



Regional Municipality of Waterloo
Administration and Finance Committee
Minutes

Tuesday, December 16, 2014

1:04 p.m.

Regional Council Chamber

150 Frederick Street, Kitchener

Present were: Chair S. Strickland, L. Armstrong, D. Craig*, S. Foxton, T. Galloway, D. Jaworsky, H. Jowett, K. Kiefer*, G. Lorentz, J. Mitchell, J. Nowak, K. Redman, K. Seiling, S. Shantz, B. Vrbanovic and W. Wettlaufer

Motion to Go Into Closed Session

Moved by K. Redman

Seconded by B. Vrbanovic

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

Carried

Moved by K. Kiefer

Seconded by L. Armstrong

That Council reconvene into Open Session.

1767260

Carried

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

None declared.

Presentation

a) Overview of Key Issues for 2015

Mike Murray, Chief Administrative Officer, provided a presentation to the Committee; a copy is appended to the original minutes. The presentation highlighted the anticipated key issues in 2015 for each of the current corporate Focus Areas, specifically, the Regional Official Plan (ROP); economic development; transit system improvements; waste management; affordable housing; paramedic services response times; infrastructure and asset management; the Service Review; and, the 2015-2018 Strategic Plan.

He provided an overview of the ROP goals and current status, specifically the appeals to the Ontario Municipal Board (OMB) and advised that the appeals are still pending.

* D. Craig left the meeting at 1:08 p.m.

M. Murray noted that the Region continues to make progress in residential development, 55% of which has occurred in the built-up areas. He provided statistics on the types of residential construction over the past ten years.

* D. Craig returned to the meeting at 1:14 p.m.

M. Murray stated that the first ever Waterloo Region Economic Development Strategy has been drafted and will be presented at the January 29, 2015 All Council meeting. He indicated that a new Economic Development Corporation is proposed and that subsequent to that there will be recommendations for approval by Regional Council and the Area Municipalities.

He summarized transit system improvement goals, including Grand River Transit (GRT) ridership, Light Rail Transit (LRT) and GO Train Service, noting that the goal of the Regional Transportation Master Plan (RTMP) is to increase transit mode share from 4% to 15%. He stated that 2015 will be a significant construction year for the LRT in Kitchener and Waterloo and that the adapted bus transit will begin in Cambridge in 2015.

He provided landfill tonnage trends and noted the significant potential to increase diversion of residential waste through curbside policy changes. He summarized the considerations surrounding the Region’s curbside policy and the new collection contract timeline.

He stated that while more than 10,000 families are assisted through some form of affordable housing in the Region, more than 3000 people continue to be placed on the

waiting lists. The challenge for 2015 will be how to allocate payments from the Province for housing and the required revitalization of the aging housing stock.

He shared trends in call volume, response times and offload delays related to Regional Paramedic Services, noting the improvements to response times and offload delays. He stated that in 2015, there will be the potential to increase paramedic resources; to update the Master Plan; and the continued focus on reducing offload delays.

He highlighted the capital program and the opportunity to refine asset management approaches in 2015.

M. Murray responded to Committee questions related to Phase 2 of the LRT in Cambridge; GO train service between Cambridge and Milton; and the anticipated timelines and costs related to the ROP appeals.

The Committee discussed the current status of Region-wide participation in residential waste diversion programs, landfill capacity, and the impact of reduced commercial tonnage.

In response to a Committee comment about landfill diversion plans and a reasonable review period for options, Thomas Schmidt, Commissioner, Transportation and Environmental Services, stated that ten years is a reasonable timeframe for establishing a new landfill site and that the Region is already in the process of reviewing options for the future.

In response to a Committee inquiry about statistics on the use of blue boxes, green bins and garbage bags per municipality, M. Murray advised that staff will follow-up with details.

Reports – Office of the Chief Administrator

a) CAO-IAU-15-001, Service Review - Project Update

Received for information

b) CAO-SPL-15-001, 2015-2018 Strategic Planning Process

When solicited by the Committee Chair, the following Councillors volunteered to sit on the Strategic Plan Steering Committee: S. Strickland, H. Jowett, W. Wettlaufer and J. Mitchell.

Moved by J. Mitchell

Seconded by S. Foxton

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, H. Jowett, J. Mitchell, S. Strickland and W. Wettlaufer to the Strategic Plan Steering Committee.

Carried

Reports – Corporate Services

c) COR-FSD-14-132, 2015 Budget Process

Craig Dyer, Chief Financial Officer, provided an overview of the 2015 budget process; a copy of his presentation is appended to the original minutes. Highlights of the presentation included:

- Legislative provisions
- the purpose of the Regional Budget
- the purpose and sources of financing and revenues for Capital and Operating Budgets
- an overview of the Capital and Operating relationship regarding expenditures and financing
- Capital Financing and Reserves and Reserve funding
- Property Tax and User Rate requirements
- an overview of 2014 funding for Regional services
- the 2015-2014 Capital Program
- User Rate Budgets
- the Assessment Base
- Major 2015 Budget Impacts
- the Tax Supported Budget
- the Budget Cycle

C. Dyer advised that the 2015 Tax Supported Budget is forecasted at a 1.98% increase, excluding Police Services and any Budget Issue Papers. He referenced the Budget Review Process timelines and schedule, stating that the final budget approval will take place on March 4, 2015.

C. Dyer responded to Committee questions regarding the timing for the release of the assessment growth figure from the Municipal Property Assessment Corporation (MPAC); the ten-year projection model for user rate budgets; the status of assessment appeals at the Assessment Review Board; and the impact of the appeals on the Regional budget.

* K. Kiefer left the meeting at 2:28 p.m.

In response to a question about the Waterloo Region Police Services (WRPS) budget, T. Galloway, Chair of the WRPS Board, advised that a preliminary budget is currently set at .7%, net of property tax assessment. The board has asked staff to prepare a revised budget with a .6% increase and to outline impacts.

* K. Kiefer returned to the meeting at 2:37 p.m.

C. Dyer responded to a Committee question regarding budget line-by-line review and he noted the historic base budget review reductions.

1767260

C. Dyer gave a presentation about Capital Plan Financing and Regional Debt; a copy is appended to the original minutes. Highlights of the presentation included:

- Major components of the 10 Year Capital Plan
- Capital Financing options and Funding sources
- Capital Financing Principles
- Long-term borrowing legislative conditions
- Features of Municipal Debt
- Benefits and Considerations of borrowing for Capital projects
- Capital Investment
- Net Debt outstanding
- Interest Rate Environment
- Annual Repayment Limit
- Credit Rating
- Future Challenges and Key Messages

During the presentation, C. Dyer stated that the Region's debt is at a fixed term and at a fixed rate, while the assessment base continues to increase. The net outstanding debt is less than \$500M at the end of 2014, which is comparable with other Regional municipalities. He noted that the Region's credit rating, as provided by Moody, has been at triple-A since 2000. Future challenges include the potential for rising interest rates, the ability to finance growth-related capital costs, particularly on wastewater projects, and, the ability to finance smaller and non-debenturable capital projects through additional contributions to the Capital Levy Reserve Fund.

In response to a Committee question regarding the debt servicing allocation in the operating budget, C. Dyer advised that approximately \$60M is put aside for 2015; he noted that a report with the allocation breakdown can be prepared for a future meeting in January.

In response to Committee questions about potential impact of changes to the "Development Charges Act" (DCA) on collection for LRT and pre-payment options on debentures, C. Dyer responded that there is no provision to pay off debentures early but if the legislation is revised and the LRT were to become a source of revenue for the project, the Region could use these revenues to offset debt servicing costs.

Calvin Barrett, Director, Financial Services/Development Finances, advised that the Region could only collect development charges on its share of the LRT financing, but if amendments to the legislation eliminated the previous service level requirement, some portion of future expenditures would likely be qualify for development charges.

The Committee noted that if the DCA is amended in this manner, it could have a significant impact on the timelines for Phase 2 of the LRT project. In response to a Committee inquiry on the current status of the provincial review of this issue, M. Murray advised that other municipalities are advocating for change and the Province appears receptive.

Moved by S. Foxton

Seconded by L. Armstrong

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.

Carried

Information/Correspondence

- a) Council Enquiries and Requests for Information Tracking List was received for information.

Other Business

Regional Chair K. Seiling provided an overview of how Regional Council has historically addressed the release of advance funding to core arts and cultural groups during an election year, when final budget approval occurs at a later date.

Moved by K. Seiling

Seconded by D. Craig

That the Regional Municipality of Waterloo authorize the Chief Financial Officer to provide 2015 grant advances for the core arts and cultural organizations, K-W Symphony, The Museum, Grand Philharmonic Choir and Creative Enterprise Initiative, up to 80% of each organization's approved 2014 grant.

Carried

Next Meeting – Tuesday, January 13, 2015

Adjourn

Moved by D. Jaworsky

Seconded by K. Redman

That the meeting adjourn at 3:18 p.m.

Carried

Committee Chair, S. Strickland

Committee Clerk, S. Natolochny

1767260



Region of Waterloo

Overview of Key Issues 2015





Region of Waterloo

Overview of Key Issues 2015



Environmental Sustainability
Protect and enhance the environment.



Growth Management and Prosperity
Manage growth to foster thriving and productive urban and rural communities.



Sustainable Transportation
Develop greater, more sustainable and safe transportation choices.

Healthy and Inclusive Communities
Foster healthy, safe, inclusive and caring communities.



Service Excellence
Deliver excellent and responsive services that inspire public trust.





Growth Management and Prosperity

1. Regional Official Plan



ROP Goals

Region of Waterloo

- Contain Sprawl / Encourage intensification
- Greater variety and density of housing
- Protect farmland and sensitive environmental areas
- Greater transportation choice



PLANNED
COMMUNITY
STRUCTURE

Legend

- Prime Agricultural Area & Rural Area
- Urban/Township Designated Greenfield Area
- Protected Countryside
- Prime Industrial / Strategic Reserve
- Countryside Line
- Reurbanization Corridor



ROP Status

- Approved by Council in 2009
- Approved by Minister of Municipal Affairs in 2010
- 25 appellants to OMB
- OMB decision in 2013 regarding "land budget"
 - Favoured developers approach

ROP Status

- Region appealed
 - A) OMB decision - "errors in law"
 - B) OMB process "apprehension of bias"
- Appeals still pending before Divisional Court
- Successful appeal would "set-aside" OMB decision and result in new OMB hearing
- Settlement negotiations ongoing with appellants

More Residential Development in Built-up Areas



More Residential Development *in built-up areas*

In 2013, new residential development in the built-up area totalled **55%**

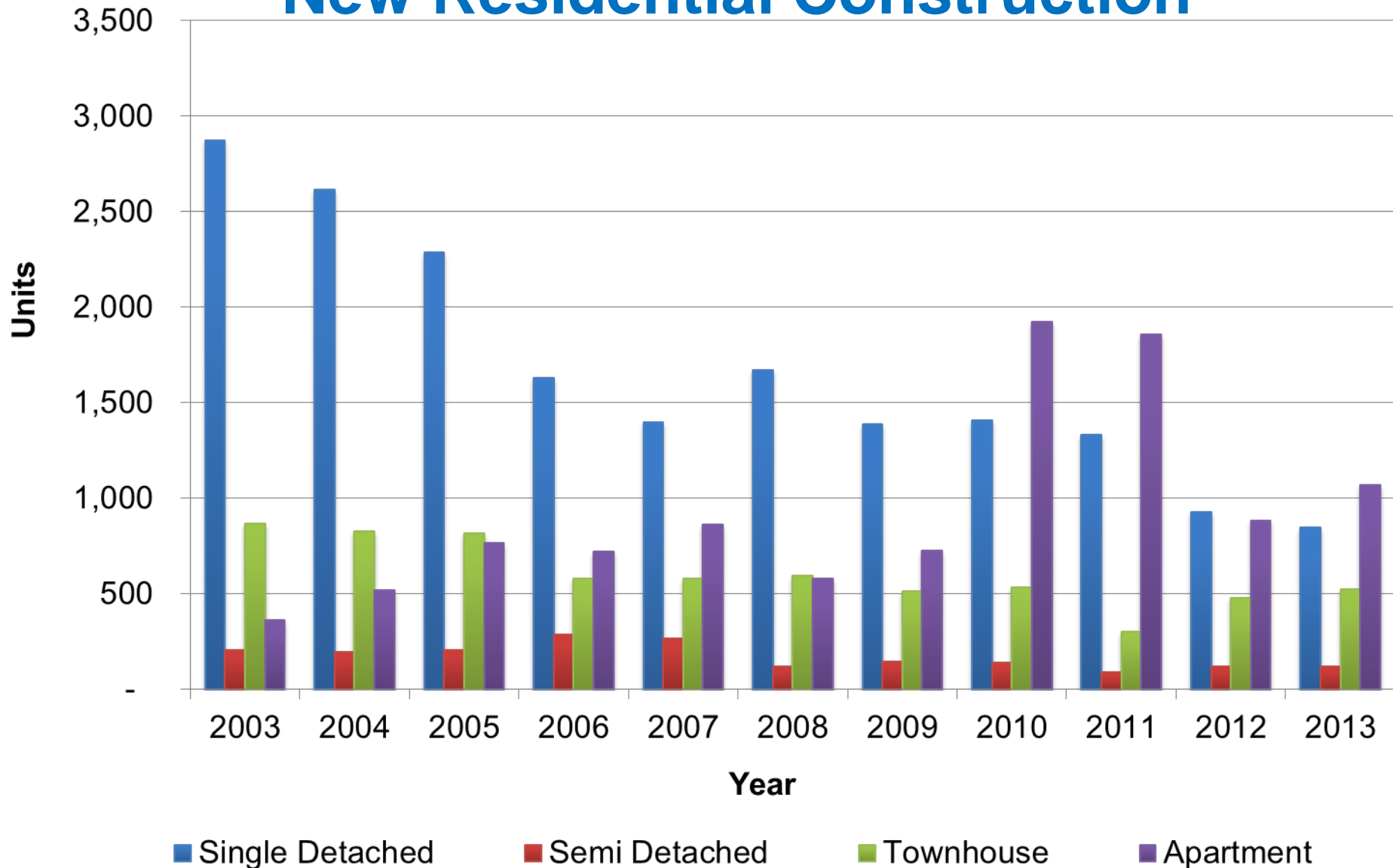


In 2003, new residential development in the built-up area totalled **15%**



More Housing Choice

New Residential Construction

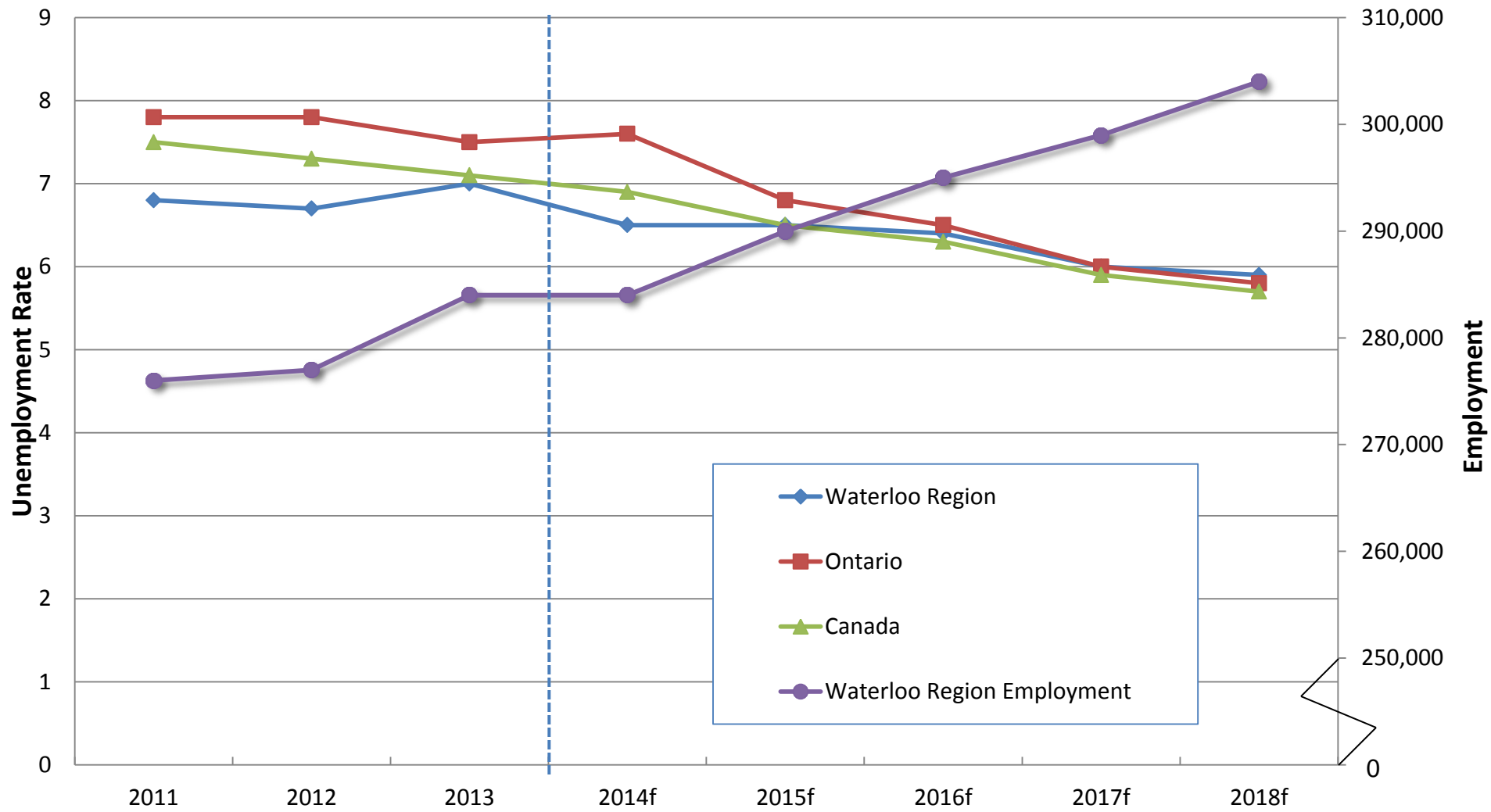




Growth Management and Prosperity

2. Economic Development

Unemployment and Employment Forecast

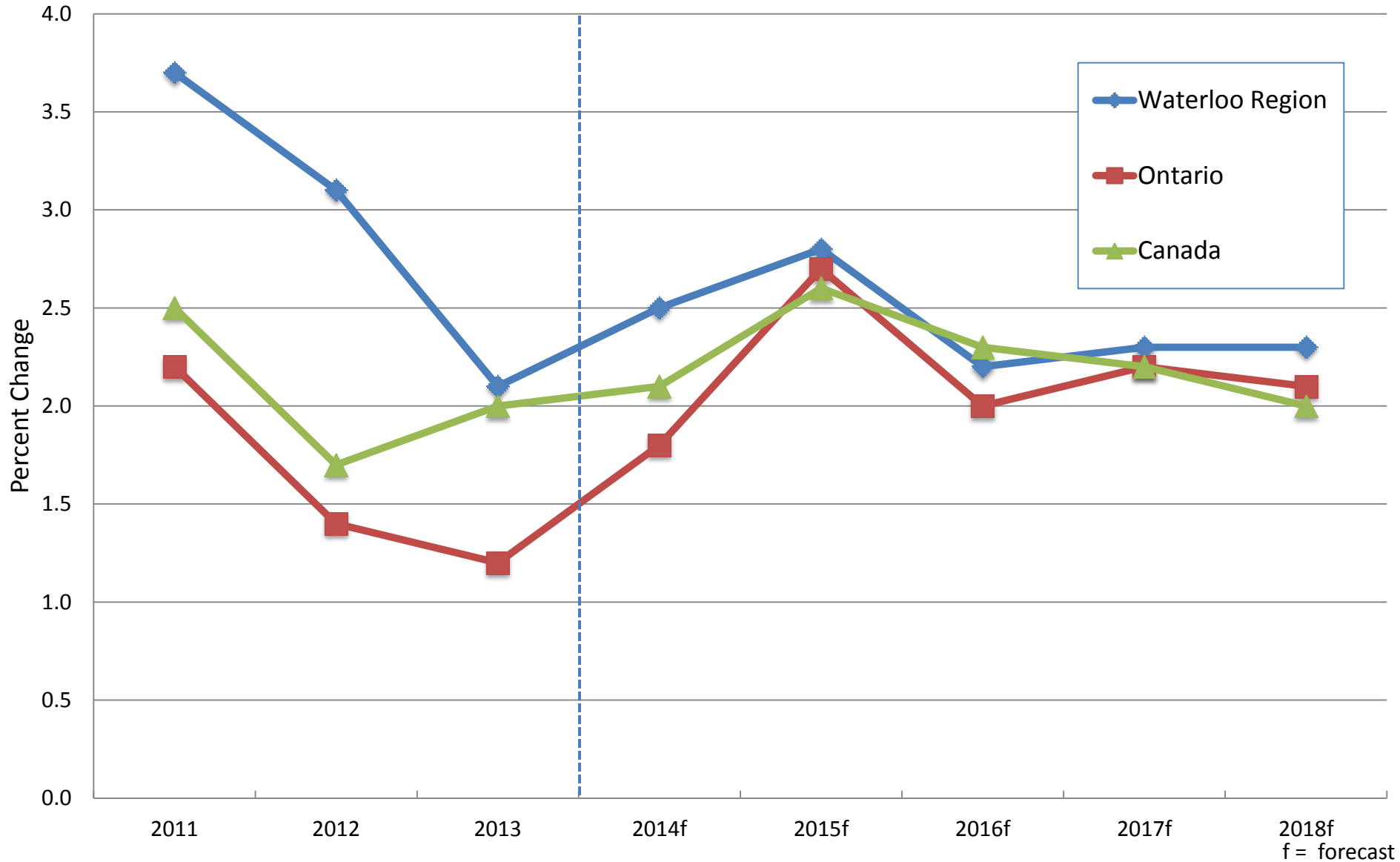


f = forecast

Source: The Conference Board of Canada; Statistics Canada

Real GDP Growth Forecast

(2007 \$ dollars)



Source: The Conference Board of Canada; Statistics Canada



Economic Development

- Need more coordinated / integrated approach to economic development
 - Economic development studies
- First ever Waterloo Region Economic Development Strategy (WREDS) created
- New Waterloo Region Economic Development Corporation (WREDC) proposed
- Next Steps
 - All-Council meeting presentation – January 29, 2015
 - Recommendations to Council - February

Sustainable Transportation



3. Transit System Improvements

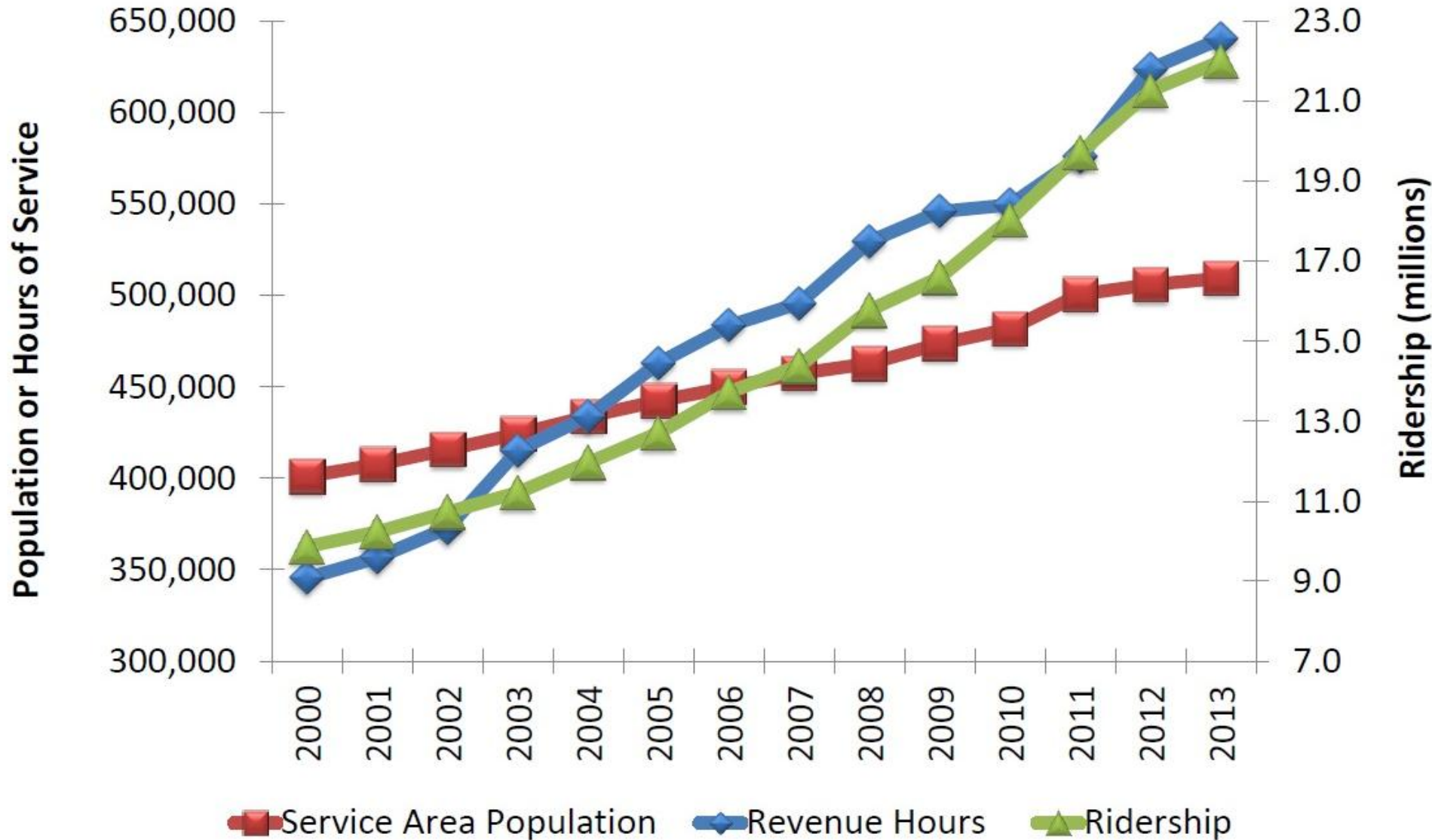
- Rapid Transit
- Conventional Transit
- Go Train Service

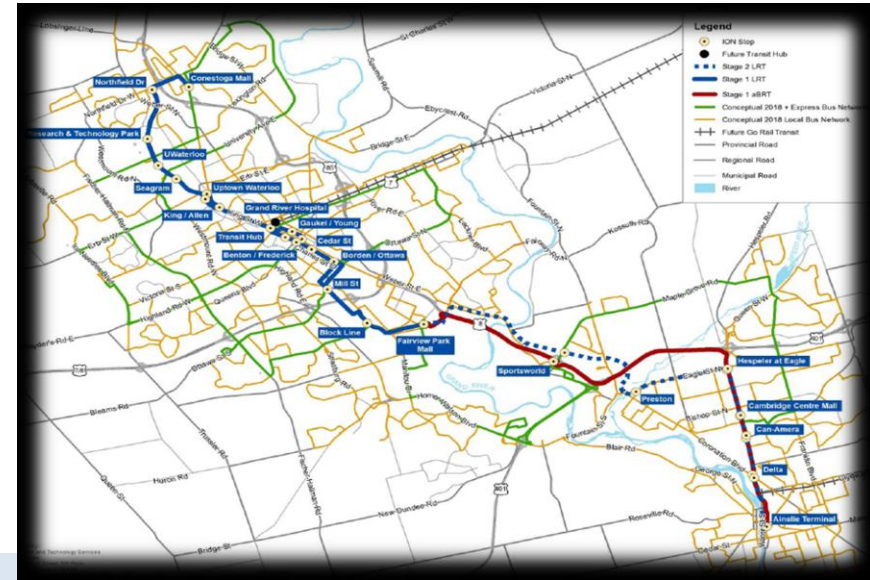


Transportation Infrastructure

- Road system near/at capacity
- Large increase in travel demands by 2031
 - 500 new lane km (25 new Hespeler Roads)
 - \$1.4 to \$1.5 billion
- Transportation Master Plan goals
 - Increase transit mode share from 4% to 15%
 - Reduce need for new roads (by 40%)
- Significant investment needed

GRT Ridership

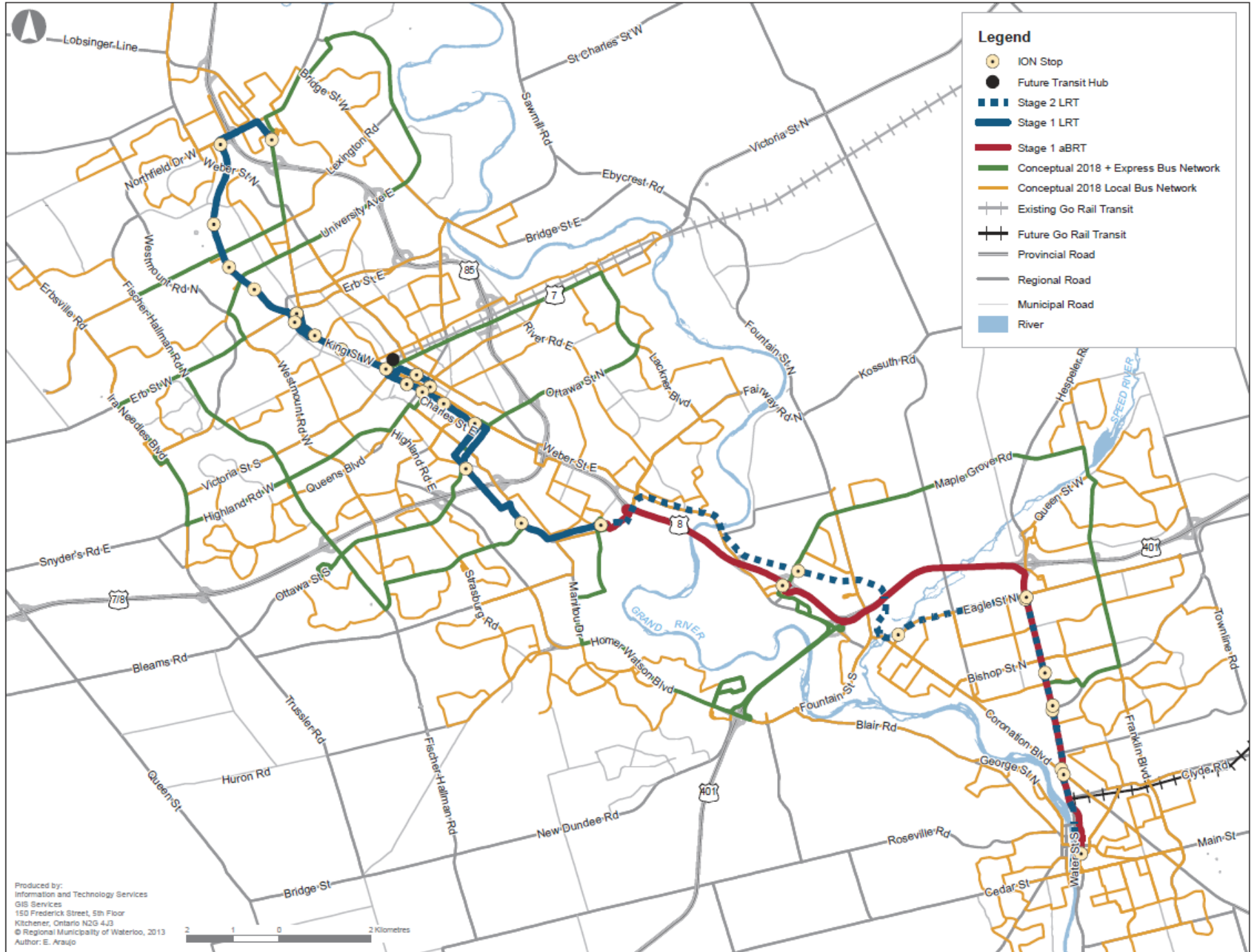




Rapid Transit

Moving People / Shaping our Community







Rapid Transit – 2015 activities

- LRT Design and Construction
 - Significant construction in 2015
- Finalize various agreements
 - Extend General Engineering Consulting assignment
 - Various property acquisitions
- aBRT Start-up
- Initiate EA for Phase 2 LRT
- Ongoing Communication and Engagement with residents and businesses

Investment Around Rapid Transit



"The region is poised to see major transportation improvements over the next five years, which will entice even more businesses to locate within the region."

– Conference Board of Canada





Region of Waterloo

Improved GO Train Service



Environmental Sustainability

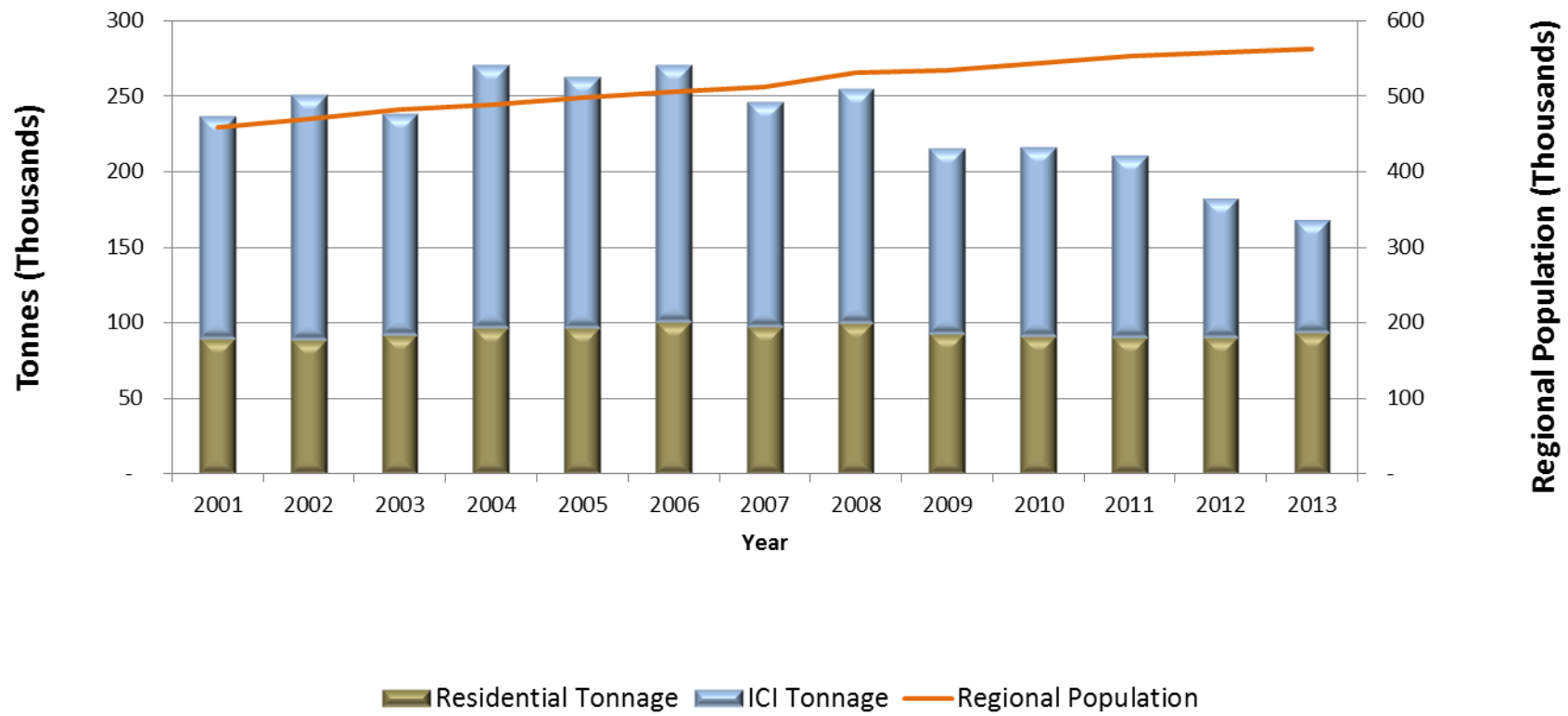


4. Waste Management



Region of Waterloo

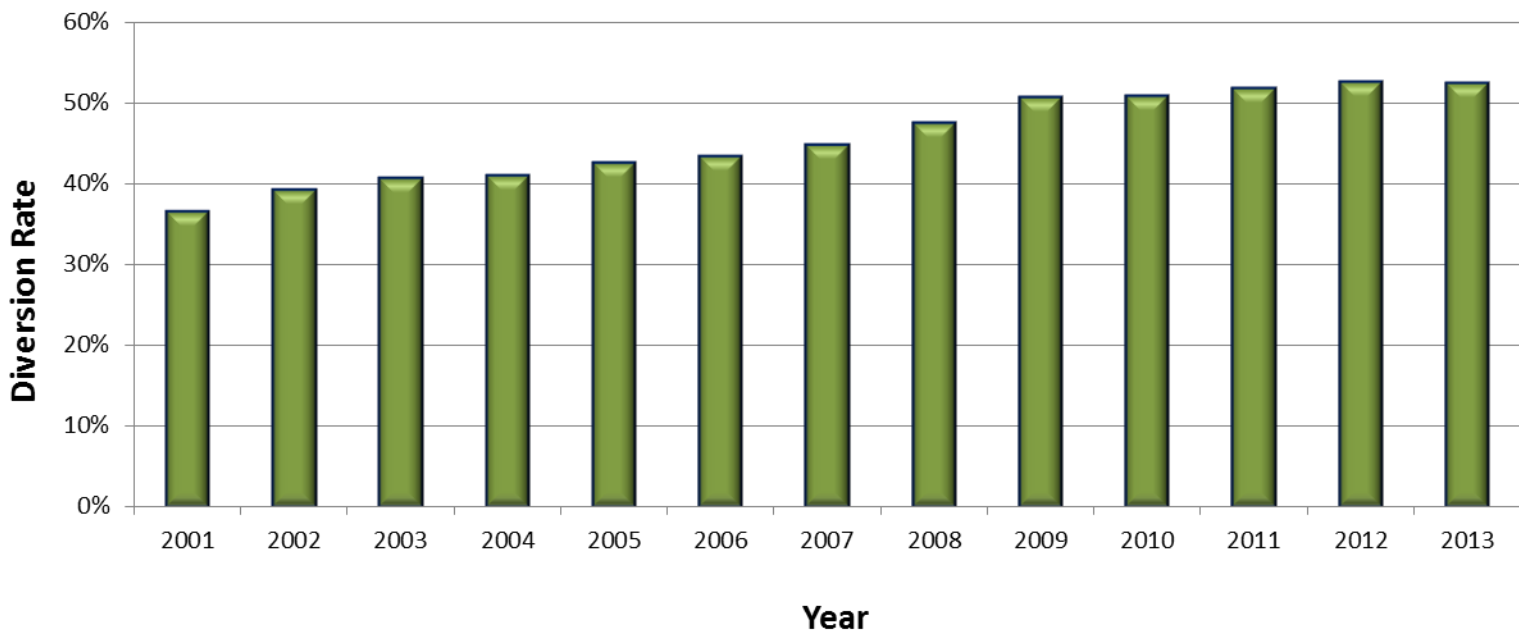
Landfill Tonnage Trends





Region of Waterloo

Residential Diversion Rate





Region of Waterloo

Master Plan Recommendation

- Diversion from Landfill through Curbside Policy Changes
 - *Improve performance of green bin and blue box programs*
 - *Conserve existing landfill capacity (15 years remaining)*
 - *Reduces environmental footprint (less greenhouse gas)*





Curbside Policy Considerations

- Standardize waste collection across all seven municipalities in the Region
- Reduced bag limits and/or every other week garbage collection with unlimited weekly blue box and green bin collection
- User-pay options such as bag tags to allow residents added flexibility



New Collection Contract Timeline

- Council approved scope – spring 2015
- Proposal development – summer 2015
- Proposal advertisement – early fall 2015
- Contract award – late fall 2015
- Contract commencement – early 2017

(minimum 12 -15 months required for successful bidder to acquire new trucks, hire/train staff, establish collection routes, etc.)



Healthy and Inclusive Communities

5. Affordable Housing



Affordable Housing

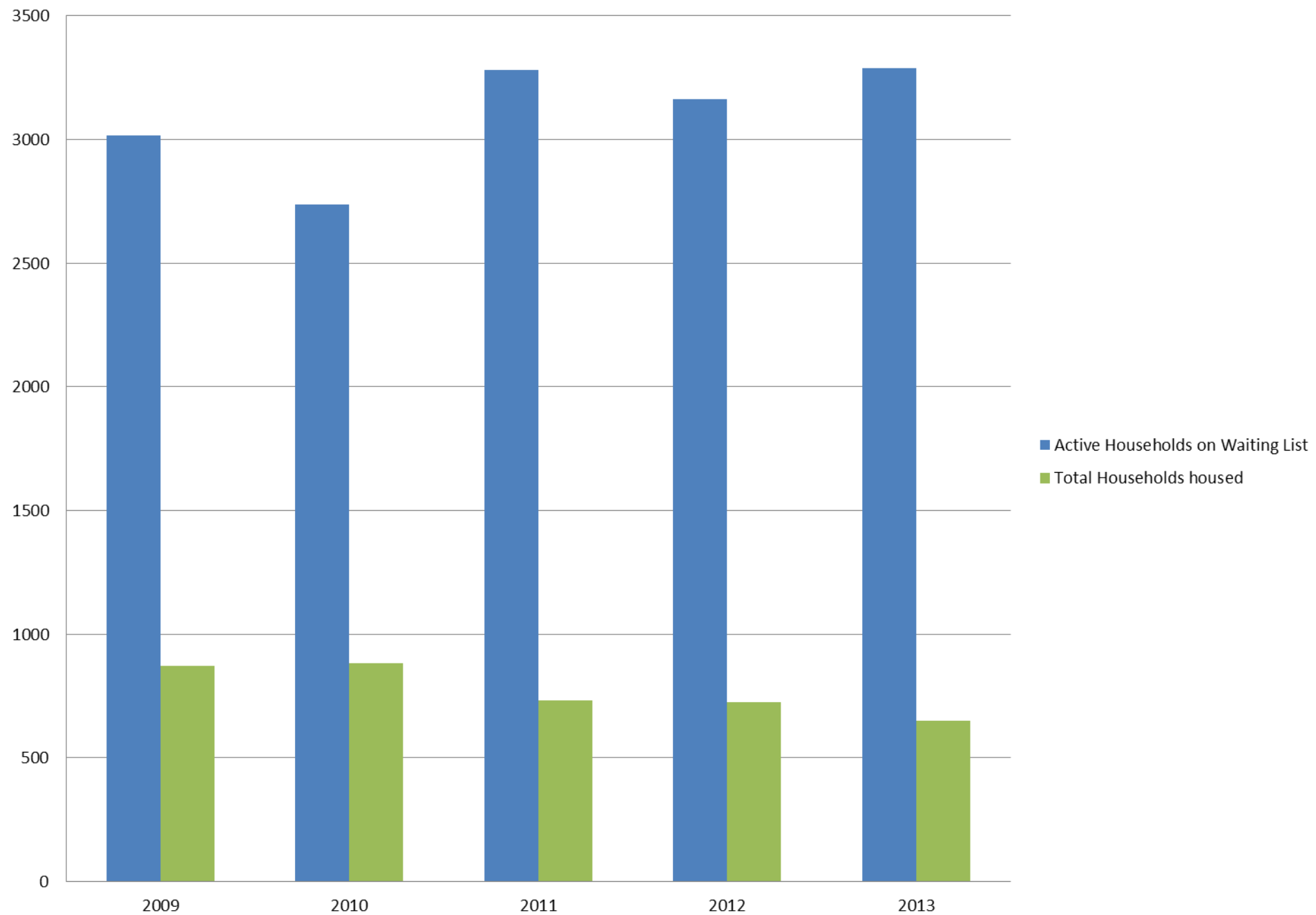
- Waterloo Region Housing
 - 2722 units in 62 sites
- Non-profits and co-ops
 - 4,622 Units over 50 providers
- Affordable Housing Strategy
 - 2,062 units
- Housing Assistance Programs
 - 805 units



Affordable Housing

- Ongoing Challenges
 - Long waiting list (3,000+ in 2013)
 - Aging Housing stock
 - Need for supportive housing
- Continued Progress
 - 2,000+ new units created since 2001
 - 650 new households housed in 2013
 - \$14 million Regional investment has leveraged \$160 million in other investment in new rental housing since 2001

Waiting List Activity 2009 - 2014





2015 Issues

- Investment in Affordable Housing program - \$2.5 million allocation for 2014 / 15
- Revitalization of Region-owned housing
 - Pilot redevelopment project
- Capital plan updates based on new building condition audits



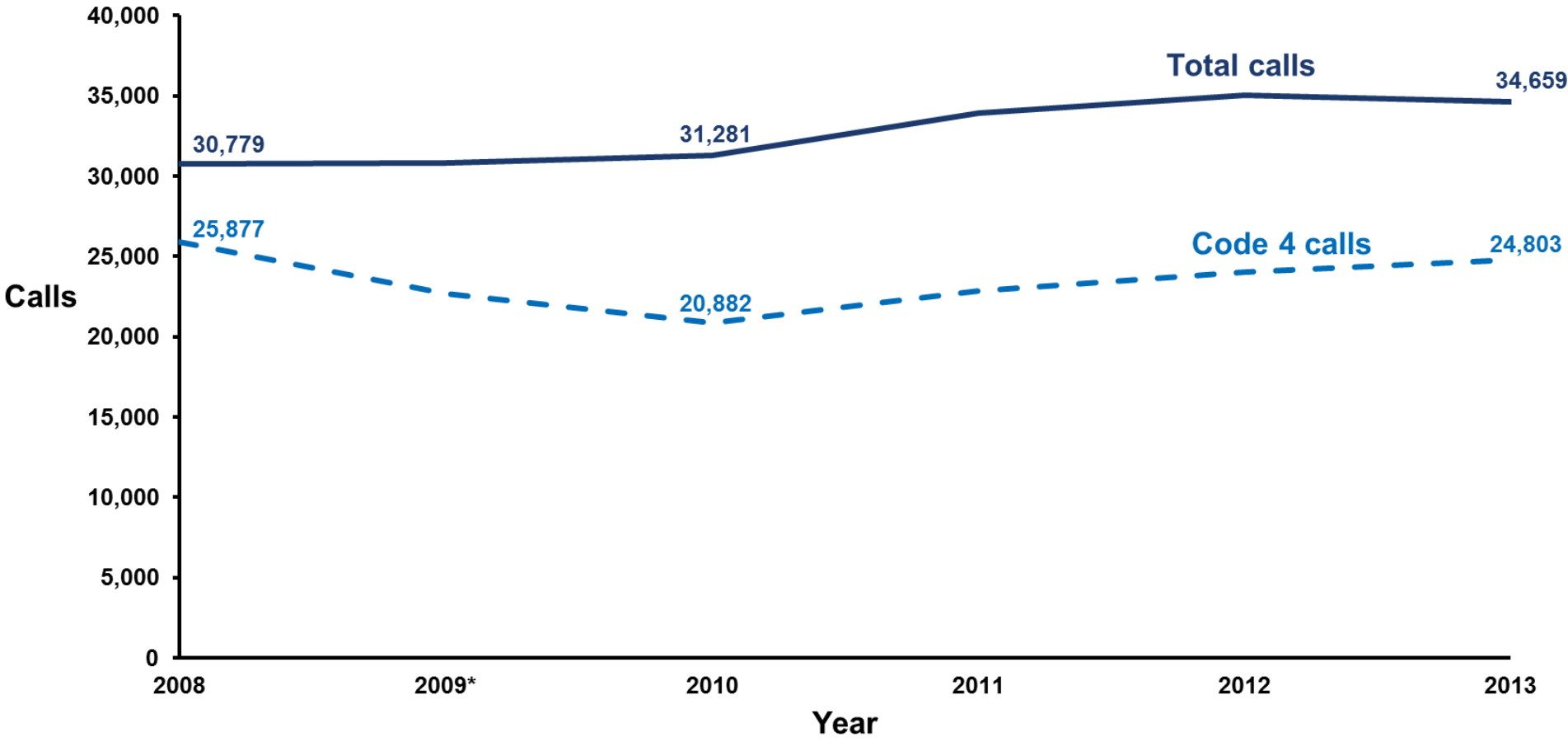
Healthy and Inclusive Communities

6. Paramedic Services Response Times



Region of Waterloo

Call Volume trends



*2009 change in triage tool; previous data not comparable.

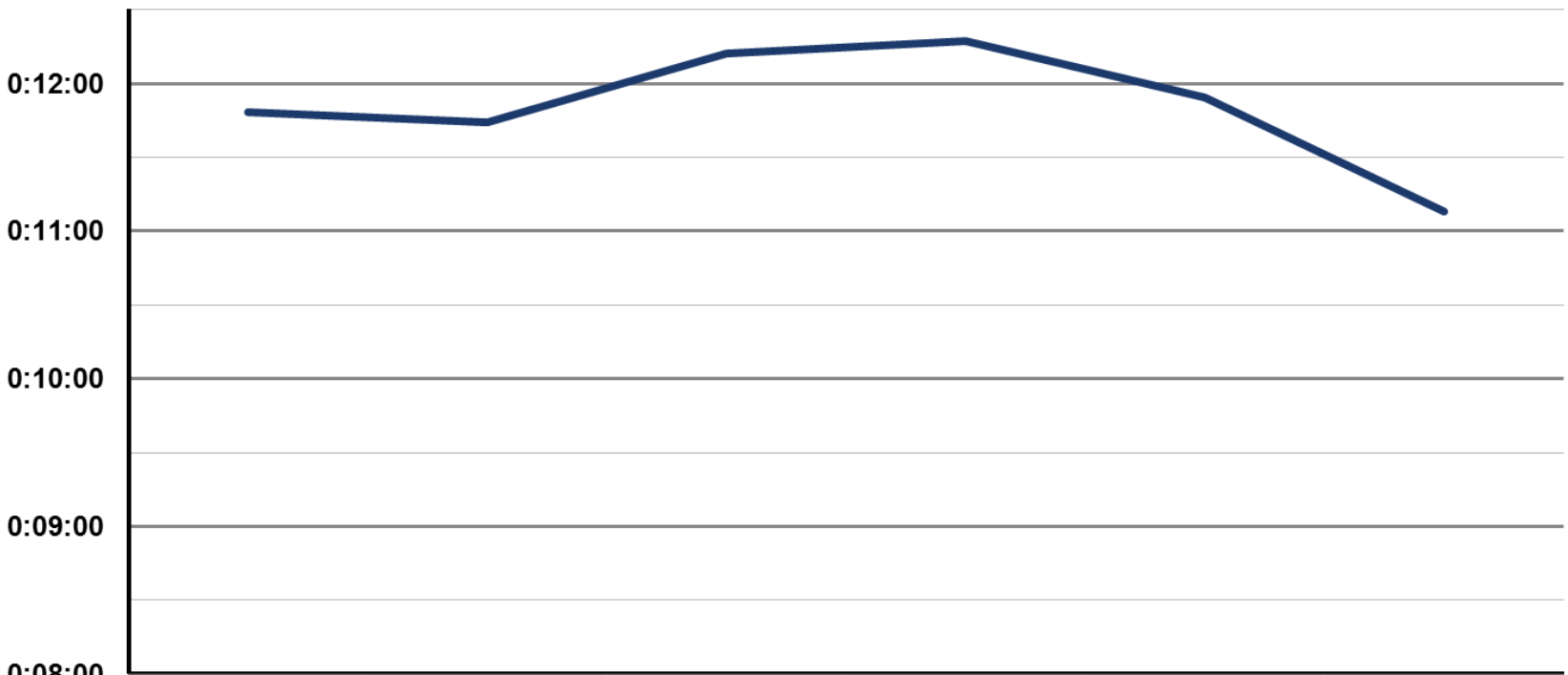


Region of Waterloo

Code 4 Response Time

Region-Wide Code-4 Emergency Response Time

Response Time (H:MM:SS)

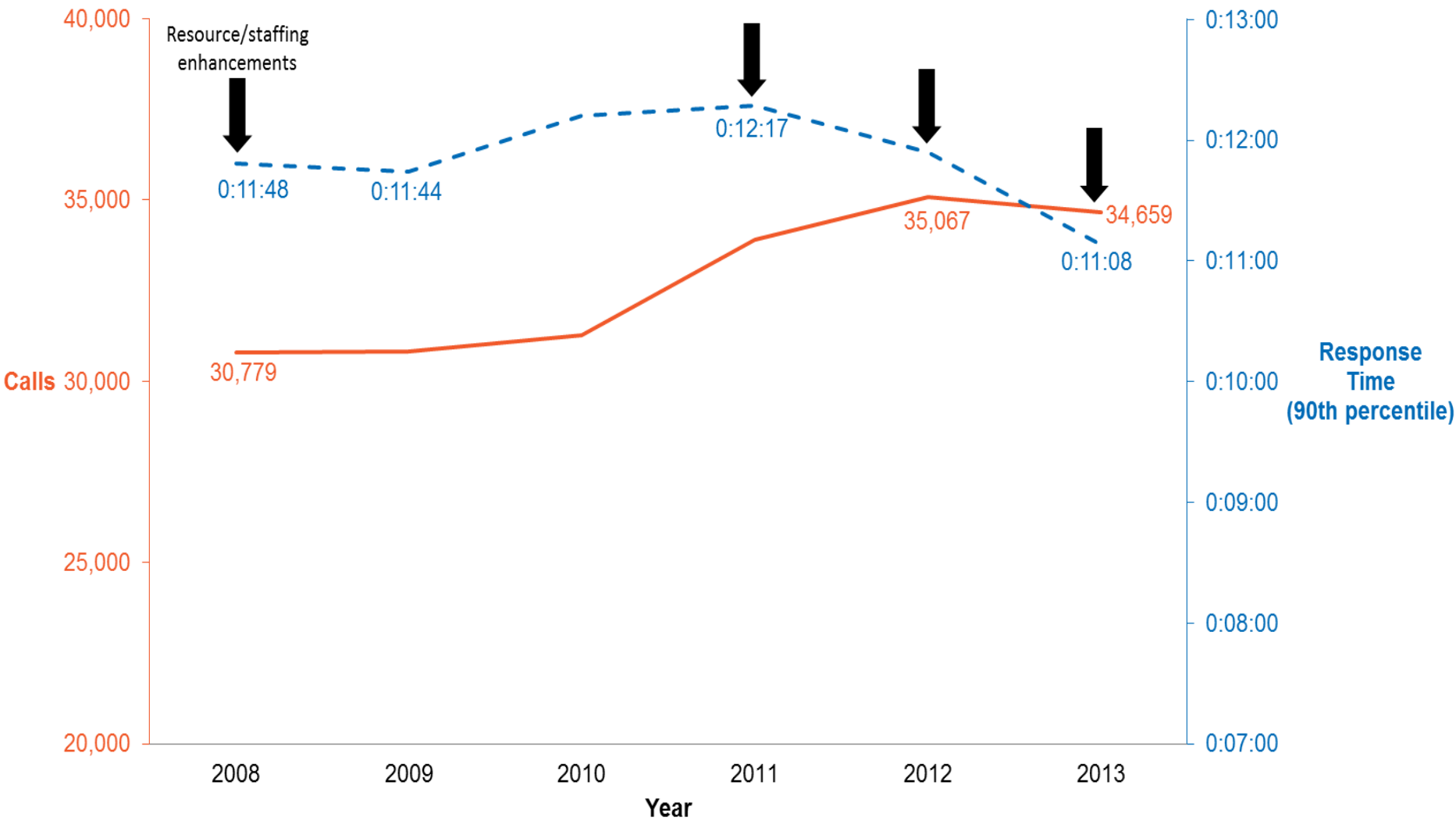


| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|-----------------|---------|---------|---------|---------|---------|---------|
| 90th Percentile | 0:11:48 | 0:11:44 | 0:12:12 | 0:12:17 | 0:11:54 | 0:11:08 |



Region of Waterloo

Call Volume and Response Time

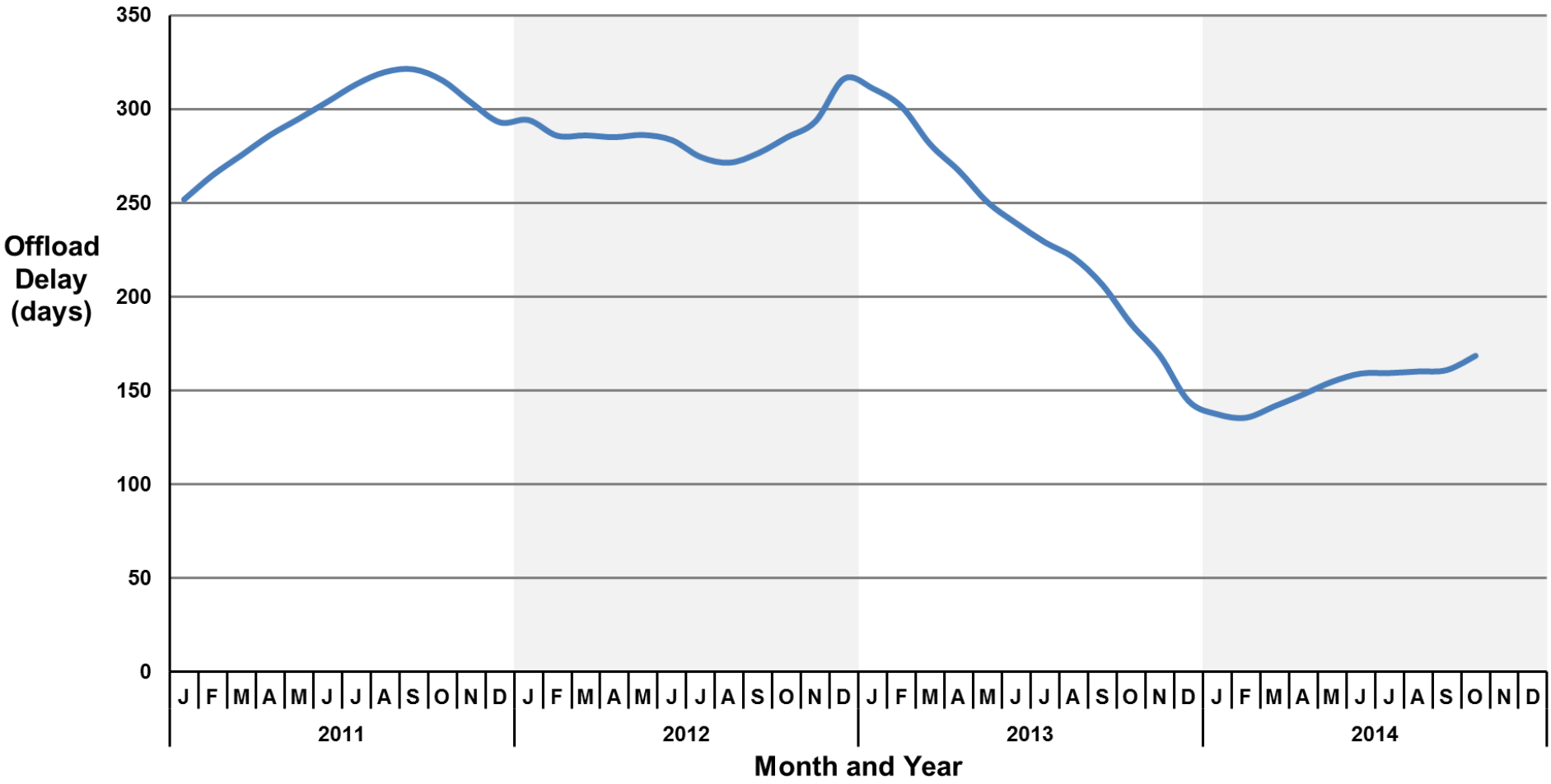




Region of Waterloo

Offload Delays

Trailing Twelve Month Offload Delay (T12M)





2015 Issues

- Potential increase in paramedic resources (budget issue)
- Initiate update to Paramedic Services Master Plan
- Continued focus on reducing offload delays

Service Excellence



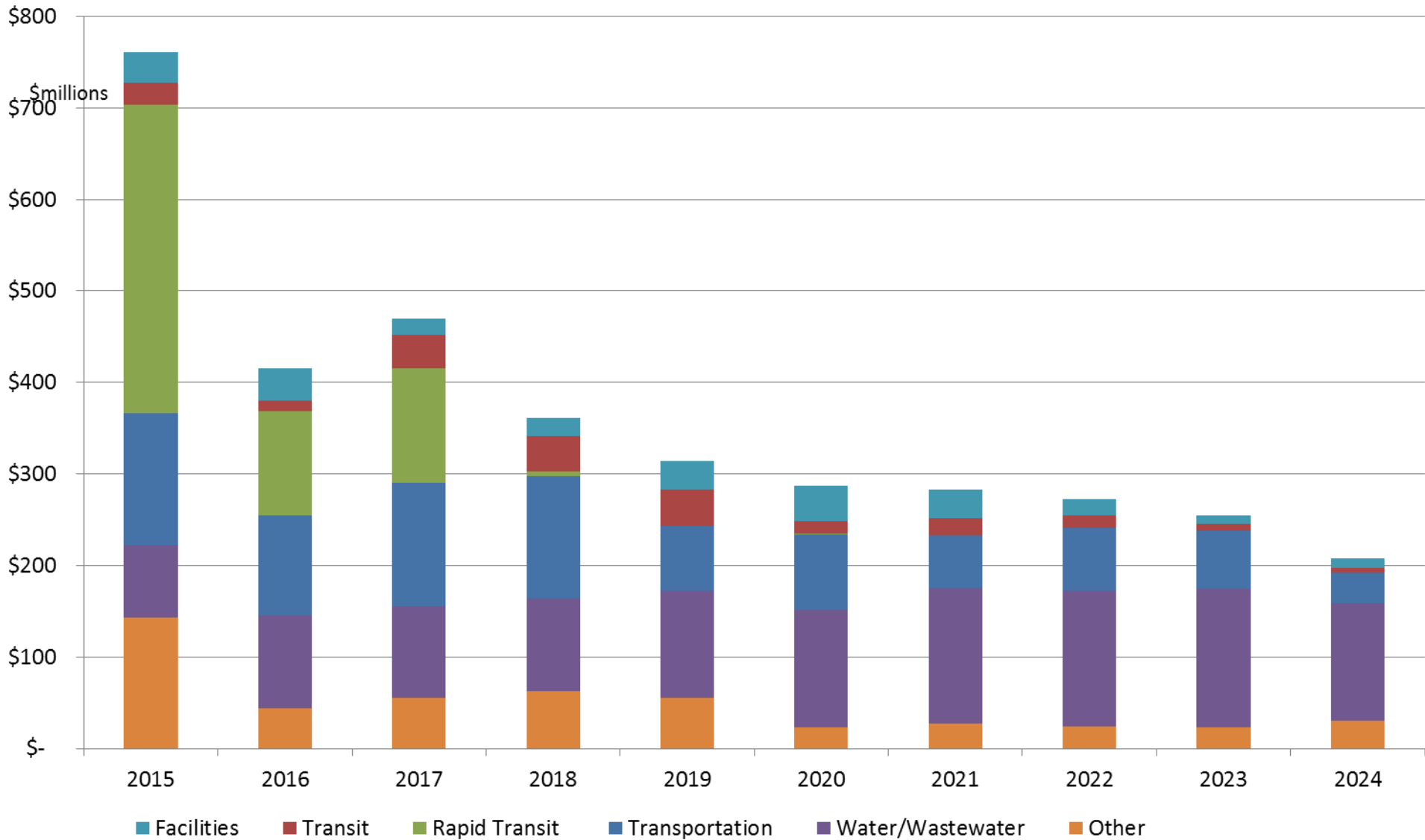
7. Infrastructure / Asset Management



Asset Valuation

- Water Services – \$1.9B
- Transportation – \$1.8B
- Housing and Facilities – \$1.2B
- Grand River Transit - \$135M
- Waste Management - \$100M
- Airport - \$50M
- Fleet - \$41.8M

Significant Infrastructure Needs 2015 Preliminary Regional Budget 2015-2024 Capital Plan





Infrastructure / Asset Management

- Asset Management pilot program - completed
- Implementation of a computerized asset management program – 2015-2018
 - Work Management
 - Long term decision making
 - Better reporting
- Recommended Implementation Plan – Early 2015
- Recommended – Software – Summer/Fall 2015



2015 – Significant Tenders

Region of Waterloo

- Kitchener WWTP Upgrades Phase 3 - \$120M
- Kitchener WWTP Upgrades Phase 4 - \$40M
- Voice Radio System - \$20M
- Franklin Boulevard Year 1 North, Pinebush to Bishop, Cambridge, \$12M
- Franklin Boulevard Year 1 South, Clyde to Main, Cambridge, \$11M
- Manitou Drive Reconstruction, Fairway to Bleams, Kitchener, \$7M

Service Excellence



8. Service Review

9. 2015 – 2018 Strategic Plan



Service Review and Strat Plan

- Collect initial input to Service Review and Strategic Plan in a coordinated way
- Service Review should inform Strategic Plan
- Service Review and Strategic Plan should be completed prior to 2016 budget



Region of Waterloo

Questions?



2015 Budget Update



Region of Waterloo

Administration & Finance Committee
December 16, 2014



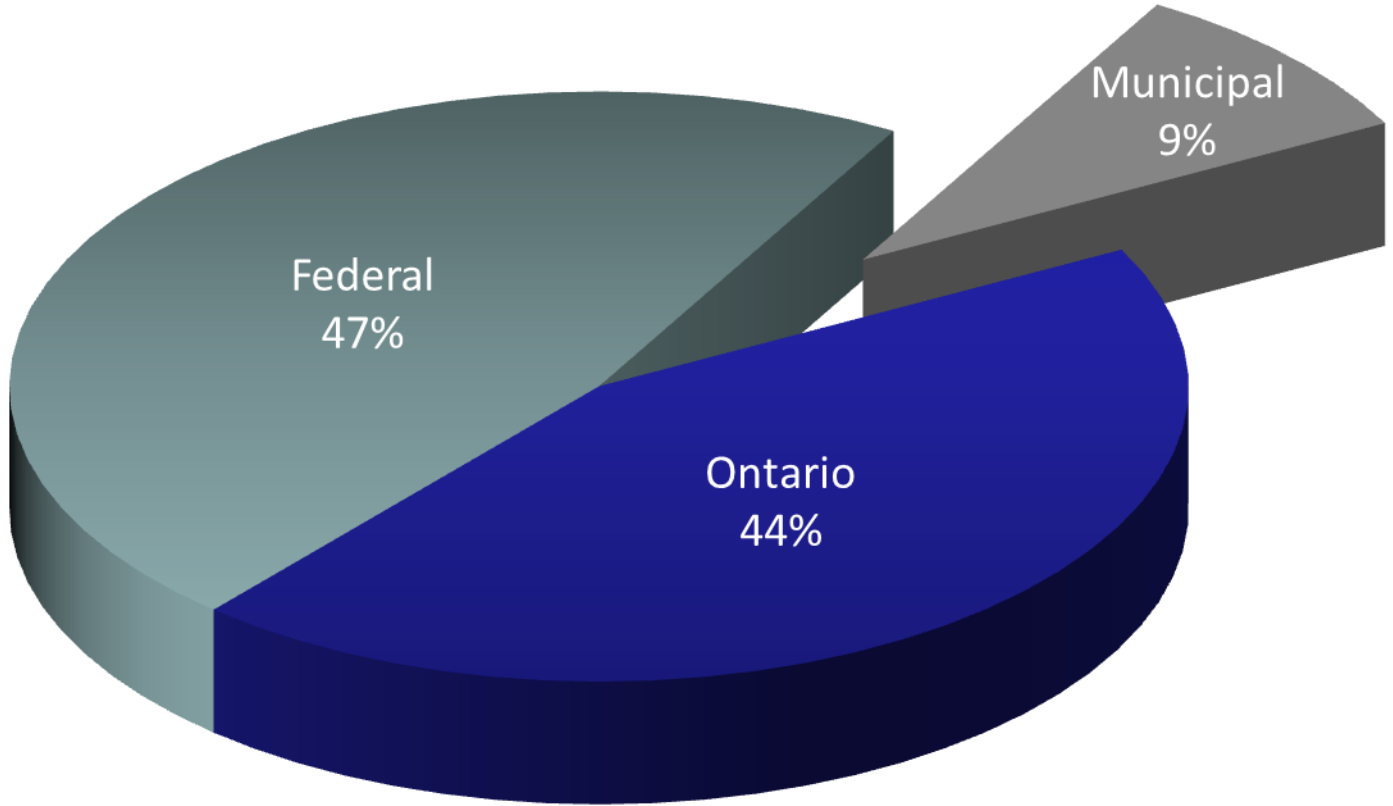
2015 Regional Budget Today's Agenda

- Municipal budgeting
- The Region's budget process
- Major 2014 budget Issues
- Budget review timetable
- Discussion



Region of Waterloo

Government Tax Dollars



***Source: AMO, 2013**

Legislative Provisions

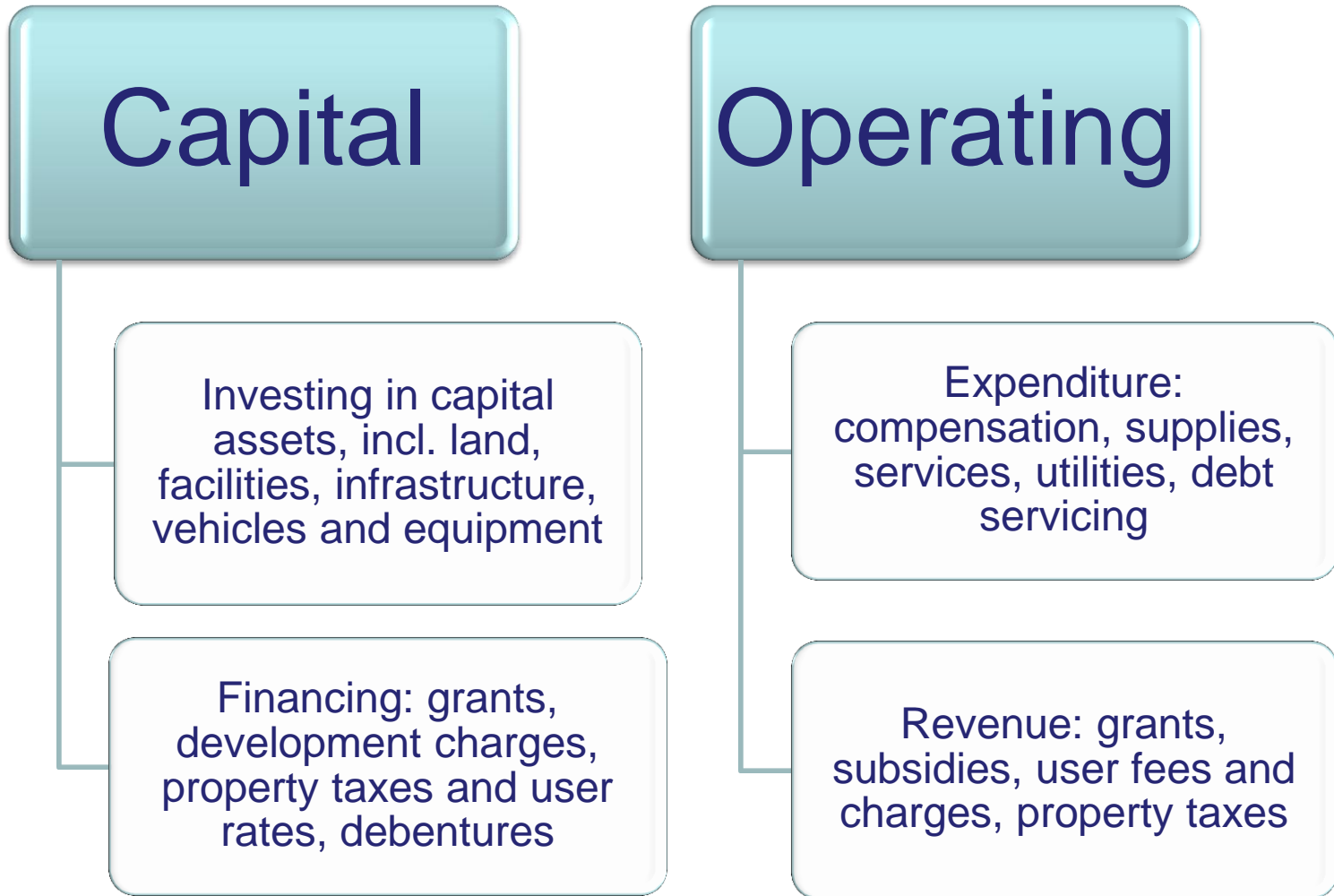
- Municipal Act
 - Annual estimates
 - Balanced budget
 - December 31 fiscal year end

Purpose of the Budget

- Achieve strategic objectives
- Reflects Council approved service levels
- Approve financial and staff resources
- Determine property tax and user rate revenue requirements
- Set user rates and fees

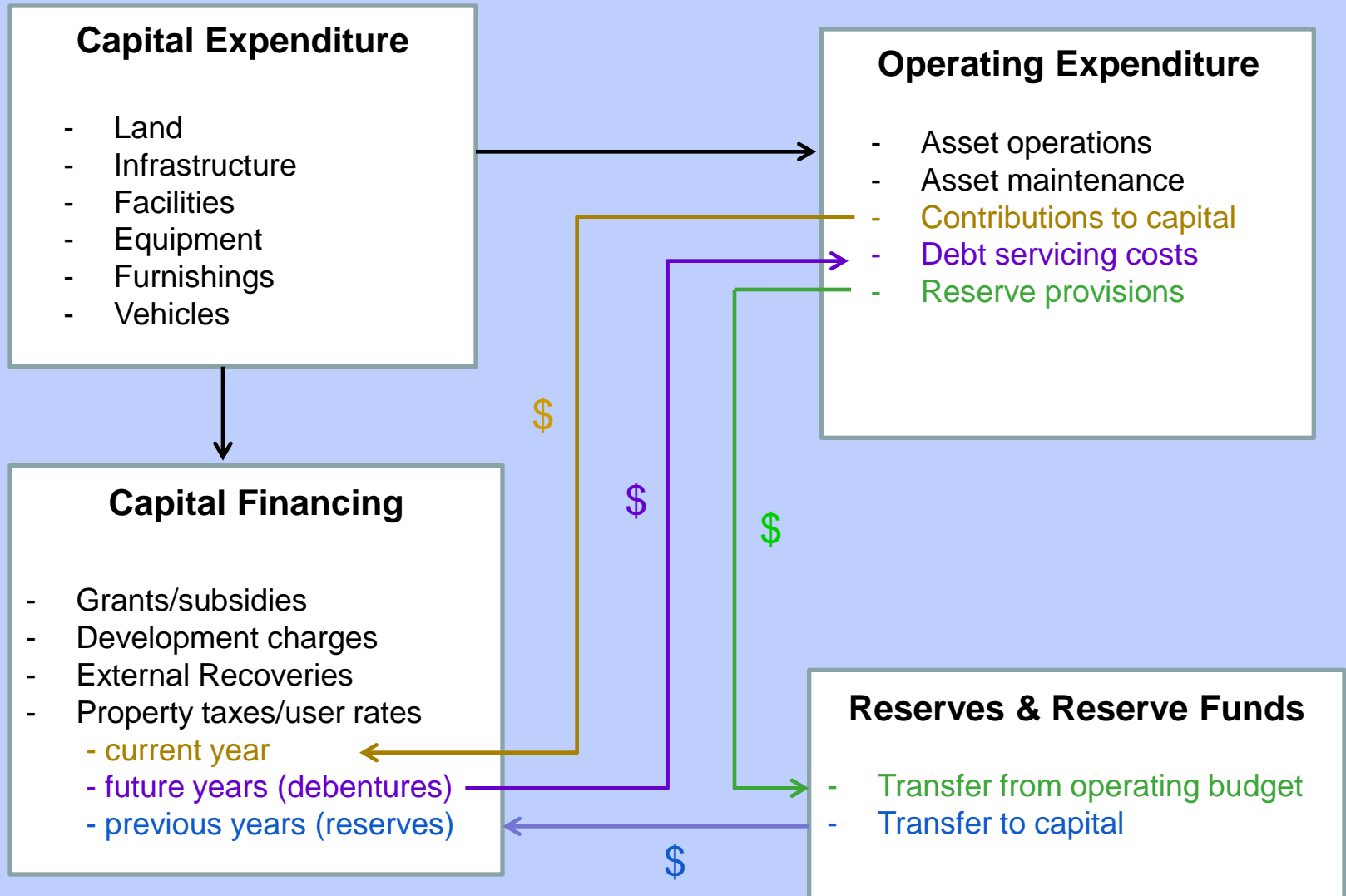


Types of Budgets





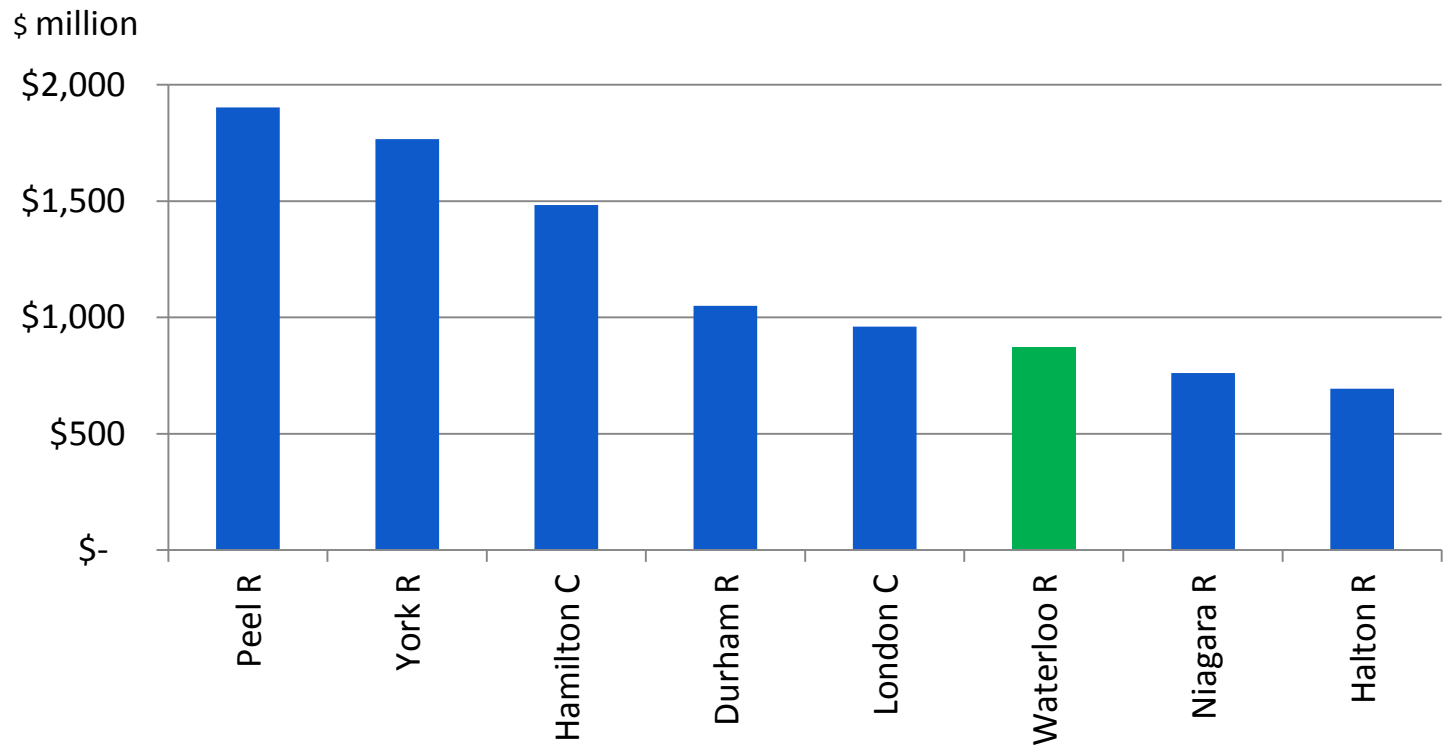
Capital/Operating relationship





Total Operating Expenditures

Comparison by Municipality*

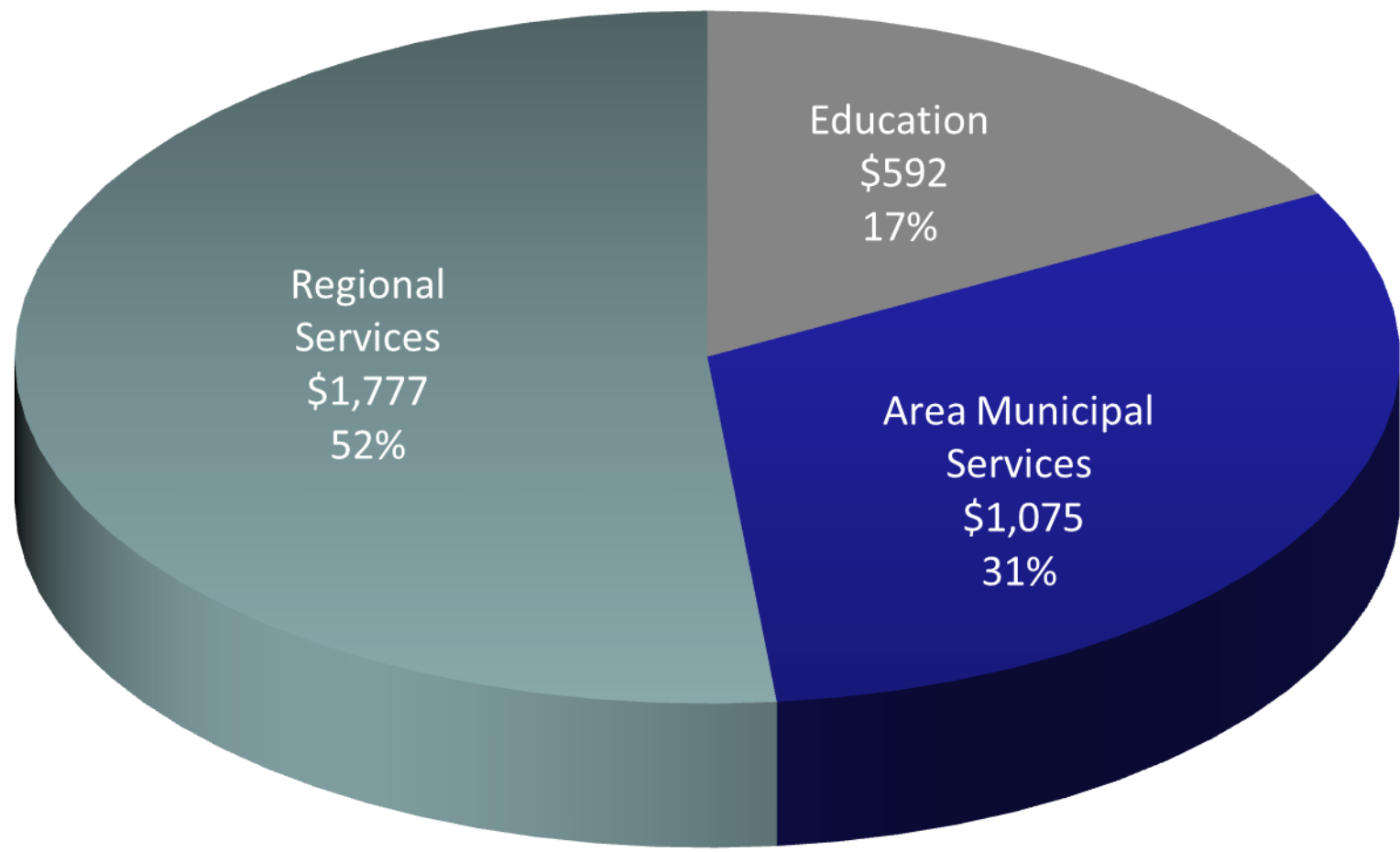


* 2013 Financial Information Return



Region of Waterloo

2014 Average Property Tax Bill*



*Based on an average residential property having a market value of \$291,500 for 2014.

Budgeting at the Region

- **User Rate Budgets**
 - Wholesale water supply and wastewater treatment
 - Funded in full from user rates
 - Earlier approval to allow area municipalities to set retail rates
 - Retail function in two townships
- **Property Tax Budget**
 - All other services
 - Net expenditure (after all other revenue sources) funded from property taxes
 - Includes Police Services



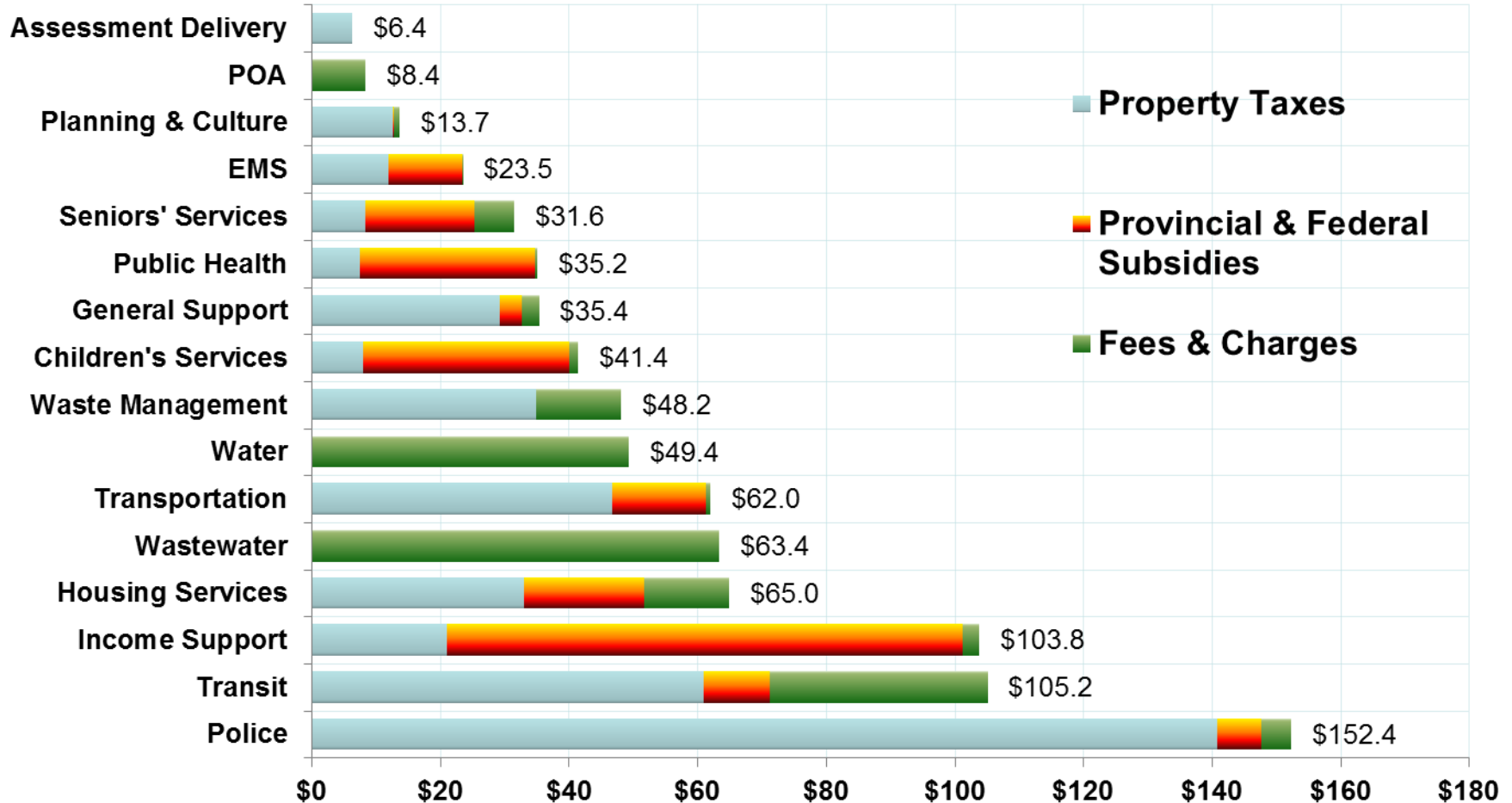
Property Tax and User Rate Requirements

| | User Rate Budget | Property Tax Budget |
|----------------|---|--|
| | Operating expenditure for water/wastewater | Operating expenditure for all other services |
| Less: | Recoveries, surcharges | Grants, subsidies, user fees and charges |
| Equals: | Net user rate revenue requirement (\$) | Net property tax revenue requirement (\$) |



2014 Funding for Regional Services

\$ millions





Budget Terminology

Budget Issue Paper

- Service expansion request
- Required for staff additions

Budget Information Paper

- Background and details
- Councillor request or staff initiated

Full Time Equivalent (FTE)

- Measures staff complement
- Consistent and comparable

2015-2024 Capital Program

- 10 year investment plan = \$3.6 b
 - ION Rapid Transit
 - Roads rehabilitation and expansion
 - Wastewater treatment
 - Water supply
 - Lifecycle work at facilities and housing sites
 - Grand River Transit
 - Waste Management
 - Carryover of projects started in 2014

User Rate Budgets

- Fully funded from user rates
- Projected user rate increases of 4.9% for water and 7.9% for wastewater (wholesale rates)
- Consistent with last year's projections
- Capital program is the major driver of rate increases



The Assessment Base

Assessment Growth

Last year's
taxable
assessment

**Plus: new
properties
added**

**Less:
appeals,
vacancies,
etc.**

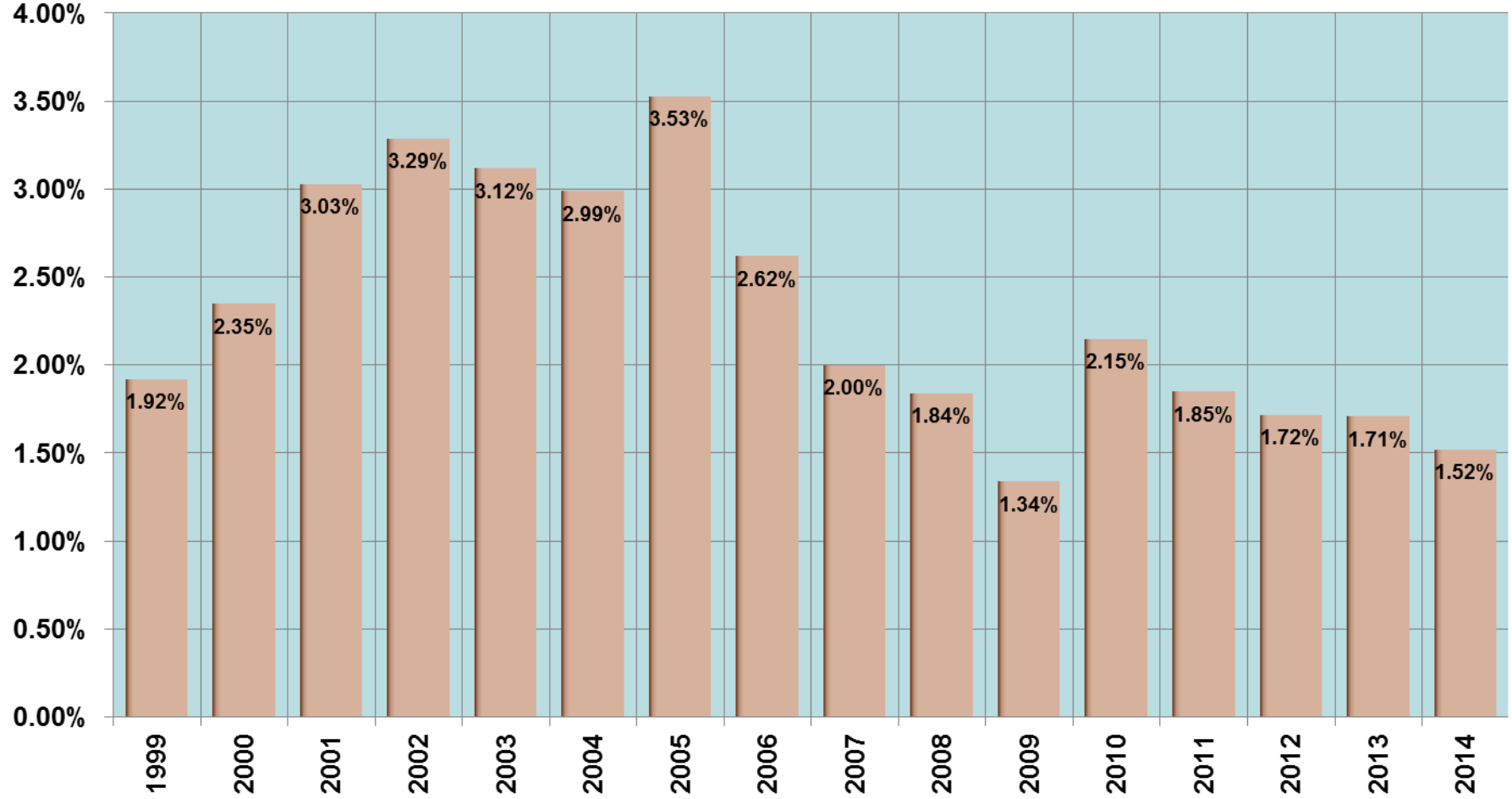
Plus: phase in
impacts

Equals: this
year's taxable
assessment



Assessment Growth

(in-year, for the following year's budget)



Major 2015 Budget Impacts

- Regional Transportation Master Plan
 - 1.5% urban levy increase required annually for the next 4 years, followed by 0.75% in 2019
 - Required to cover all operating and capital financing costs relating to ION Rapid Transit and aBRT, and costs related to GRT service level expansion

Major 2015 Budget Impacts

- Provincial upload savings:
 - Ontario Works (OW) benefits being uploaded from 2010 to 2019
 - OW cost sharing ratio for 2015: 91.4% / 8.6%
 - \$1.7 million upload savings in 2015
 - Court Security upload from 2012 to 2018 (\$4.9 million) with revenue credited to the Police Budget

Major 2015 Budget Impacts

- Capital financing
 - Both transfers to capital and debt servicing
 - Significant investment in capital assets
 - Renewal, refurbishment and replacement
 - Expansion related to growth
 - Working towards full bus replacement from reserves
 - Building lifecycle provision

Major 2015 Budget Impacts

- Low assessment growth
- Provincial Offences Act and red light camera revenues
- Waste collection contracts
- Fuel (reduction) and energy (increase)

Major 2015 Budget Impacts

- Base budget adjustments
- Ongoing effort to seek efficiencies and cost savings without impacting service levels

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



Region of Waterloo

Tax Supported Budget

| Current budget status | 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 Budget Cycle





Region of Waterloo

Budget Review Process

Jan. 21

Detailed budget review

Public input

Feb. 11

Detailed budget review, approve user rate budgets

GRCA, WRPS, Public input

Mar. 4

Final budget review and approve tax supported budget

Approve user fees and charges



2015 Budget Schedule

| | | |
|-------------------|--|--------------------------------|
| December 16, 2014 | Budget Overview Session | 1:00 pm |
| January 21, 2015 | Detailed Budget Review – Day One <ul style="list-style-type: none">• Review base budget• Budget Issue Papers• Review User Rates Public Input <ul style="list-style-type: none">• Budget Delegations | 12:00 – 5:00 pm 6:00 pm |
| February 11, 2015 | Detailed Budget Review – Day Two <ul style="list-style-type: none">• Associated Agencies (Police & GRCA)• Tax supported budget deliberation• Approval of user rate budgets Public Input <ul style="list-style-type: none">• Budget Delegations | 12:00 – 5:00 pm 6:00 pm |
| March 4, 2015 | Final Tax Supported Budget Approval | 3:00 – 6:00 pm |

2015 Budget Update

- Discussion and Questions

Capital Plan Financing and Regional Debt

**Administration & Finance Committee
December 16, 2014**



Region of Waterloo

Objectives

- To provide an overview of capital plan financing at the Region; and
- To outline the Region's strategic use of long term borrowing.

Agenda Topics

- Capital Expenditures and Financing
- Regional Debt
- Interest Rate Environment
- Annual Repayment Limit
- Credit Rating

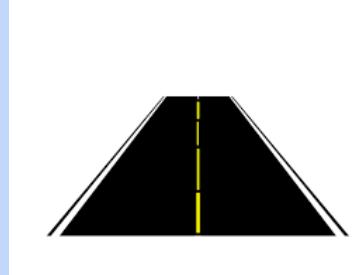
Capital Expenditure

- Acquisition, installation, construction or significant improvement / rehabilitation of land, buildings, engineering structures, facilities, machinery, equipment or information technology

Capital Expenditure

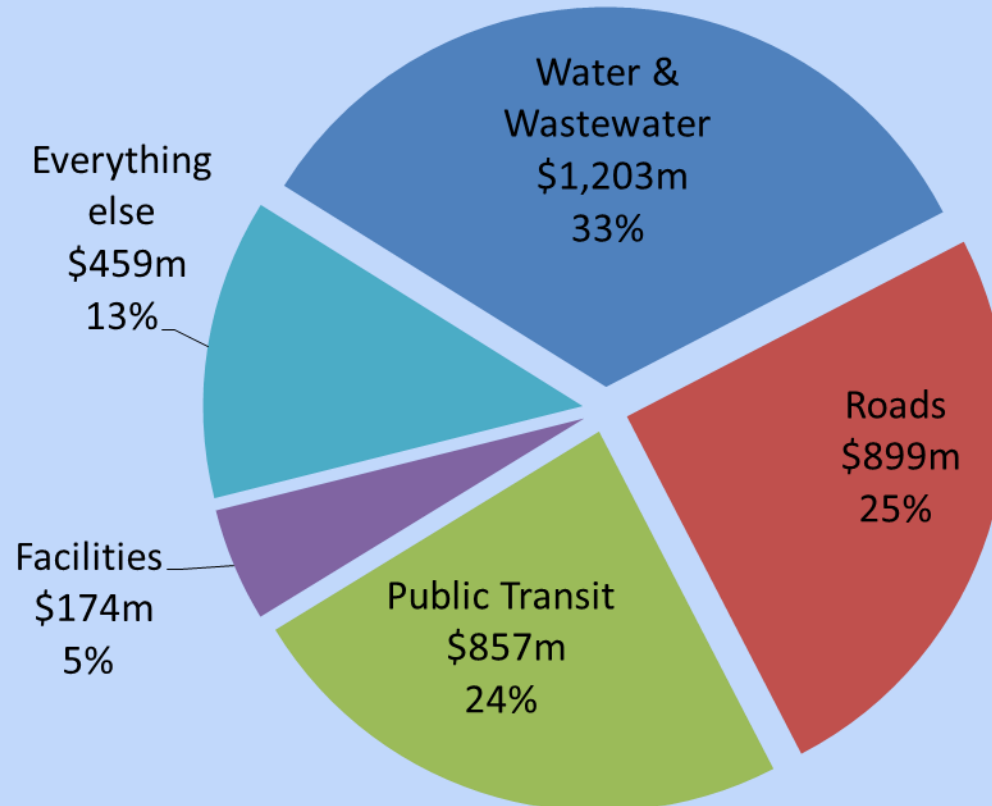
- Related studies
- All vehicles
- Gross cost of at least \$25,000
- Planned through 10 year capital budget and forecast

Capital Expenditure



Capital Expenditure

**Total expenditure
2015-2024 capital plan
\$3.6b**

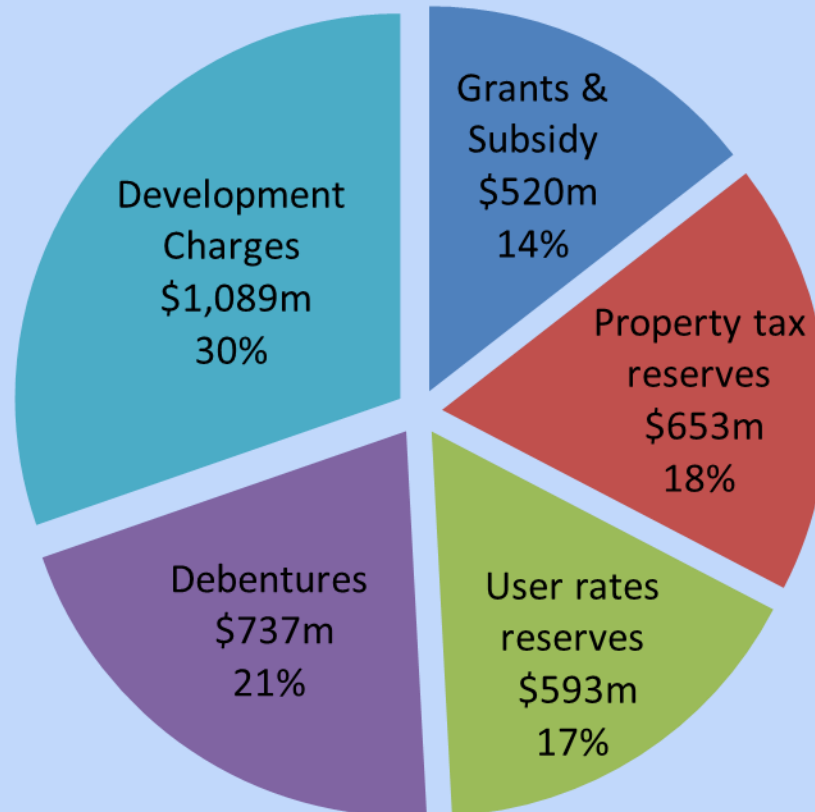


Capital Financing

- Grants / Subsidies / Recoveries
- Development Charges
- Property taxes and user rates
 - From previous years' budget and surplus allocations to Reserves and Reserve Funds
 - From the current year's budget
 - From future budgets: long term borrowing

Capital Financing

**Total financing
2015-2024 capital plan
\$3.6b**



Capital Financing Principles

- All sources of financing to be identified and equal to gross cost
- Confirmation of grants, subsidies and recoveries before project proceeds
- Debenture financing for capital works > \$250,000 and useful life ≥ 5 years

Capital Financing Principles

- Debenture financing focused on significant property acquisition, facilities and fixed infrastructure
- Increased use of reserves for replacement vehicles and renewal of existing buildings/facilities

Long Term Borrowing

- Municipal Act
 - Upper tier and single tier municipalities may borrow long term through the issuance of debt [s.401(1)]
 - Region issues for its own purposes and for the seven area municipalities [s.401(3)]
 - Borrowing for capital projects only [s.408(2.1)]

Features of Municipal Debt

- Debentures backed by the general credit of the municipality
- Debt is issued for a fixed term at a fixed rate
 - Payment certainty over the term of the debt and no interest rate risk
 - No early payment option

Why borrow for capital?

- Allows for capital investments to proceed without significant property tax/user rate fluctuations
- Spreads the cost over a longer term or the useful life of the asset
- Those benefiting from the infrastructure pay for it
- Increasing assessment base each year to cover the fixed cost

Borrowing considerations...

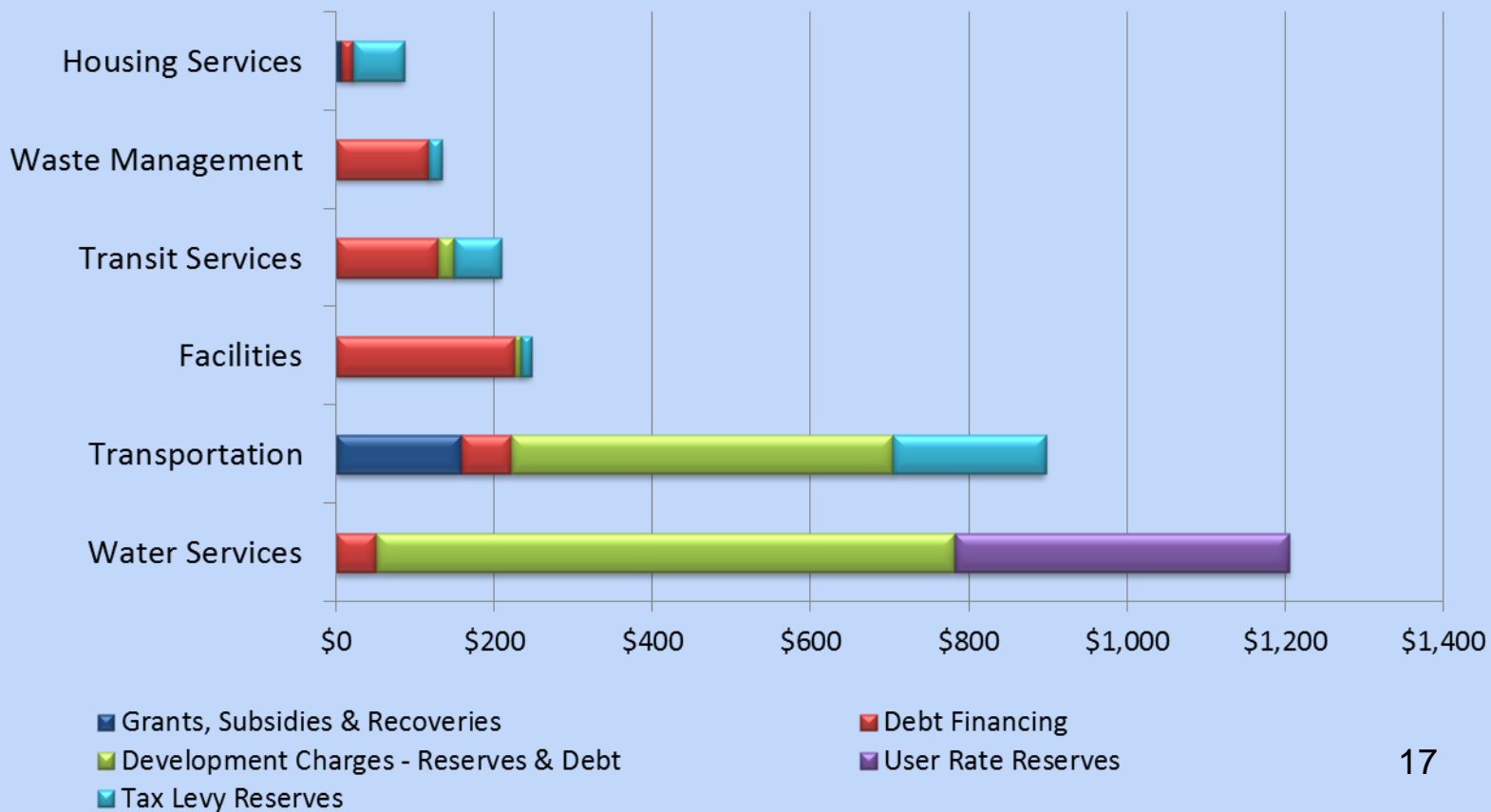
- The resulting debt servicing costs
- Fiscal flexibility in the future
- Legislative provisions
- The need for balance

Finding the balance



Capital financing sources

2015-2024 Capital Plan
Sources of Financing for Major Infrastructure
 \$millions



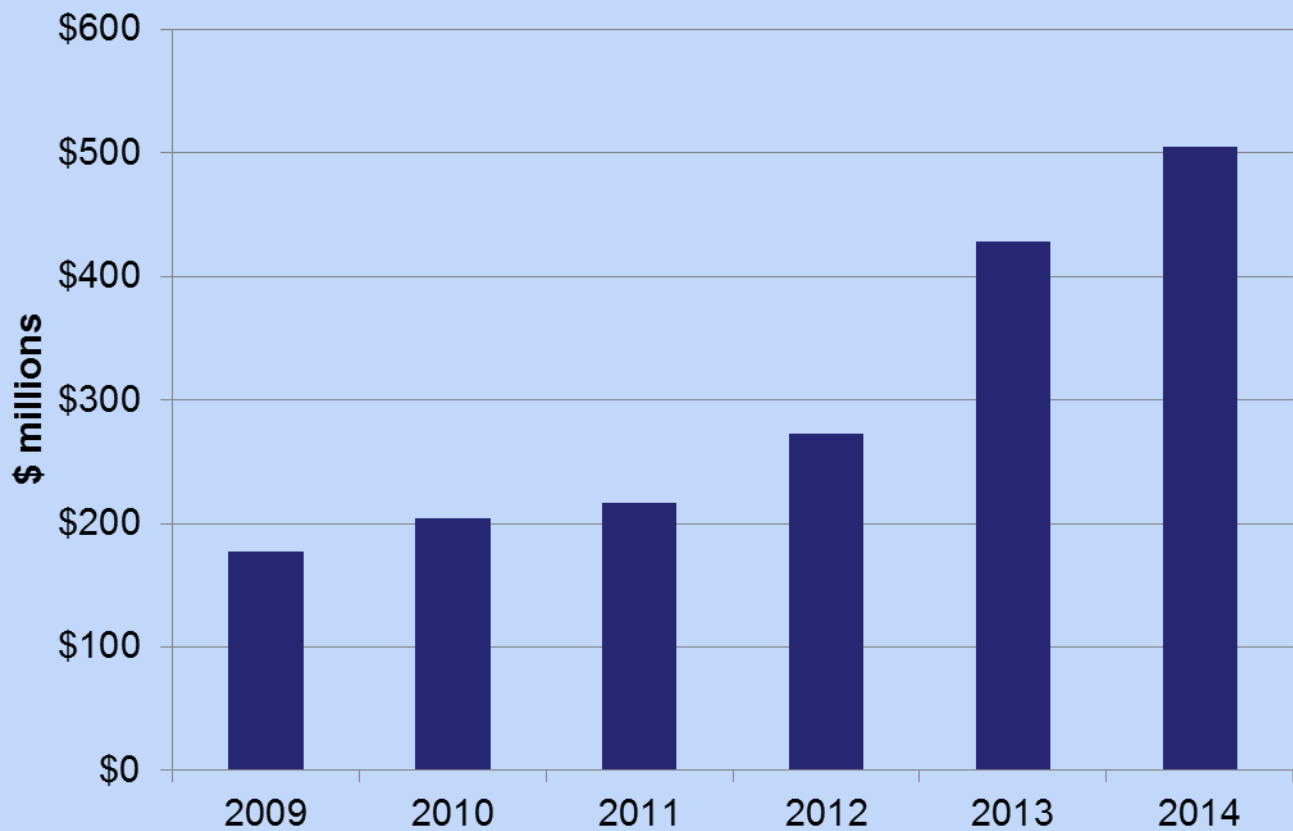
Capital Investment

- Region is undergoing a significant period of capital investment
- Debt issued 2012-2014 included:
 - \$144 m for Wastewater Treatment Plants
 - \$100 m Rapid Transit
 - \$ 35 m Grand River Transit
 - \$ 21 m Waste Management



Region of Waterloo

Net Debt Outstanding





Region of Waterloo

Net Debt Outstanding

31-DEC-2014

| Program Area | Balance (\$ m) |
|--------------------------|----------------|
| Wastewater | \$129.7 |
| Rapid Transit | 99.0 |
| Grand River Transit | 86.6 |
| Facilities | 44.4 |
| Waste Management | 36.0 |
| Community Services | 29.7 |
| Police | 22.1 |
| Transportation & Airport | 17.7 |
| Museums | 13.9 |
| Water | 9.5 |
| Other | 8.1 |
| Solar Photovoltaic | 5.1 |
| Total * | \$501.8 m |

* net of Sinking Fund Contributions

Net Debt Outstanding

| | |
|--------------------------------|-------------|
| | |
| Debt Outstanding Dec. 31, 2013 | \$428.1 m * |
| New Debt Issued in 2014 | \$114.9 m |
| Less: Debt Repayment in 2014 | (\$41.2) m |
| Net Debt Outstanding | \$501.8 m |

* After sinking fund contributions



Debt Per Capita Regional Comparators

| Region | 2009 | 2010 | 2011 | 2012 | 2013 |
|-----------------|------------|------------|------------|------------|------------|
| York | \$1,314 | \$1,411 | \$1,807 | \$2,057 | \$2,345 |
| Peel | 260 | 472 | 483 | 960 | 1,108 |
| Waterloo | 331 | 376 | 392 | 490 | 760 |
| Halton | 375 | 357 | 521 | 659 | 604 |
| Niagara | 378 | 666 | 616 | 544 | 513 |
| Durham | 276 | 262 | 246 | 323 | 340 |

Interest Rate Environment

- Sustained period of low interest rates
- Favourable rates for recent debenture issues
- Maturing debt with higher rates of interest replaced with new debt at lower rates

Interest Rate Environment

**Government of Canada
10 Year Bond Yields**



Annual Repayment Limit

- Province establishes annual borrowing limits for municipalities
- Limits the municipality's capacity to take on new debt by setting an upper limit on debt servicing costs
- 25% of own source revenues



Annual Repayment Limit

| | 2014 (based on 2012 data) |
|---|----------------------------------|
| Net Revenue | \$617.2 m |
| 25% of Net Revenue | \$154.3 m |
| Less: Existing Debt Charges | \$48.1 m |
| Capacity for new debt charges | \$106.2 m |
| Capacity for New Debt (based on 5% / 20 years) | \$1.324 b |

Credit Rating

- Moody's Investors Service
- Rating provides information to the Canadian capital markets
- Region rating has been "Aaa" stable since December 2000
- Along with a small number of Canadian municipalities – the highest rating possible

Credit Rating

- Most recent report noted that while current and planned investment in capital projects will increase the debt burden over the medium-term, the Region's debt is "still below average with interest payments remaining easily manageable".

Future Challenges

- Prospect of rising interest rates
- Transition away from debt for facility renewal and GRT vehicles
- Development financing
- Additional Capital Levy Reserve
Fund contributions to finance smaller and non-debenturable capital projects

Key Messages

- ✓ Period of capital expansion
- ✓ Capital plan principles
- ✓ Aaa credit rating
- ✓ Reasonable debt levels relative to our peers
- ✓ Increase non-debt funding for capital asset renewal
- ✓ Focus future debt on new assets