

Media Release: Friday October 16, 2015, 4:30 p.m.

## **Regional Municipality of Waterloo**

### **Budget Committee**

#### **Agenda**

Wednesday, October 21, 2015

4:00 p.m.

Council Chambers, 2<sup>nd</sup> Floor

150 Frederick Street, Kitchener

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#### **1. Motion to Go Into Closed Session**

That a closed meeting of the Budget Committee be held on Wednesday, October 21, 2015 at 4:00 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) labour relations or employee negotiations

#### **2. Motion to Reconvene into Open Session**

#### **3. Declarations of Pecuniary Interest under the "Municipal Conflict of Interest Act"**

#### **4. Opening Remarks (S. Strickland)**

#### **5. Opening Remarks (M. Murray)**

#### **6. 2016 Preliminary Budget Presentation (C. Dyer)**

#### **7. [COR-FSD-15-15](#), 2016 Budget Overview (Information)**

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#### **8. Next Meeting – November 18, 2015**

#### **9. Adjourn**



**Report:** COR-FSD-15-15

## **Region of Waterloo**

### **Corporate Services**

### **Financial Services & Development Financing**

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**To:** Chair Sean Strickland and Members of the Budget Committee

**Date:** October 21, 2015      **File Code:** F05-30

**Subject:** 2016 Budget Overview

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#### **Recommendation:**

For Information

#### **Summary:**

The purpose of this report is to provide an update on the development of the Region's 2016 Budget. Subsequent Budget Committee meetings will provide an opportunity for detailed discussion on the proposed 2016 base budget, budget issue papers, and the proposed ten year capital program.

#### **Report:**

##### **1. Economic Conditions**

Report COR-FSD-15-12 dated June 16, 2015 provided an overview of economic conditions affecting the Region's 2016 budget. Since that time, a number of significant developments have occurred, including:

- Statistics Canada has been reporting recessionary and near recessionary levels of GDP growth in the Canadian economy during 2015. By contrast, the United States has reported a moderate rebounding of GDP growth from a similarly slow start in the first quarter of 2015
- During 2015, the Canadian dollar continued to decline relative to the \$US and currently sits around \$0.75 USD

- Economic growth in China has slowed, and the pace of recovery remains slow in Europe as the region continues to struggle with the legacies of its recent economic crisis and uncertainty regarding recent geo-political events
- Long term interest rates continue to remain low
- Oil prices rebounded for a short time but have since fallen to \$45 USD per barrel

### **1.1. Inflation**

The most recent Consumer Price Index figures (August 2015) show consumer inflation running at 1.2% for both Canada and Ontario, year over year. Lower oil prices are expected to continue to put downward pressure on consumer inflation rates for the remainder of 2015. Forecasts for 2016 and 2017 are in the 2% range.

### **1.2. Interest Rates**

The overnight interest rate set by the Bank of Canada is at an historic low of 0.50%, due to two 0.25% reductions during 2015 (January & July). Prior to this, the overnight rate had remained unchanged since September 2010. Some economists predict a modest rate increase in 2016. Long term borrowing rates remain at or near historically low levels in both Canada and the United States. Current borrowing rates for the Region are estimated at 2.35% for a 10 year serial debenture and 3.75% for a 30 year sinking fund debenture. Most financial institutions are projecting long term borrowing rates to increase in 2016 and 2017, although there is some variation in terms of both timing and extent of such increases.

### **1.3. Economic Growth**

Growth in the Canadian economy is an area of concern. The persistence of reduced oil prices has created significant uncertainty and capital investment cutbacks in the resource sector. Canadian gross domestic product growth in 2015 is now projected to be in the 1.0% range while projections for 2016 anticipate a rebound to the 2.0-2.5% range.

### **1.4. Local Economy**

At a local level, the regional economy continues to show strength. In 2014, the total value of building permits issued was almost \$1.3 billion, the third highest value ever recorded. This included almost 3,800 residential units (higher than the ten year average), and over 2 million square feet of new non-residential floor space. Building activity in 2015 remains strong.

In its summer 2015 report entitled "Economic Insights into 15 Canadian Metropolitan Economies," the Conference Board of Canada concluded that in 2014, the highest localized GDP growth of all mid-sized metropolitan areas included in their study was

Waterloo Region's at 3.8%. The report went on to project GDP growth for Waterloo Region at 3.4% and 2.3% in 2015 and 2016, respectively.

### 1.5. Unemployment rates and Ontario Works Caseload Levels

The unemployment rate in September 2015 was 5.8% in Waterloo Region which was below that of Ontario at 6.9%. Ontario Works caseload levels have been in the range of 8,000 - 9,000 per month since the beginning of 2010. The September 2015 caseload (8,957) remains 42% higher than pre-recession levels, and is 6.7% higher than September 2014. Some of the 2014-2015 increase in caseload may be related to complications associated with the introduction of the new province-wide Social Assistance Management System (SAMS) technology for OW case management.

### 1.6. Regional Development Charges

Regional Development Charges (RDCs) are a significant source of funding for growth related capital projects undertaken by the Region. Recent RDC collections are summarized in the following table:

<b>Regional Development Charge Collections (\$ millions)</b>					
	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015 YTD</b>
Residential	\$30.8	\$20.2	\$21.0	\$43.9	\$22.9
Non-Residential	\$9.4	\$9.6	\$10.5	\$13.9	\$7.4
<b>Total</b>	<b>\$40.2</b>	<b>\$29.8</b>	<b>\$31.5</b>	<b>\$57.8</b>	<b>\$30.3</b>

RDC revenue for 2014 was \$57.8 million (\$43.9 million residential and \$13.9 million non-residential), up by \$26.3 million or 83% compared to 2013. Total RDC revenue collected in 2013 was in turn 6% higher than in 2012. The primary reason for the 2014 increase was the number of building permit applications made in advance of the implementation of new Development Charge rates which came into effect on August 1, 2014.

RDC collections in 2015 as at the end of September are \$30.3 million. RDC collections are less than originally contemplated in the background study which has required staff to review the financing of growth related projects in the ten year capital plan. Further details are provided in subsequent sections of this report. Staff will be providing a comprehensive review of development charge collections relative to projections made in the 2014 Development Charges Background Study at the October 27, 2015 Administration and Finance Committee meeting.

## 2. 2015 Regional Budget Recap

The 2015 Budget included a Regional tax levy of \$451 million, an average tax rate impact of 2.58% (of which 2.00% related to direct Regional programs and 0.58% related to Police Services), and user rate increases of 4.9% for water and 7.9% for wastewater effective March 1, 2015. The Regional tax levy comprises approximately 52% of the total residential property tax bill. Approximately 68% of the 2015 tax levy is for direct Regional services and 32% is for Police Services.

## 3. Draft 2016 User Rate Operating Budgets and 2016-2025 Capital Plan

Staff is in the final stages of preparing the 2016 Water and Wastewater Operating Budgets and 10 year capital program. At this point, the 2016 Water and Wastewater operating budgets include proposed operating expenditure in 2016 of \$81 million, which is comprised of \$34 million for water supply, \$44 million for wastewater and \$3 million for water distribution/wastewater collection in the townships of Wellesley and North Dumfries.

The proposed water and wastewater budgets include wholesale rate adjustments of 2.9% for water and 6.9% for wastewater effective March 1, 2016. The proposed increase in the water wholesale rate (2.9%) is lower than the 2016 increase projected in the 2015 rate model. Retail water rates are proposed to increase by 8.9% for water distribution and 5.9% for wastewater collection. Although the 2015 budget anticipated a \$1.00/month increase in the service charge for wastewater collection, staff is now proposing that the 2016 monthly service charges remain unchanged for both retail water and wastewater.

The following tables provide a relative comparison to 2015 approved rate increases and highlights proposed rate increases compared to the original forecast for 2016 based on the 2015 water and wastewater rate models.

	2015 approved user rate increase	Projected 2016 user rate increase from 2015 forecast	Current estimate of 2016 user rate increase
Water supply	4.9%	3.9%	2.9%
Wastewater treatment	7.9%	6.9%	6.9%
Water distribution	8.9%	8.9%	8.9%
Wastewater collection	5.9%	5.9%	5.9%

	<b>2015 approved service charge</b>	<b>Projected 2016 monthly service charge from 2015 forecast</b>	<b>Current estimate of 2016 monthly service charge</b>
Water distribution	\$8.00	\$8.00	\$8.00
Wastewater collection	\$6.00	\$7.00	\$6.00

Total capital spending for water and wastewater, including retail water distribution and wastewater collection, is projected to be \$1.2 billion over 10 years. As previously mentioned, staff has undertaken a detailed analysis of capital plan financing options as a result of lower than anticipated RDC collections and the expected timing of certain growth related capital projects. On the wastewater side in particular, there are significant capital costs being incurred in the early years of the capital program (e.g. Kitchener Wastewater Treatment Plant). While these upgrades provide for long term sewage capacity, the benefitting growth will take place over an extended period of time, and hence so will the RDC collections. Staff is close to finalizing a development financing strategy for the 2016-2025 capital program that will see certain growth-related projects debt financed, in order to spread the cost over a longer period and better match costs to anticipated RDC revenues.

In addition, staff has been reviewing the financing of non-growth related capital costs and are in the process of finalizing new 10 year rate models. At this point staff anticipates no new non-growth related debt for water supply will be required over the next 10 years (i.e. these costs can be funded from the Water capital reserve). For wastewater, staff is proposing that 50% of the non-growth share of two significant projects (Upgrades at the Kitchener and Galt Wastewater Treatment plants) be debt financed over 10 years. This will spread the cost of these significant infrastructure projects over a broader group of benefitting users at a relatively low financing cost, and provide more capacity in the Wastewater Reserve to manage in-year revenue fluctuations and any potential shortfalls in development charge collections.

The following table outlines projected debt issuance set out in the draft 2016-2025 Water and Wastewater Capital Program. The capital program is being finalized and some further adjustments may be incorporated prior to printing of the Preliminary 2016 Budget Book.

Draft 2016-2025 User Rate Capital Program (\$ million)	10 year capital investment	Growth related debt (funded by RDCs)	Non-growth related debt (funded by user rates)
Water supply	\$420	\$54	\$0
Wastewater treatment	\$722	\$234	\$114
Water distribution	\$9	\$0	\$0
Wastewater collection	\$4	\$0	\$0

The Water and Wastewater Operating and Capital Budgets, which are scheduled to be approved on December 16, 2015, will be the subject of a staff presentation at the Budget Committee meeting on November 18, 2015.

#### 4. Draft 2016-2025 Tax Supported Capital Program

The Region of Waterloo's Ten Year Capital Program sets out planned investments in infrastructure, facilities, equipment, vehicles and related studies, along with the proposed sources of financing for such investments. Recognizing the challenges facing the Region in the 2016 budget, staff undertook a detailed review of capital programs with all departments in June and July. This process included reviewing the need, scope, cost and timing of projects.

These discussions provided the basis for determining long term borrowing amounts in 2015 and for preparation of the 2016-2025 Capital Program. One result of these discussions is that overall debt servicing costs funded by the tax levy will be approximately \$500,000 lower in 2016 than was anticipated in the 2015 budget. This is due in part to the deferral of certain capital works, and in part because new debt is being issued at a lower rate than debt that is being retired.

Sources of funding for the tax supported capital program are limited to property taxes and user rates (in the form of current year allocations, contributions from reserves, and debt to be paid by future taxpayers), development charges, grants and subsidies from other levels of government, and in a small number of cases third party recoveries.

Major capital works which will continue or which will be undertaken in 2016 include:

- ION rapid transit construction
- Numerous road expansion and rehabilitation projects
- Building Lifecycle work at various Regional Administration buildings
- Housing facilities lifecycle work
- Voice Radio system replacement

The tax supported capital program is funded to varying extents from development charges. Staff has undertaken a review of all RDC reserve funds and projected collections in order to assess capital program affordability over the next 10 years. The capital financing strategy that will be presented to Budget Committee in November will incorporate debt financing for the growth related shares of certain projects (e.g. Northfield Drive GRT Maintenance Facility and certain road expansion projects in 2016-2018), adjusted timing of certain growth related projects (e.g. Voice Radio Infrastructure Upgrade and Breslau Paramedic Services station), and interim financing of certain growth related capital costs from other sources until such time that RDCs are available (e.g. Library collections and new ambulances). Full details of the capital program and associated financing strategies will be included in the Preliminary 2016 Budget Book and presented at the November 18, 2015 Budget Committee.

### 5. 2016 Preliminary Tax Supported Operating Budget

Staff is close to completing the preliminary 2016 base budget for tax supported services, which reflects the amount of funding required to deliver the current Council approved level of service. Base budgets for 2016 will reflect all settled collective agreements and estimates for those that remain to be negotiated, estimates for benefit rates and inflation, annualization of prior years' approved initiatives, debt servicing costs, estimated provincial and federal funding and user fee revenue. Details regarding the 2016 base budget will be provided in the Preliminary Budget Book at the November 18 Budget Committee meeting. This document, along with a package of budget issue paper requests, will be distributed with the meeting agenda on November 13.

Current estimates of the preliminary base budget position excluding Police Services require a property tax levy increase of \$16.0 million which translates to an estimated 2.31% tax rate impact over 2015 excluding Police Services. The current preliminary position incorporates estimated assessment growth of 1.75% pro-rated between Regional Services (1.16%) and Police Services (0.56%). The impact on the average household property tax bill would be approximately \$42. The tax impact of the draft 2016 base budget is outlined in the table below. The opening base position excludes any provisions for service enhancements made through budget issue papers.

<b>Status Of Preliminary 2016 Tax Supported Operating Budget (excluding Budget Issue Papers and Police Services)</b>	<b>Tax Rate % impact</b>
Direct Regional Services – current estimate	3.47%
Less: estimate for regional share of assessment growth	1.16%
<b>Tax impact of Regional programs – current estimate</b>	<b>2.31%</b>



There are a number of projects, factors and initiatives that impact the 2016 operating budget, and these are set out below.

### 5.1. Regional Transportation Master Plan (RTMP)

The Council-approved funding strategy for Rapid Transit implementation and Grand River Transit service expansion is outlined in the following table:

RTMP Funding Strategy (all \$ figures in millions)								
	2012	2013	2014	2015	2016	2017	2018	2019
Tax increase (% of prior year urban levy)	1.5%	1.5%	1.25%	1.5%	1.5%	1.5%	1.5%	0.75%
Incremental budget impact before funding offsets	\$5.0	\$5.3	\$4.6	\$5.7	\$6.0	\$6.3*	\$6.7*	\$3.5*
Debt retirements from Admin buildings	(\$0.6)	(\$4.5)	(\$1.5)	--	--	--	--	--
Provincial uploading	(\$1.2)	(\$1.5)	(\$1.7)	(\$1.7)	(\$1.7)	(\$1.7)	(\$1.7)	--
<b>Net budget impact</b>	<b>\$3.2</b>	<b>(\$0.7)</b>	<b>\$1.4</b>	<b>\$4.0</b>	<b>\$4.3</b>	<b>\$4.6</b>	<b>\$5.0</b>	<b>\$3.5</b>

\*projected

The projected increases are subject to annual budget deliberations and are area-rated to the urban transit service area (the three Cities). Regional Council also approved in 2011, subject to annual budget deliberations, that budget reductions resulting from the retirement of debt on Regional buildings at 150 Frederick and 99 Regina Streets and the uploading of social assistance costs be allocated to offset the tax rate impact arising from the RTMP. The debt servicing cost savings were realized in 2012, 2013 and 2014.

The 2016 budget will mark the fifth year of the funding strategy. Total taxes to be collected in 2016 for the RT project are estimated to be \$30.3 million and will be transferred to the Regional Transportation Master Plan (RTMP) Reserve Fund, which in turn will be used in 2016 to fund Grand River Transit service improvements as well as costs relating to the RT project.

### 5.2. Capital Financing

The Region has placed one capital market debenture issue in the fall of 2015 of which the Region's share is \$26 million. The majority of this debt is related to major infrastructure projects such as the Waste Management capital investments (\$8.8 million), aBRT (\$4.5 million), various Regional facility renewal works (\$5.3 million), and Transit projects including vehicle additions, card fare payment technology and

passenger station development (\$5.4 million). Debt servicing costs have decreased by \$489,000 in 2016 because the amount debt servicing being added to the levy (that is not funded from RTMP or other reserves) is less than the debt servicing savings due to debt retirements in 2015.

Other provisions for capital financing have also been updated in the preliminary 2016 budget. Debt servicing costs no longer needed through debt retirements are, where possible, being repurposed as transfers to capital and equipment replacement reserves in order to preserve the overall level of capital financing and reduce future debt servicing costs. In particular, the GRT bus replacement program has historically relied on borrowing as a major source of financing and is being transitioned to rely on financing from a vehicle replacement reserve, as is the case with all other regional vehicles.

The Building Lifecycle Provision, introduced in 2015, is a funding strategy specifically intended for financing Regional facility renewal works. The goal of this strategy is to (eventually) avoid issuing debt for facility repair and refurbishment projects. Issuing debt to finance more significant renewal works will continue until such time that the level of contribution to the lifecycle reserve is sufficient. The current level of contribution is \$2.0 million and analysis of the proposed 2016-2025 capital forecast indicates that this level would need to be in the \$10-15 million range annually for the strategy to be sustainable.

### **5.3. Employee Compensation**

The base budget for 2016 reflects the salary and benefit provisions of all collective agreements which have been settled and an estimate for those which remain unsettled. Employee compensation costs represent an estimated 30% of total budgeted Regional spending in 2016.

### **5.4. Provincial Offences Act / Red Light Camera Revenues and Changes to Expenditures**

In 2014, POA/Red Light Camera revenues experienced a \$1.5 million shortfall and the 2015 budget for these revenues was adjusted downward by \$750,000. In 2015, POA/Red Light Camera revenues are expected to be \$184,000 below budget, which is the result of a \$207,000 projected shortfall in general and fine collection revenues, partially offset by \$23,000 higher than budgeted Red Light Camera revenues. Given that recent trends in revenue are expected to catch up to near budgeted level, staff has not made any adjustments to POA/Red Light Camera revenues in 2016. Staff will continue to monitor POA revenue trends over the next few months to determine whether changes to the POA revenue budget should be considered.

In August, the Ministry of the Attorney General announced that there would be an increase for monitoring and adjudication fees. This announcement, which represents a significant change to expenditure, has resulted in an increase of \$130,000 to POA administration budget for 2016.

### 5.5. Federal and Provincial Government Funding

Despite the focus on deficit reduction at the federal and provincial levels, an additional \$5.6 million in provincial funding is anticipated in 2016. Provincial and federal funding for cost-shared services in the 2015 budget is projected to be as follows:

<b>Provincial Subsidy Estimates (\$ millions)</b>			
<b>Program</b>	<b>2015 budget</b>	<b>2016 budget</b>	<b>Change</b>
Ontario Works/Social Assistance	\$88.2	\$92.9	\$4.7
Child Care	36.4	36.4	0.0
Public Health	27.6	27.4	(0.2)
Long Term Care & Community Programs	18.7	18.5	(0.2)
Paramedic Services	12.0	13.1	1.1
Community Homelessness Prevention Initiative	10.4	9.8	(0.6)
Community Housing	10.1	10.9	0.8
<b>Total</b>	<b>\$203.4</b>	<b>\$209.0</b>	<b>\$5.6</b>

The Province of Ontario recently announced that it was freezing the Region of Waterloo's subsidy levels for Public Health programs at the 2014 level due to a change in the funding formula. This change has been incorporated into the 2016 Budget.

### 5.6. Provincial Uploading and Ontario Works Caseload

It is expected that the upload of Ontario Works benefit costs by the Province will continue as planned in 2016, the ninth year of the upload. The subsidy rate for Ontario Works benefit costs is scheduled to increase to 94.2% from the 2015 rate of 91.4%. This increase in cost sharing will result in a savings of \$1.65 million to the Regional tax levy.

The Court Security upload, which began in 2012, is also phased and is scheduled to be completed in 2018. In the fall of 2014, the Province provided updated amounts for 2015 and 2016 and these are reflected in the table below, which summarizes the life

to date and projected impact of uploading on the Region of Waterloo. Court Security upload savings are reflected in the Police Services budget as that is where court security costs are budgeted.

Impact of Provincial Uploading (\$ millions)												
Program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Total
ODSP	\$3.4	\$0.7	\$8.5	\$10.2								\$22.8
OW			0.5	0.4	1.2	1.5	1.7	1.7	1.7	1.7	1.7	12.1
OW Admin				2.7								2.7
Court Security*					0.5	0.5	0.5	1.1	0.7	0.7	0.7	4.7
Total	\$3.4	\$0.7	\$9.0	\$13.3	\$1.7	\$2.0	\$2.2	\$2.8	\$2.4	\$2.4	\$2.4	\$42.3

\*updated amounts for 2015-2018

### 5.7. Ontario Works Discretionary Benefits

Through the Employment and Income Support Division of Community Services, the Region provides services to individuals on social assistance (Ontario Works and Ontario Disability Support Program). Provision of this program is discretionary and service levels are at the discretion of Regional Council.

In 2012, the Province changed the funding of the program so that the maximum cost shareable amount was set at \$10.00 per OW and ODSP case per month. Prior to this change there was no funding cap. This change resulted in a shortfall of \$3.5 million. In the 2013, 2014 and 2015 Budgets, Regional Council has provided \$2.0 million in funding (\$1.5 million from the property tax levy and a further \$0.5 million in CHPI Funding) over the amount cost shared with the Province.

In 2015, expenditure levels in the program are projected to exceed the approved budget by \$446,000. The net over expenditure will be offset by an increase in the transfer from the Tax Stabilization Reserve Fund.

The following table summarizes the 2015 budget and year end projection for Ontario Works Discretionary Benefits:

	2015 Budget	2015 Projection	Variance
Expenditures	\$4,467,200	\$4,913,200	\$(446,000)
Revenues:			
Provincial Subsidy	\$2,255,000	\$2,259,500	\$4,500
CHPI subsidy	500,000	500,000	0
Tax Stabilization Reserve Fund	0	441,500	441,500
Regional Property Tax Levy	\$1,712,200	\$1,712,000	\$0

Staff is undertaking a review of the program, including public consultation, to determine what changes can be made in 2016 so that the program can be provided within the approved budget of \$4.467 million. Options for consideration will be provided at a future budget meeting.

#### 5.8. GRT Revenues

Transit fare revenue is expected to be below 2015 budgeted levels by \$1.5 - \$2.0 million. Contributing to the revenue shortfall in 2015 are the decision by the Waterloo Region District School Board to adjust bell times in order to redeploy its own fleet of buses on a second route at the beginning and end of the school day, the impact of service level reductions approved and implemented in 2014, and ION construction detour routing. For the 2016 budget, staff have adjusted revenues based on current trends and have included a 4% fare increase effective July 1, 2016.

#### 5.9. Non Profit and Cooperative Housing Subsidies

Subsidies to housing providers in 2015 are estimated to be under budget by \$100,000 which equates to a small variance of 0.4%. The 2016 preliminary budget includes an increase of \$568,400 due to a number of factors which include a continued decrease in one time recoveries and increased funding due to prescribed funding model requirements as regulated by the Province.

#### 5.10. Waste Collection Contracts

The 2016 waste collection budget totals \$21.9 million which represents a \$0.9 million increase for contract inflation, increases to tonnage (primarily yard waste), growth in the number of households and fuel usage. For the preliminary base budget, the budgeted price for fuel has been held at the 2015 level.

**5.11. Fuel Prices**

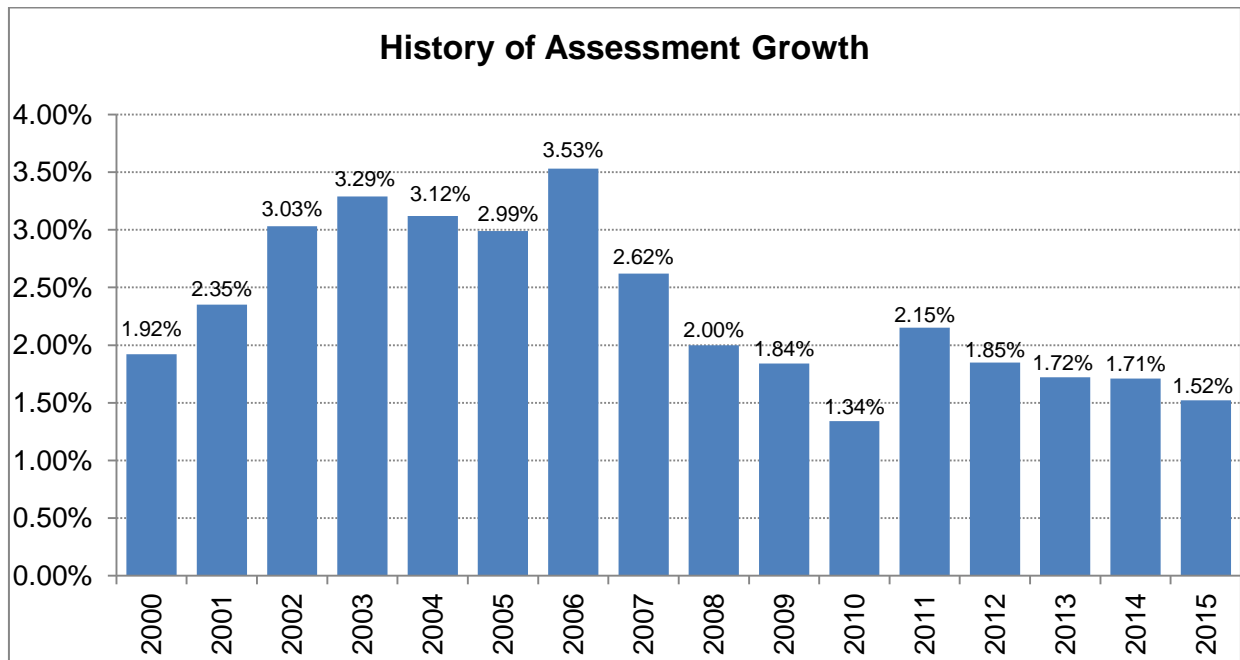
Total expenditure on fuel in 2016 is estimated at \$13.4 million. During the 2015 budget review process, a fuel price strategy was adopted to mitigate the risk of a potential increase in oil prices while taking advantage of lower current fuel prices. The budget price of fuel was set at \$1.00 for diesel and \$0.88 for gasoline and the resulting savings were split between a reduction in the 2015 levy (45%) and a transfer to the Transit vehicle reserve (55%) for bus replacements. The majority of bus replacements are financed through debentures and result in increased debt servicing costs in future operating budgets. For the preliminary 2016 base budget, the budget prices for both fuel types have been held at the 2015 budgeted price and the transfer to the Transit reserve has been left in place. Staff will continue to monitor fuel prices and will provide any associated recommendations to Budget Committee in December.

**5.12. In-year 2015 Budget Changes Approved by Council**

A small number of changes to funding and service levels have been approved by Council over the course of 2015, and these are listed in Appendix A. All in-year operating changes were funded by federal, provincial and third party grants, or a reallocation of operating budgets. Reserves and temporary reallocation of operating funds provided funding for identified changes to the capital plan. These budget amendments have been incorporated as required into the 2016 base budget.

**5.13. Assessment Growth**

Assessment growth in 2014 for the 2015 budget cycle was 1.52%, representing the second lowest level of growth in the Region in the last 17 years.



As noted earlier in this report, the current assumption for assessment growth is 1.75% in 2015 for the 2016 budget. Based on preliminary information received from Municipal Property Assessment Corporation (MPAC), this assumption bears some risk and staff will continue to monitor assessment growth. The 2016 assessment roll will be returned in early December and a full update will be provided at the December 16, 2015 Committee meeting in the form of an information paper.

#### 5.14. Base Budget Reductions

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 \$2 million. The table below identifies the extent of base budget reductions over the last 5 years:

Base Budget Review Reductions (\$millions)					
2012	2013	2014	2015	2016 (preliminary)	Total
\$2.1	\$1.9	\$2.5	\$1.9	\$2.0	<b>\$10.4</b>

#### 6. Budget Schedule

Future budget meetings are scheduled as shown in Appendix B.

#### Corporate Strategic Plan:

The 2015-2018 Corporate Strategic Plan will be presented for Council approval at its meeting on October 21, 2015. The annual budget incorporates numerous initiatives set out in the Corporate Strategic Plan.

#### Financial Implications:

A 1% change in the tax rate results in an \$18 annual change to the average residential property owner, based on a residential property assessed at \$302,000 in 2015. A 1% tax rate increase generates an additional \$4.6 million in tax revenue.

#### Other Department Consultations/Concurrence:

All departments and the Waterloo Regional Police Service are involved in the development of the Region of Waterloo Budget.

**Attachments:**

Appendix A – 2015 Operating Budget Amendments Approved by Council

Appendix B – 2016 Budget Schedule

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

Craig Dyer, Commissioner, Corporate Services/Chief Financial Officer

**Approved By:** Mike Murray, Chief Administrative Officer



### Appendix A – 2015 Operating Budget Amendments Approved by Council

Approval Date	Description	Expenditure Change	Funding Source
<b>Operating Budget</b>			
April 22	Employment Ontario funding (Ontario Works)	\$108,508	100% Provincial funding
August 19	Healthy Kids Community Challenge – 1.0 temporary FTE (Public Health)	\$375,000	100% Provincial funding
<b>Capital Budget</b>			
June 24	Community Energy Investment Strategy project; \$0 levy impact (Community Planning)	\$180,000	Provincial funding (\$90K), collaborative organizations (\$80K), Regional capital contribution absorbed in 2015 operating budget (\$10K)

**Appendix B – 2016 Budget Schedule**

<b>PURPOSE OF THE BUDGET SESSION</b>	<b>DATE and TIME</b>
2016 Budget Process and Timetable	June 16, 2015 Administration and Finance Committee
Budget Overview Session <ul style="list-style-type: none"> <li>• Preliminary Operating Budget and Capital Program</li> </ul>	October 21, 2015
Detailed Budget Review – Day One <ul style="list-style-type: none"> <li>• User Rate Operating Budget and Capital Program</li> <li>• Tax Supported Operating Budget and Capital Program</li> </ul>	November 18, 2015
Public Input Session #1	November 18, 2015
Detailed Budget Review – Day Two <ul style="list-style-type: none"> <li>• Police Services Budget</li> <li>• GRCA Budget</li> <li>• Approval of User Rate Operating Budget and Capital Program</li> <li>• Update Tax Supported Operating Budget and Capital Program</li> </ul>	December 16, 2015
Public Input Session #2	December 16, 2015
Approval Tax Supported Operating Budget and Capital Program Approval of 2016 User Fees and Charges	January 13, 2016