councils establish the amount of property taxes to be levied for the year, municipal water and wastewater rates (and other utility rates in some cases), and other user fees and charges applicable to the municipality.

2. Types of Budgets

There are two types of budgets that are developed and approved annually: capital and operating.

Capital Budget and Forecast

The Capital Program includes a current year capital budget and, in the Region's case, a nine year capital forecast. Capital plans reflect the proposed level of investment relating to the acquisition, installation, construction, and significant improvement or rehabilitation of land, buildings, engineering structures, facilities, machinery, equipment, or information technology hardware or software, including studies relating to the foregoing which thereby result in the acquisition of or the extension of the life of a fixed asset.

Projects in the Capital Program are reviewed and updated annually. This process includes reviewing the need, scope, cost and timing of projects. Typically new projects are identified and added to the latter years of the forecast. Budget amounts are refined annually as the project moves forward in the planning horizon. Once the project reaches the current year (i.e. year one) of the Capital Program it is approved and can then proceed.

Sources of financing for the Capital Program include grants and subsidies from other levels of government, third party recoveries, development charges, property taxes and user rates (in the form of current year allocations and contributions from reserves), and long term borrowing. It is important to note that issuing debentures to finance capital projects impacts future operating budgets in the form of debt servicing costs.

Operating Budget

The operating budget is a projection of the estimated day-to-day operational and maintenance expenses and staff resources required to deliver approved service levels. Such expenditures typically include compensation, utilities, materials and supplies, purchased services, and any other expenditure required for ongoing operations. Revenues from sources other than property taxes, such as grants, subsidies and user

fees/charges are projected and offset these planned expenditures to varying degrees. The property tax levy is the amount required to “balance” the operating budget after all other sources of revenue have been accounted for.

The property tax requirement is levied against all taxable property assessment in the municipality. The assessment base is set annually by the Municipal Property Assessment Corporation (MPAC) in the form of an assessment roll. Taxable assessment increases as new properties are added to the assessment roll and decreases for a variety of reasons including assessment appeals and vacancies. The net result of these changes is reflected in annual assessment growth which serves to offset the impact of an increase in property taxes levied.

3. The Region of Waterloo’s Budget Process

Budget preparation

At the Region of Waterloo, Water and Wastewater services form the “User Rate” budget, and are funded in full from the water and wastewater rates set annually by Council. All other services are included in the “Tax Supported” budget. User Rate budgets are approved separately (i.e. earlier) in order for the area municipalities to set their water/wastewater rates on a timely basis.

The Region of Waterloo adopts operating and capital budgets for user rate programs (water and wastewater) and property tax supported programs (all other services) on an annual basis. Staff commences preliminary budget preparation work in late spring. The process kicks off with capital plan reviews between departmental and Finance staff, the Chief Administrative Officer (CAO) and the Chief Financial Officer (CFO). The purpose of capital reviews is twofold: to determine in-year capital financing needs based on estimated project expenditures to the end of the current year, and to review projects in the forecast period with respect to their need, timing, scope and sources of financing.

The current year’s approved budget is the starting point for the next year’s operating budget. Adjustments are made as required for inflation, negotiated cost of living adjustments, employee benefit costs, annualization of approved service level changes (either from the previous year’s budget or due to in-year approvals), subsidy adjustments, and debt servicing cost additions. Operating budgets are drafted during the summer and administrative reviews of these draft operating budgets are undertaken by departmental and Finance staff, the CAO and CFO during September and October.

Base Budgets

The result of this process is a “base budget” which reflects the expected costs and revenues required to deliver the current Council-approved level of service. Base operating budgets and proposed capital plans are published and presented to Council in the form of a Preliminary Budget. In this document, budget details are provided at the

divisional level and include actual versus budget variance explanations for the previous operating year as well as budget continuity explanations for budgetary increases and decreases for the coming budget year. In addition, staff prepares an appendix which provides additional details of operating budgets and the capital program. Budgets are developed and maintained in a budget software system at a program level and are managed operationally at this level.

Service Expansions/Enhancements

Service expansion/enhancement needs are identified and presented to Council in the form of “Budget Issue Papers”. Budget issue papers contain detailed narratives of community and service-level impacts of service expansion requests. Budget issue papers are reviewed by the Corporate Leadership Team (CLT – composed of the CAO and Commissioners). Council must approve any increases to staff complement. Accordingly, any staff additions require the submission of a budget issue paper even if there is no budget impact.

Budget Information Papers

Budget Information Papers provide detailed information to Council on a range of topics, either as requested by Council or as deemed appropriate by staff. Budget information papers do not provide recommended actions or seek the approval of Council. Content provided in a budget information paper may include projected budget impacts of potential changes to federal or provincial legislation, proposed changes in service levels or fee structures, or may provide a periodic update for certain items affecting the budget such as assessment growth and reserve fund projections.

Budget Committee Review

The Budget Committee is a committee of Council. The purpose of Budget Committee meetings is to discuss and debate various budget items, determine service levels, and to approve the current year operating budget and capital budget, and the nine year capital forecast. The budget review cycle typically spans three Budget Committee meetings, the first two of which are followed by Public Input sessions. During these meetings, the CFO and other senior staff highlight key issues and present staff recommendations. Departmental and Finance staff are on hand to respond to specific questions Committee members may have regarding the budget. All budget related materials are received by Committee members as part of Budget Committee agenda packages. The Preliminary Budget Book will serve as the main document to guide Budget Committee through its deliberations on the budget. In addition to the budget document, a sectional budget binder is provided to each member to enable them to keep budget related materials in order.

The proposed budget review timetable for 2015 is set out in Appendix A. The timetable contemplates detailed budget reviews and presentations in January and February.

Approval of the User Rate operating and capital budgets is scheduled for February 11, 2015, followed by approval of the Tax Supported operating and capital budgets in early March. Staff recommends approval of the 2015 Budget Review timetable as set out in Appendix A.

Public engagement is an important element of the budget cycle. Two public input sessions are planned to provide members of the public an opportunity to address Council directly on proposed budget matters.

4. Preliminary 2015-2024 Capital Program

Staff is in the final stages of preparing the preliminary 10 year capital program. Future reports and presentations will provide detailed project expenditure and financing information. A preliminary list of major works to be undertaken in 2015 include:

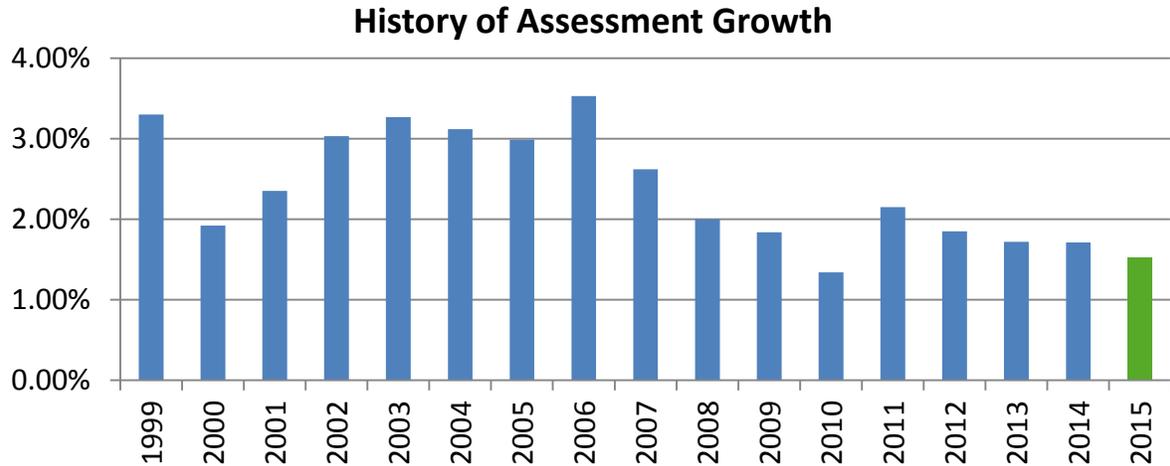
- ION rapid transit construction
- Various road expansion and rehabilitation projects
- Kitchener Wastewater Treatment Plant Upgrades
- Building Lifecycle work at Regional Administration buildings
- Housing facility lifecycle work
- Voice Radio system replacement
- Grand River Transit bus replacement

The 2015 Capital Budget will also include the completion of various projects started in 2014 including renovations at 20 Weber Street in Kitchener (former County Courthouse), the Phillipsburg EMS Station, adapted bus rapid transit and new cell construction at the Waterloo Landfill Site. The 10 year capital program reflects a total investment in capital assets in the range of \$3.6 billion, of which approximately \$760 million is in 2015.

5. Preliminary 2015 Tax Supported Operating Budget

Assessment Growth

Based on final figures provided by MPAC, assessment growth in 2014 for the 2015 budget cycle is 1.52%. This represents the second lowest rate of growth in the last 17 years, as shown in the following table:



This level of assessment growth is the equivalent of \$6.7 million in additional tax revenue. For budget purposes, assessment growth is allocated between the Police Service and Regional budgets based on the proportionate share of the property tax levy. This is done primarily to calculate the individual tax rate impacts of both direct Regional services and Police Services.

The tax rate impact of the preliminary 2015 Tax Supported Operating Budget is summarized in the table below:

	Tax rate % impact
Regional Operations	1.08%
Capital Financing (debt servicing, contributions to capital/reserves)	0.99%
Regional Transportation Master Plan (net of Ontario Works upload)	0.92%
Subtotal	2.99%
Less: regional share of assessment growth	-1.01%
Net Regional tax impact	1.98%

The base budget, net of assessment growth applied to regional programs, requires a property tax increase of 1.98%. This figure excludes any service enhancements (to be outlined in budget issue papers) and excludes the Police Services Budget. Preliminary budget information relating to Waterloo Region Police Services was not available at the time this report went to print.

Ontario Works (OW) benefits were historically cost-shared 80% by the Province and 20% by municipalities. The municipal share is being “uploaded” to the Province over a nine year period. The municipal share of OW benefits in 2015 (the sixth year of the

upload) will be 8.6% and will be fully uploaded by 2018.

The Province's intent when uploading social assistance costs was to provide additional capacity to municipalities to invest in core responsibilities, particularly infrastructure. Accordingly, the Region is using these savings to offset, in part, the cost of implementing the Regional Transportation Master Plan (RTMP).

Regional Council has approved a funding strategy for the RTMP (including ION Rapid Transit and Grand River Transit expansion) which requires a 1.5% annual urban levy increase for 2015-2018 and 0.75% (projected) in 2019. These increases are partially offset by the uploading of Ontario Works benefit costs. The net tax rate impact for RTMP in 2015 is 0.92%.

Some other significant factors impacting the 2015 Tax Supported Operating Budget include:

- Low assessment growth (second lowest in 17 years);
- Reduced Provincial Offences Act and red light camera revenues;
- Increased Capital program financing;
- Increased cost of waste collection contracts;
- Inflationary impacts on fuel costs (reduction) and energy costs (increase).

On an annual basis, staff reviews operating budgets in an effort to identify efficiencies and budget reductions which do not affect service levels. This year's review has resulted in base budget reductions of \$1.6 million. The table below identifies the extent of base budget reductions over the last 5 years:

Base Budget Review Reductions (\$millions)					
2011	2012	2013	2014	2015	Total
\$2.4	\$2.1	\$1.9	\$2.5	\$1.6	\$10.5

These reductions are reflected in the figures shown in the table on the previous page.

6. Preliminary 2015 User Rate Operating budget

The Region uses a 10-year model to develop water and wastewater rates. These rates provide a full cost recovery for these services without impacting Regional property taxes. The 2014-2023 model indicated a rate increase of 4.9% in 2015 for water supply

(4.9% approved for 2014) and 7.9% for wastewater treatment (7.9% approved for 2014). Staff continues to monitor key budget inputs such as electricity and chemicals and any significant changes anticipated in these costs will be reflected in the 2015-2024 rate model. Key milestones achieved in 2014 which impact the operating and capital budgets for water and wastewater include:

- completion and approval of the Water Supply and Distribution Operations Master Plan resulted in significant changes to the Water 10 year Capital Program in 2014;
- the completion of the Regional Development Charge By-law review in 2014 set the development charge recoveries for the next 5 years; and
- the finalization of the Wastewater 5 year operations contract with the Ontario Clean Water Agency (OCWA) in 2014 set the costs for operations for 2016-2020.

Each of the above items will be reflected as required in the updated rate model.

The Region also owns and operates the water distribution and wastewater collection systems in the townships of North Dumfries and Wellesley. The rate model for those systems indicates a rate increase of 8.9% in 2015 for water distribution (8.9% approved in 2014) and 6.9% for wastewater collection (6.9% approved in 2014). These estimates will be updated in the 2015-2024 rate model to be presented to Committee.

Corporate Strategic Plan:

The budget process enables Council to achieve its Corporate Strategic Plan by allocating appropriate resources to each of the five focus areas.

Financial Implications:

As set out in the body of the report.

Other Department Consultations/Concurrence:

All regional departments participate in the preparation of the annual budget.

Attachment:

Nil

Prepared By: Cheryl Braan, Manager of Budgets and Performance Measurement

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

Appendix "A"
Region of Waterloo
Proposed 2015 Budget Timetable

PURPOSE OF THE BUDGET SESSION	PLANNED DATE and TIME
2015 Budget Process and Timetable	August 12, 2014 Administration and Finance Committee
Budget Overview Session <ul style="list-style-type: none"> • Preliminary Operating Budget and Capital Program 	December 16, 2014
Detailed Budget Review – Day One <ul style="list-style-type: none"> • User Rate Operating Budget and Capital Program • Tax Supported Operating Budget and Capital Program 	January 21, 2015 12:00 – 5:00 p.m.
Public Input Session #1	January 21, 2015 6:00 p.m.
Detailed Budget Review – Day Two <ul style="list-style-type: none"> • Approval of User Rate Operating Budgets and Capital Program • Police Services Board Budget • GRCA General Levy • Update Tax Supported Operating Budget and Capital Program 	February 11, 2015 12:00 – 5:00 p.m.
Public Input Session #2	February 11, 2015 6:00 p.m.
Approval Tax Supported Operating Budget and Capital Program Approval of 2015 User Fees and Charges	March 4, 2015 3:00 – 6:00 p.m.