



Media Release: Friday November 13, 2015, 4:30 p.m.

Regional Municipality Of Waterloo

Budget Committee

Agenda

Wednesday November 18, 2015

2:15 p.m.

Regional Council Chambers

150 Frederick Street, 2nd Floor, Kitchener

1. Motion to Go Into Closed Session

That a closed meeting of the Budget Committee be held on Wednesday November 18, 2015 at 2:00 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. Declarations of Pecuniary Interest under the “Municipal Conflict Of Interest Act”

3. Opening Remarks (S. Strickland)

4. Opening Remarks (M. Murray)

5. Budget Update (C. Dyer)

[COR-FSD-15-20](#), Executive Summary – 2016 Budget

3

6. Presentations

- Water/Wastewater Budgets (N. Kodousek)

Attachments

2016 Preliminary Budget Book (distributed separately)

2016 Budget Issue Paper Package (distributed separately)

7. Budget Information Papers

User Rate Budgets

- [Water Supply](#) 27
- [Wastewater Treatment](#) 33
- [Water Distribution & Wastewater Collection](#) 39
- [Councillor Requests](#) 42

Tax Supported Budget

- [2016 Ontario Works Allowances & Benefits and Tax Stabilization Reserve Fund Projection](#) 47
- [Waterloo Region Police Services](#) 56

8. Other Business**9. Next Meeting – December 16, 2015****10. Adjourn**



Report: COR-FSD-15-20

Region of Waterloo

Corporate Services

Financial Services & Development Financing

To: Chair Sean Strickland and Members of the Budget Committee

Date: November 18, 2015 **File Code:** F05-30

Subject: **Executive Summary – 2016 Budget**

Recommendation:

For Information

Summary:

The objective of the second 2016 Budget Committee meeting is to provide Committee members with the details of the proposed 2016 Tax Supported and User Rate operating budgets and capital programs. These details are provided through the 2016 Preliminary Program Budget Book, the Budget Issue Paper package, Budget Information Papers and through staff presentations at Budget Committee.

The proposed water and wastewater budgets include wholesale rate adjustments of 2.9% for water and 6.9% for wastewater effective March 1, 2016. Retail water rates are proposed to increase by 8.9% for water distribution and 5.9% for wastewater collection, with no increase in the service charge for both water and wastewater. Total capital spending for water and wastewater is projected to be \$1.2 billion over 10 years.

The proposed base budget for 2016 results in a tax rate increase (net of assessment growth) of 2.40%. The proposed 2016-2025 Tax Supported Capital Program for Regional services (excluding Police Services) projects total expenditures in 2016 (including estimated carryovers from 2015) of \$477 million and a 10 year total expenditure estimate of \$2.1 billion.

Preliminary budget information relating to the Waterloo Region Police Service was presented to the Police Services Board (PSB) on November 4, 2015. The preliminary 2016 Police Budget represents a 4.02% increase in the police portion of the property tax levy, with a corresponding 2016 tax rate impact of 0.83 (based on assessment growth at 1.41%). The PSB has requested staff to present options to reduce the 2016 Police budget by approximately \$450,000, which would result in a property tax levy increase of 3.71% and a tax rate impact of 0.73%. The 2016-2025 capital program for Police services projects total expenditures in 2016 (including estimated carryovers from 2015) of \$10 million and a 10 year total expenditure estimate of \$82.7 million. The PSB will meet to review the revised budget on December 2, 2015 and is scheduled to approve the 2016 budget on January 6, 2016.

All tax impacts reflected in this report are based on assumed assessment growth of 1.41% based on current information provided by the Municipal Property Assessment Corporation (MPAC).

Report:

The 2016 Preliminary Budget Book provides details of the proposed 2016 User Rate and Tax Supported Base Operating Budgets and Capital programs. Highlights of the proposed budgets are set out in the following sections of this report. Additional information is provided in the form of information papers (attached) and staff presentations at the November 18, 2015 Budget Committee meeting.

1. 2016 User Rate Operating Budgets and 2016-2025 Capital Program

The 2016 Water and Wastewater Operating Budgets and 10 year Capital programs are respectfully submitted to Budget Committee for consideration. The total proposed operating expenditure in 2016 is \$81.4 million, comprised of \$34.1 million for water, \$44.7 million for wastewater and \$2.6 million for water distribution/wastewater collection in the townships of Wellesley and North Dumfries. Details of the water and wastewater budgets are provided in the Preliminary Budget Book as well as the attached information papers. These budgets are scheduled to be approved on December 16, 2015.

The proposed 2016 user rate increase of 2.9% for Water is one percent lower than the rate model projections for 2016 from the 2015 forecast. The proposed 2016 Wastewater rate increase of 6.9% is in keeping with the rate model projections for 2016 from the 2015 forecast. The proposed 2016 Water Distribution and Wastewater Collection rate increases are 8.9% and 6.9% respectively. These are the same rate increases recommended for 2016 that were projected in last year's budget. The monthly service charge remains unchanged at \$8.00 for Water Distribution. The monthly service charge for Wastewater Collection is recommended to remain unchanged at \$6.00 for 2016 (the 2015 budget had projected a \$1.00 increase for 2016).

There are two user rate related Budget Issue Papers for 2016:

- Temporary staff resources to support components of the Water capital program including Water Distribution System upgrades and assessing changes and trends in hydrogeology and source water monitoring (including 2 student positions).
- Conversion of a temporary staff resource to permanent for Water Efficiency Technology initiatives.

The proposed budget includes a 10 year capital expenditure estimate of \$1.2 billion, comprised of \$419 million for water, \$724 million for wastewater and \$12 million for water distribution and wastewater collection. As outlined in the Annual Adequacy of Regional Development Charge Collections Review report (COR-FSD-15-17 dated October 27, 2015), staff has undertaken a detailed analysis of capital plan financing options as a result of lower than anticipated Regional Development Charge (RDC) collections.

The resulting financing plan for the water and wastewater capital program provides for certain growth and non-growth related projects to be debt financed in order to spread the cost over a longer period and better match costs to anticipated RDC revenues.

The Ten Year Water and Wastewater Capital financing plan is summarized as follows:

	2016-2025 Capital Program (\$ m)	Water	Wastewater	Total
Capital funding and financing sources	Capital reserve (including Equipment/Vehicle reserves)	\$243	\$283	\$526
	Debt recovered from future user rates	\$0	\$114	\$114
	Development charge reserve funds	\$122	\$91	\$213
	Debt recovered from future development charges	\$54	\$236	\$290
	Total ten year capital investment	\$419	\$724	\$1,143

Full details of the proposed financing plan are in the Information Papers from Water Supply and Wastewater Treatment (pages 27 and 33 of this agenda package, respectively). This approach provides more capacity, particularly in the Wastewater Reserve Fund, to manage in-year revenue fluctuations and any potential shortfalls in development charge collections. The proposed financing plan remains a “work in progress” and the Wastewater portion will be reviewed as part of the update to the Wastewater Treatment Master Plan (WWTMP).

2. 2016 Preliminary Property Tax Supported Operating Budget

2016 Base Budget - Opening Position

The 2016 Base Budget is the amount of funding required to deliver Council's approved level of service. Base budgets for 2016 reflect all settled collective agreements and estimates for those that remain to be negotiated, updated and estimated benefit rates, estimated 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 are contained in the Preliminary Budget Book.

The current base budget position excluding new issues is 2.40%. The opening base budget position includes an estimate of 1.41% assessment growth pro-rated between Regional Services and Police Services. This assumption is based on information currently available from the Municipal Property Assessment Corporation.

Staff provided details of the significant projects, factors and initiatives affecting the 2016 budget in report COR-FSD-15-15 presented to the Budget Committee on October 21, 2015. These items are summarized as follows:

2.1 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.

Based on a three year historical average, the gapping provision (which recognizes savings relating to vacancies, positions not being paid at top of grid and positions not receiving family benefits) has been revised to \$1,875,000 (from \$1,923,000) for the 2016 budget. In order to better manage and monitor this provision at an operational level, it has been allocated directly to program budgets rather than being shown as a separate provision in Corporate Financial. Staff will continue to monitor this provision and will report back through the annual budget process.

2.2 Regional Transportation Master Plan (RTMP)

The 2016 budget includes a provision of \$30.3 million for the RTMP, which will be transferred to the RTMP Reserve Fund. This funding will, in turn, be used in 2016 to fund Grand River Transit service improvements as well as costs relating to the Rapid Transit project. This represents an increase of \$6.0 million in 2016 and a net levy impact of \$4.3 million after taking into account \$1.7 million in provincial upload savings for Ontario Works.

2.3 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 for the most part relating to Ontario Works benefits and Paramedic Services. The Province of Ontario recently implemented a new funding formula for public health units across the province, which has resulted in the freezing of provincial funding for public health at 2014 levels in many municipalities, including the Region of Waterloo. This change has been incorporated into the 2016 Budget.

2.4 Provincial Uploading and Ontario Works Caseload

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 \$1.7 million to the Regional tax levy.

Included in this budget package is an information paper entitled “2016 Ontario Works Allowances & Benefits and Tax Stabilization Reserve Fund Projection”. This paper provides an update on various components of the Ontario Works program, including the Ontario Works Discretionary Benefits (OWDB) program, and the use of the Tax Stabilization reserve.

The Court Security upload, which began in 2012, is also being phased-in and is scheduled to be completed in 2018. Court Security upload savings of \$0.7 million are reflected in the Police Services budget.

2.5 Provincial Offences Act / Red Light Camera Revenues

Recent trends in POA/Red Light Camera revenues indicate that actual revenues will be at or near 2015 budgeted levels. Accordingly, staff has not made any adjustments to POA/Red Light Camera revenues in 2016. Staff will provide additional budget information in December, and if appropriate, may recommend an adjustment to the 2016 budget at that time.

2.6 Grand River Transit Revenues

As reported in the recent Periodic Financial Report (COR-TRY-15-101 dated October 27, 2015), Transit fare revenue is expected to be below 2015 budgeted levels by \$1.5 - \$2.0 million. The following table outlines the adjustments made to GRT fare revenue estimates for 2016:

2015-2016 Budgeted GRT fare revenue analysis (\$000's)					
2015 fare Budget	Plus: annualization of 2015 service expansion	Plus: annualization of 2015 fare increase	Plus: proposed 4% fare increase on July 1, 2016	Less: adjustment to reflect 2015 revenue variance	2016 fare revenue budget
\$32,539	\$552	\$450	\$600	(\$1,750)	\$32,391

As indicated above, staff is proposing a 4% fare increase effective July 1, 2016.

2.7 Waste Management Tipping Fees

Unlike 2013 and 2014, recent trends in Waste Management tipping fee revenues indicate that actual revenues will be at or near 2015 budgeted levels. Accordingly, staff has not made any adjustments to tipping fee revenue in 2016. Staff will provide additional budget information in December, and if appropriate, may recommend an adjustment to the 2016 budget at that time.

2.8 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 (2.3% of the 2015 budget of \$24.6 million) 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.

2.9 Fuel Prices

Total expenditure on fuel in 2016 is estimated at \$13.4 million. During the 2015 budget review process, Council adopted a fuel price strategy to mitigate the risk of a potential increase in fuel 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 budget savings (\$1.04 million) was used to reduce the 2015 tax levy (45% or \$486,000) and to supplement the transfer to the Transit vehicle reserve (55% of \$556,000) for bus replacements. The majority of bus replacements are still financed through debentures which results 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 at its December 16, 2015 meeting.

2.10 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.

2.11 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.

2.12 Grants to Community Organizations

Earlier this year, Administration and Finance Committee (March 24) and Regional Council (April 1) approved a recommendation that an ad-hoc working group be formed to develop policies with respect to operating and capital grants for community groups and not-for-profit organizations. The working group includes five members of Regional Council (Helen Jowett, Jane Mitchell, Karen Redman, Ken Seiling, Sean Strickland) as well as Regional staff.

The working group has been meeting and is looking at options for grants to community organizations. Recommended policies will be brought forward through the Administration and Finance Committee. Given that the grants are under review, the working group agreed that the 2016 budget for grants to community organizations remain at the same level as 2015 and that no new applications for community grants be accepted for 2016. The 2016 base budget includes \$230,881 for grants to community organizations.

It should be noted that other grant review processes are also underway. Economic Development and Promotion grants are being reviewed following direction to staff as approved by the Economic Development and Promotion Committee and Regional Council in June of this year. A report is planned for EDP Committee later this year in conjunction with the report from the ad-hoc working group on grants to community organizations. Arts and Culture grants, which are to be reviewed once per Council term in accordance with report P-12-105/F-12-075, were addressed in report PDL-CUL-15-15 tabled at the October 6 Community Services Committee meeting. Additionally, Social Development Program Grants are currently being reviewed by Social Services staff and

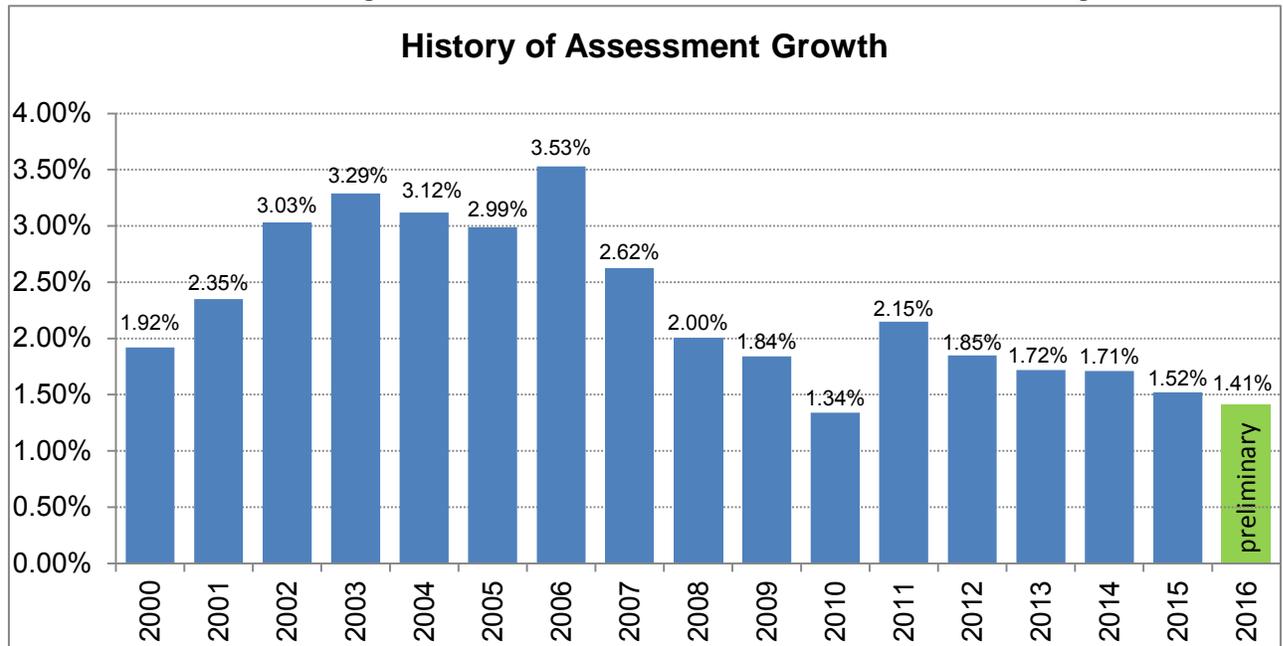
a report will be brought forward to Community Services Committee and Council in the coming months.

2.13 Associated Agencies

Appendix B provides a summary of the status of Associated Agencies budgets. Additional detail for Police Services has been provided in today’s agenda as an information paper. Further details pertaining to other Associated Agencies will be provided as an information paper at the December 16, 2015 meeting.

2.14 Assessment Growth

Assessment growth in 2014 for the 2015 budget cycle was 1.52%. Based on preliminary information received from Municipal Property Assessment Corporation (MPAC), staff has revised the assessment growth estimate to 1.41% in 2015 for the 2016 budget.



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.

2.15 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 expenditure reductions for property tax supported areas of approximately \$1.3 million, and \$2.2 million inclusive of user rate budget reductions. The table below identifies the extent of base budget reductions over the last five years:

Base Budget Review Reductions (\$millions)						
	2012	2013	2014	2015	2016	Total
Tax levy	\$2.1	\$1.9	\$2.5	\$1.9	\$1.3	\$9.7
User rates	0.7	1.2	1.3	0.5	0.9	\$4.6
Total	\$2.8	\$3.1	\$3.8	\$2.4	\$2.2	\$14.3

Inclusive of the base budget reductions described above, the Region's tax supported base budget position represents an increase of \$15.3 million, a levy increase of 5.0% over 2015 with a tax impact of 2.4% net of estimated assessment growth. The 2016 tax supported base budget continuity is provided in **Appendix C** and is reflected in the Preliminary Budget Book. The divisional summaries in the budget book show the base budget changes for each divisional area.

3. 2016 Tax Supported Regional Budget Issues

A separate package of Budget Issue Papers (BIPs) has been provided for the Committee's review. Budget Issue Papers typically reflect one or more of the following criteria:

- new or amended legislation and regulations;
- a significant health and safety issue;
- long term financial sustainability;
- increasing demand for service; or
- in-year request from Council on a specific issue.

The proposed 2016 BIPs are set out in **Appendix D**. A number of the tax supported budget issues have no impact on the property tax levy as a result of reserve funding, recoveries from the capital program or offsetting expenditure savings, and these are as follows:

- Facilities project management/capital plan delivery
- Facilities maintenance efficiency
- Facilities asset planning
- Community wide Climate adaptation plan
- Privacy/information management training program
- Convert temporary contract Solicitor to permanent
- Convert two temporary contract Property Agents to permanent

Several of the proposed BIPs impact the 2016 property tax levy (overall net 2016 impact of \$2.1 million) and these are as follows:

- Facilities Maintenance and Reliability Planning Engineer
- Seniors' Services Quality and Risk Management Coordinator
- Addition of 1 - 24 hour Ambulance
- Conestoga College UPASS
- Implement MobilityPlus Business Plan (Year 2 from 2015 BIP)
- Transit Service to Family & Children's Services on Hanson Avenue
- Capital Financing - increase contribution to CLRF for non-debenturable projects

4. Budget Position Including New Issues

The table below summarizes the continuity of the 2016 Budget from the opening position to the current position including new issues, based on assessment growth of 1.41%.

	2016 Property Tax Levy (\$000's)	2016 Tax Rate Impact
Revised Base Budget	\$320,794	2.40%
Proposed budget issues	\$2,130	0.46%
Preliminary 2016 Budget position – Direct Regional Programs	\$322,924	2.86%

The figures above exclude the impact of the Waterloo Regional Police Services Budget. A 2.86% increase for direct regional programs would add approximately \$52 to the Regional tax bill for a residential property assessed at \$302,000.

5. 2016 Base Budget Staff Complement

The continuity of tax supported Regional permanent staff complement is as follows, with all figures shown as full time equivalents:

	Permanent	Temporary	Total
2015 Final Budget	2,782.1	120.1	2,902.2
2015 Council-approved additions		1.0	1.0
2015 Temporary contract expirations		-6.4	-6.4
2016 Base budget reductions	-3.2	-4.5	-7.7
Restatement corrections	3.2	-2.0	1.2
2016 Base budget	2,782.1	108.2	2,890.3
Net change	0.0	-11.9	-11.9

Additional details regarding the 2016 Council-approved additions are provided in **Appendix A**. Position reductions totaling 14.1 FTEs have been incorporated into the 2016 base budget. Base budget position reductions are generally the result of the expiration of temporary contracts approved in previous budgets, changes to provincially funded programs, and the elimination of vacant positions due to program changes.

6. 2016-2025 Tax Supported Capital Program

The Region of Waterloo's Ten Year Capital program sets out the planned investments in infrastructure, facilities, equipment, vehicles and related studies, along with the proposed sources of financing for such investments. The proposed 2016-2025 Tax Supported Capital Program for Regional Services includes total expenditures in 2016 of \$478 million (including carryovers of \$207 million from 2015) and a 10 year total expenditure estimate of \$2.1 billion. Highlights of the ten year capital program include:

- Completion of Stage 1 of the ION Light Rail Transit project
- \$907 million in road and bridge infrastructure
- \$223 million in facility, equipment and vehicle related works for GRT
- \$128 million in Waste Management capital projects, including new cell development, vehicle replacements and leachate control
- Major repairs/refurbishments at Waterloo Region Housing units totaling \$88 million
- \$100 million in other facility related capital works for other programs
- \$22 million for the voice radio infrastructure upgrade

Details of proposed capital projects are provided in each section of the Preliminary Budget Book. As described at previous budget sessions, there are limited sources of funding for capital works, as set out in the table below:

CAPITAL PROGRAM FUNDING AND FINANCING	
FUNDING SOURCE	FINANCING SOURCES
Property taxes	<ul style="list-style-type: none"> • Reserves (from prior years' taxes) • Current year transfers to capital projects • Long term borrowing, to be paid for by future taxpayers
Development Charges	<ul style="list-style-type: none"> • Reserves (from current and prior years' RDC collections) • Long term borrowing, to be paid for by future developers
Grants and subsidies	<ul style="list-style-type: none"> • Project specific Provincial, Federal grants/subsidies
Third party recoveries	<ul style="list-style-type: none"> • Project specific recoveries from municipal or private sector partners

Recognizing the limited sources of funding and the challenges facing the Region in the 2016 budget, staff undertook a detailed review of capital programs with all departments in June and July of 2015. The scope of the review included the need, cost and timing of

proposed capital works, as well as sources of capital financing, with a view to establishing an updated capital program for submission to Committee and to reduce the Region's reliance on long term debenture financing. As a result, most program areas have reduced their projected level of capital spending over the next 10 years, resulting in a corresponding reduction in long term financing requirements. Deferred projects or works within projects were of a non-urgent or non-essential nature and/or related to works where the timing was flexible. The following table provides a summary comparison of proposed 2016 capital expenditure by division to the original 2016 budget projection from 2015. A full listing of impacts by division is provided in **Appendix E**.

(\$millions)

Tax Supported Program area	2016 capital expenditure projection from 2015 budget	Proposed 2016 capital expenditure (excluding carryforwards)	Change
Rapid Transit	110.1	103.3	(6.8)
Transportation	109.0	108.6	(0.4)
Facilities Management	32.0	14.2	(17.8)
Waste Management	15.6	10.8	(4.8)
Transit Services	13.8	9.8	(4.0)
Waterloo Region Housing	8.7	5.1	(3.5)
Region of Waterloo International Airport	7.3	4.6	(2.7)
Children's Services	2.5	1.9	(0.6)
Paramedic Services	2.3	1.2	(1.1)
Information Technology Services	2.2	1.6	(0.7)
Economic Development	1.5	0.7	(0.8)
Planning	1.0	1.1	0.1
Non-Profit Co-op Housing	0.0	4.1	4.1
Other	3.9	3.7	(0.2)
TOTAL	310.0	270.7	(39.3)

Overall, the proposed 2016 Tax Supported Capital Program is \$39.3 million less than the projection for 2016 in the 2015 Capital Program.

Growth-related Project Financing

The Tax Supported Capital Program is funded to varying extents from Regional Development Charges (RDCs). As previously mentioned, 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 resulting capital financing strategy for growth-related projects incorporates three specific components:

1. Adjustments to the timing of certain growth related projects including the Voice Radio Infrastructure Upgrade and Breslau Paramedic Services station;
2. 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); and
3. Debt financing for the growth related shares of major projects, including the Northfield Drive GRT Maintenance Facility and certain road expansion projects.

Growth related debenture requirements in the proposed 2016-2025 Capital Program are summarized in the following table:

Program Area	Project(s)	Year(s) of debenture issuance	Growth related debt requirement
Transportation	River Rd., Fischer Hallman Rd., Franklin St., South Boundary Rd., and Fountain St.	2016-2022	\$85 million
Grand River Transit	Northfield Drive Maintenance Facility Construction	2018-2020	\$11 million
Operations	Regional Operations Centre Expansion	2018-2019	\$2 million
Paramedic Services	New EMS Station	2017-2019	\$4 million
Total			\$102 million

The \$102 million shown above represents 20% of RDC funding requirements in the proposed ten year Tax Supported Capital Program.

Future Debt Requirements

A summary of the overall requirements for long term financing based on the proposed 2016-2025 Tax Supported capital program is set out in the following table:

(\$millions)

Division	Total Ten Year Investment	Debentures recovered from future property taxes	Debentures recovered from future RDCs	Total proposed debt requirement
Transportation	935.9	92.2	85.0	177.2
Rapid Transit	365.3	40.2	-	40.2
Facilities	270.0	204.1	1.7	205.8
Transit Services	210.5	123.6	11.6	135.2
Waste Management	124.9	106.8	-	106.8
Waterloo Region Housing	83.2	-	-	-
Region of Waterloo International Airport	27.1	-	-	-
Waterloo Region Museum	21.1	17.3	-	17.3
Paramedic Services	18.3	0.6	4.2	4.8
Other	80.4	10.8	-	10.8
Total	2,136.6	595.7	102.5	698.1

In the development of the 2016-2025 capital plan, the use of debt financing has been focused on significant infrastructure projects that are both growth (recovered from RDCs) and non-growth related (recovered from future property taxes). Staff intends to report to Committee in the second quarter of 2016 with updated capital program financing principles which will guide the development of future capital budgets.

Capital Financing: Debt Servicing/Reserve Contribution Strategies

In addition to the above noted expenditure adjustments, staff continues to assess the adequacy of reserve and reserve fund balances for their designated purposes: funding the capital program and/or providing contingency against unforeseen future events that may result in operating deficits.

The 2016 budget presented an opportunity for two programs in particular, Transit and Airport, to reduce their reliance on debt as a source of funding for their capital programs. Due to debt retirements in 2015, a modest amount of debt servicing budget capacity was repurposed as a transfer to the Transit bus replacement reserve (\$1.2 million) and Airport capital reserve (\$123,000). This will allow for more progress to be made towards funding all bus replacements from reserves and towards the Airport being debt free by 2022.

The Facilities lifecycle provision was introduced in the 2015 budget as a first step towards reducing the Region's reliance on debt financing of capital renewal work on existing buildings. The provision has been increased by \$1.0 million in 2016, and is partially offset by debt servicing capacity resulting from a number of other smaller debt retirements in various other programs.

In total, these measures (i.e. GRT, Airport and Facilities Lifecycle provisions) will reduce 10 year borrowing requirements by over \$23 million. On a related note, staff have previously reported on the relatively low level of Regional reserves, and the following table illustrates the level of the Region of Waterloo's reserve and reserve fund balances in comparison to other regions:

Region	Reserve and Reserve Fund Balances per Capita*
York	\$1,596
Halton	\$1,511
Durham	\$1,382
Peel	\$1,099
Niagara	\$621
Waterloo	\$475

source: 2014 Financial Information Return data

* excludes Development Charge reserve funds

Staff continues to look for opportunities to improve the Region's reserve balances and move away from borrowing for lifecycle and renewal projects.

The overall 2016 debt servicing cost provision is \$0.8 million lower than the provision in the 2015 budget as a result of the deferral of certain capital works to future years, a relatively small debenture issue in the fall of 2015, and because new debt is being issued at a lower rate than debt that is being retired.

7. Waterloo Regional Police Service

Preliminary 2016 budget information was presented to the Police Services Board (PSB) on November 4, 2015. The preliminary 2016 Police Budget represents a 4.02% increase in the police portion of the property tax levy, with a corresponding 2016 tax rate impact of 0.83% (based on assessment growth at 1.41%). The PSB has requested staff to present options to reduce the 2016 Police budget by approximately \$450,000, which would result in a property tax levy increase of 3.71% and a tax rate impact of 0.73%. The PSB will meet to review the revised budget on December 2, 2015 and is scheduled to approve the 2016 budget on January 6, 2016. A copy of the report submitted to the PSB is included in the attached Budget Information Paper.

8. Budget Information Papers

The November 18, 2015 Budget Committee agenda includes the following budget information papers:

- User Rate Budgets: these four papers provide background on the proposed water, wastewater and retail operating and capital budgets, an outline of development financing strategies put in place for 2016 and information requests from Councillors
- 2016 Ontario Works Allowances & Benefits and Tax Stabilization Reserve Fund Projection
- Preliminary 2016 Police Services Budget

9. Budget Presentations

The November 18, 2015 Budget Committee meeting will include a presentation from staff regarding the 2016 Base Budget, Budget Issue Papers, and Councillor requests, along with a presentation on the proposed user rate budgets.

10. Budget Schedule

Future budget meetings are scheduled and shown in **Appendix F**. There are several areas of the budget that staff continues to monitor including assessment growth, status of associated agencies, fuel prices, POA revenues, and Waste Management tipping fee revenue. Information on these and other items will be provided to the Committee at its next meeting on December 16, 2015. Public input sessions are scheduled for November 18 and December 16, 2015.

Corporate Strategic Plan:

The 2016 budget supports the 2015-2018 Corporate Strategic Plan.

Financial Implications:

The purpose of this report is to assist the Budget Committee in establishing the 2016 budget. A 1% change in the tax rate results in an \$18.27 annual change to the average residential property owner, based on a house assessed at \$302,000. A 1% tax rate increase generates an additional \$4.575 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 In-year Council Approvals

Appendix B – Status of Associated Agencies Budgets

Appendix C – 2016 Property Tax Budget Continuity Schedule

Appendix D – Proposed Budget Issue Papers

Appendix E – 2016 Capital Program Changes

Appendix F – 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 – In-year Council Approvals

Approval Date	Description	Expenditure Change	Funding Source
Operating Budget			
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
Capital Budget			
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 – Status of Associated Agencies Budgets
(\$millions)**

Associated Agency	2015 Budget	2016 Base Budget	Base Budget Status
Waterloo Regional Police Service	\$145.6	\$151.5	Budget continues to be reviewed by the Police Services Board. See the Budget Information Paper on the 2016 WRPS budget included in the Budget Committee Agenda.
Grand River Conservation Authority	\$6.005	\$6.185	General Levy increase of 3.0% is included in base budget. The entire GRCA levy is funded from the Water and Wastewater budgets with no tax levy impact.
Municipal Property Assessment Corporation	\$6.439	\$6.500	0.95% increase included for 2016 per information from MPAC.
Canada's Technology Triangle (CTT)	\$0.468	\$0	2015 is the last year of operations for CTT. Funding transferred to Waterloo Region Economic Development Corporation.
Waterloo Region Economic Development Corporation (WREDC)	\$0.216	\$0.900	Increase reflects transfer of CTT funding and annualization of 2015 Budget Issue Paper.
Waterloo Region Tourism & Marketing Corporation	\$0.300	\$0.300	Unchanged.
Communitech	\$0.035	\$0.035	Unchanged.
Waterloo Regional Heritage Foundation	\$0.106	\$0.106	Unchanged.
Region of Waterloo Arts Fund	\$0.243	\$0.243	Unchanged.
Waterloo Region Crime Prevention Council	\$0.686	\$0.692	0.87% increase for 2016

Appendix C – 2016 Property Tax Budget Continuity Schedule

TAX SUPPORTED OPERATING BUDGET	\$ million	Tax rate impact
DIRECT REGIONAL PROGRAMS		
Salaries & benefits	\$7.0	
Regional Transportation Master Plan (net of OW upload)	4.3	
Capital financing (debt servicing + reserve contributions)	1.6	
Grand River Transit revenue adjustment	1.8	
Waste collection contracts	0.9	
Other	1.0	
Base budget reductions	(1.3)	
Subtotal	\$15.3	3.34%
Assessment growth (Region's share of 1.41%)		-0.94%
Total tax impact of direct regional programs		2.40%
Budget issue papers		0.47%

Notes

1% levy impact = \$4.58 million

Negative figures denote levy reduction/savings.

Appendix D – Proposed Budget Issue Papers

(\$thousands)

Dept/Div	Description	Annualized Levy Impact (\$000s)	2016 operating budget impact		2016 sources of funding - capital budget		
			Property taxes	Reserves Capital Other	Property taxes	RDC	User Rates
Budget Issue Papers - No Levy Impact							
COR/Facilities Management	Capital plan delivery - convert 2 temporary project managers to permanent	\$0					
COR/Facilities Management	Facilities maintenance efficiency - replace external contractors with 2 permanent FTEs	\$0			\$90		
COR/Facilities Management	Facilities Asset Planning - add 1.0 permanent FTE	\$0					
PDL/Legal Services	Convert temporary contract Solicitor, Rapid transit to Permanent Solicitor, Real Property	\$0					
PDL/Legal Services	Convert two temporary contract Property Agent positions to permanent	\$0		\$146			
TES/Water Services	Convert Technologist, Water Efficiency from temporary to permanent	\$0					\$94
TES/Water Services	Water capital program - temporary positions	\$0		\$150			
Budget Issue Papers - 2016 Levy Impact							
COR/Facilities Management	Facilities Maintenance and Reliability Planning Engineer	\$143	\$84				
PDL/POA Court	Prosecutions Clerk II, 1 year extension	\$0	\$63				
PDL/Community Planning	Community wide Climate adaptation plan	\$0	\$80				
PDL/Council & Administrative Services	Develop a privacy/information management training program for corporate staff	\$0	\$75				
CSD/Seniors' Services	Quality and Risk Management Coordinator	\$125	\$96				
PHE/Paramedic Services	Addition of 1 - 24 hour Ambulance	\$811	\$441		\$63	\$566	
TES/Transit Services	Implement MobilityPlus Business Plan (Year 2 from 2015 BIP)	\$309	\$150		\$220		
TES/Transit Services	Implement Conestoga College U-PASS Service	\$1,108	\$339		\$3,681	\$819	
TES/Transit Services	Transit Service to Family & Children's Services on Hanson Avenue	\$156	\$52				
Corporate Financial	Capital Financing - increase contribution to CLRF for non-debtenturable projects	\$750	\$750				
Subtotal		\$3,402	\$2,130	\$296	\$4,054	\$1,385	\$94

Appendix D – Proposed Budget Issue Papers (continued)

(\$thousands)

Operating Impacts & Capital Financing Summary		Annualized Levy Impact	2016 Budget Impact (\$000s)				
			Operating		Capital		
Dept/Div	Description	(\$000s)	Property taxes	Reserves / Capital/ Other	Property taxes	RDC	User Rates
Contemplated Budget Issue Papers total		\$3,402	\$2,130	\$296	\$4,054	\$1,385	\$94
	2016 incremental levy impact	\$2,130					
	2017 incremental levy impact	\$1,339					
	2018 incremental levy impact	(\$67)					
	Subtotal	\$3,402					
Capital Financing:							
	Property tax levy						
	Debentures				\$3,681	\$819	
	Reserves				\$373	\$566	\$94
	Subtotal				\$4,054	\$1,385	\$94

Appendix E – 2016 Capital Program Changes
(\$millions)

Program area	2016 capital expenditure projection from 2015 budget	Proposed 2016 capital expenditure (excluding carryforwards)	Change
Rapid Transit	110.1	103.3	(6.8)
Transportation	109.0	108.6	(0.4)
Wastewater	68.1	56.2	(11.9)
Water	33.1	25.1	(8.0)
Facilities Management	32.0	14.2	(17.8)
Waste Management	15.6	10.8	(4.8)
Transit Services	13.8	9.8	(4.0)
Waterloo Regional Police	11.8	5.3	(6.4)
Waterloo Region Housing	8.7	5.1	(3.5)
Region of Waterloo International Airport	7.3	4.6	(2.7)
Children's Services	2.5	1.9	(0.6)
Paramedic Services	2.3	1.2	(1.1)
Information Technology Services	2.2	1.6	(0.7)
Economic Development	1.5	0.7	(0.8)
Planning	1.0	1.1	0.1
Waterloo Region Museum	0.9	1.0	0.1
Joseph Schneider Haus	0.6	0.7	0.2
Fleet Services	0.4	0.3	(0.1)
Seniors' Services	0.4	0.1	(0.2)
Water Distribution	0.4	0.4	0.0
Financial Services & Development Financing	0.3	0.1	(0.2)
Region of Waterloo Library	0.2	0.2	0.0
Human Resources & Citizen Service	0.2	0.1	(0.1)
Wastewater Collection	0.2	0.2	0.0
Council & Administrative Services	0.1	0.1	(0.0)
Public Health	0.1	0.1	0.0
Design & Construction	0.1	0.2	0.0
McDougall Cottage	0.1	0.1	0.0
Capital Grants	0.1	0.1	0.0
Non-Profit Co-op Housing	0.0	4.1	4.1
TOTAL EXPENDITURE	422.9	357.3	(65.6)

Appendix F – 2016 Budget Schedule

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



**Region of Waterloo
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Information Paper

WATER SUPPLY

Budget Committee Date: November 18, 2015

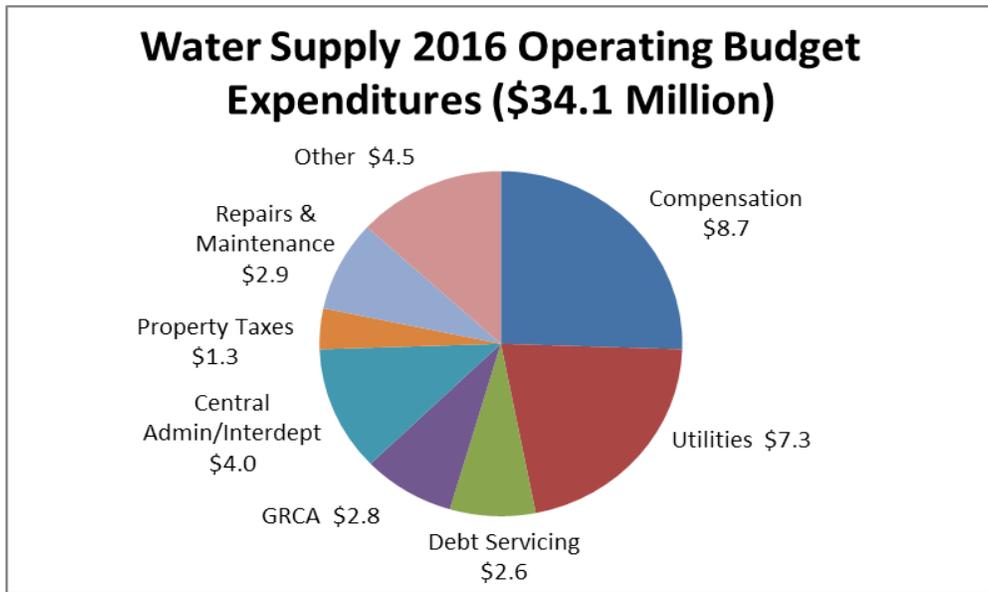
The Region's Water Services Division is responsible for the production and delivery of safe and potable drinking water directly to seven area municipalities and indirectly to the Region's residents and businesses in accordance with all applicable legislation and Regional policy. The Water Services Division is the wholesaler of water to the City of Kitchener, City of Waterloo, City of Cambridge, Township of Wilmot and Township of Woolwich. The Region is also fully responsible for the public water system in the Township of North Dumfries and Township of Wellesley, including both water supply and distribution. The Region's water system annually supplies approximately 54 million cubic metres of water through 20 ground water supply systems, over 100 water supply wells and one surface water treatment plant.

Water Supply - Operating Budget

Water operating expenditures are projected to increase by 1.4% in 2016 to \$34.1 million. A detailed review of all expenditures was completed during the 2016 budget process and resulted in budget reductions in several areas including hydro, lab and security services as well as minor adjustments to maintenance and repairs. These reductions total \$303,000. The main pressure on the water budget in 2016 is the projected inflationary increase in hydro costs. The \$6.8 million hydro budget from 2015 has been increased by \$231,000 to \$7 million in 2016.

The proposed 2016 operating budget also includes funding for the Grand River Conservation Authority (GRCA) of \$ 2.8 million and a provision to fund discretionary Regional Development Charge (RDC) exemptions of \$0.25 million.

The Water Supply Operating Budget is summarized in the following chart:

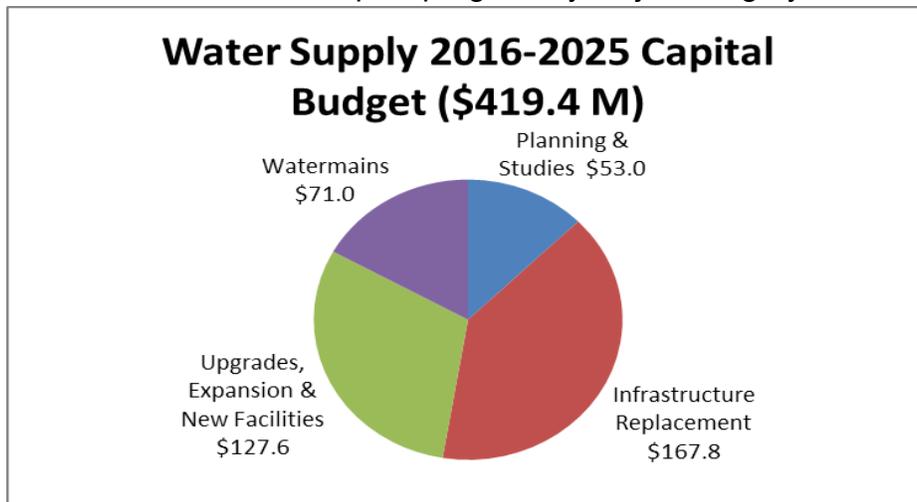


There is one Water Supply-related Budget Issue Paper proposed for 2016 which relates to the conversion of a temporary contract position to permanent to support water efficiency programs. (See page 21 of the Budget Issue Paper package.)

Water Supply - Capital Program

The proposed 2016-2025 Water Capital Program is \$419 million, which is approximately \$21 million lower than the 2015-2024 Capital Program. The Capital Program remains stable and continues to reflect the Master Plan recommendations by focusing on the water supply and distribution program of optimizing and sustaining existing systems. The Master Plan identified the importance of a long term program for replacing and upgrading aging existing infrastructure as part of the Water Services Asset Management initiatives and is reflected in the capital program.

The chart below shows the water capital program by major category:



Water Supply - Capital Program Financing

The Water Supply capital program is funded from user rates and Regional Development Charges (RDC). Financing in both cases is from the Water Reserve (previous and current year contributions) and, when required, from debentures (to be funded by either future users or development).

As outlined in the Annual Adequacy of Regional Development Charge Collections Review report (COR-FSD-15-17 dated October 27, 2015), staff has undertaken a detailed analysis of capital plan financing options as a result of lower than anticipated RDC collections. This analysis included a review of all RDC reserve funds and projected collections in order to assess capital program affordability over the next 10 years and reviewed the timing of growth-related capital projects.

The proposed financing plan for the water supply capital program provides for certain growth-related projects to be debt financed in order to spread the cost over a longer period and better match costs to anticipated RDC revenues. Growth related debt issued for a 10-year term is proposed for the following projects:

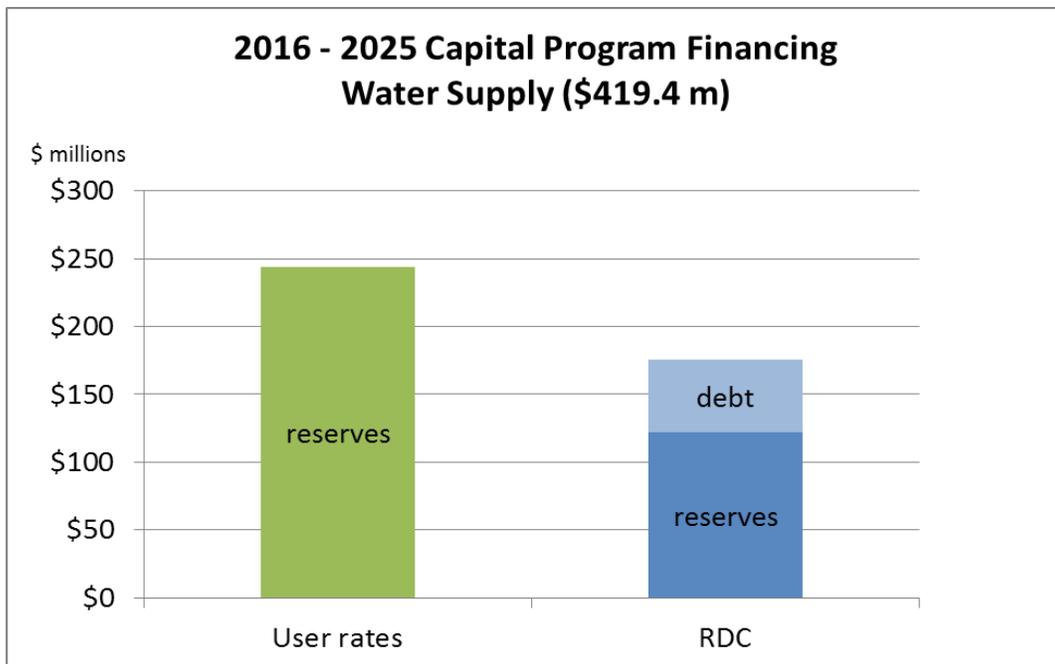
Growth-related Water Capital Works	Growth Related Debt (\$ m)	Year of Debt Issuance
Facilities Upgrades	\$26.8	2019-2025
Pumping and Storage Facilities System Expansion	\$10.0	2021-2025
Production Treatment Facilities System Expansion	\$10.0	2021-2025
Long Term Water Supply Aquifer Storage and Recovery Stages 1 and 2	\$7.1	2022-2025
TOTAL	\$53.9	

As indicated in the table above, it is not anticipated that growth related debt will be required until 2019 at the earliest. The \$53.9 million estimate of debenture financing for part of the RDC component represents 31% of the total ten year growth-related capital costs for Water Supply.

With respect to non-growth related projects, 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 fully funded from the Water Capital Reserve Fund).

The Ten Year Water Supply capital financing plan is summarized as follows:

2016-2025 Capital Program		(\$ m)
Capital funding and financing sources	Capital reserve (including Equipment/Vehicle reserves)	\$243
	Debt recovered from future user rates	\$0
	Development charge reserve funds	\$122
	Debt recovered from future development charges	\$54
Total ten year capital investment		\$419



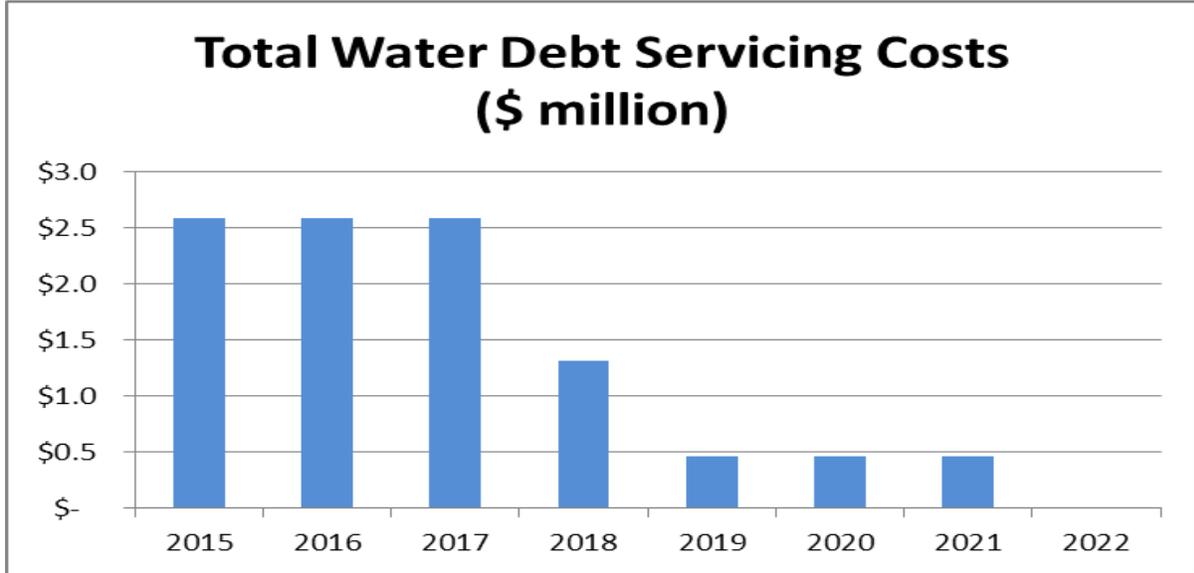
This proposed financing plan will spread the cost of significant infrastructure projects over a broader group of benefitting users at a more affordable rate.

Staff will continue to explore additional strategies in the first half of 2016 and will report back to Committee with recommendations for financing future capital program updates.

Debt Projections

As indicated above, user rate supported debenture financing is not expected to be needed over the term of the forecast. Debentures were issued in 2007, 2008 and 2011 and the associated debt servicing costs have been included in the operating budget. The chart below shows 2015 and future debt servicing costs funded by the water rate. It is noted that significant debt retirements will be occurring in 2017 and 2018 by 2022

there will be no debt servicing payments for non-growth related capital work. This is consistent with the goal of achieving pay-as-you-go for infrastructure renewal and replacement projects.



Debt servicing costs associated with any debt issued for growth related purposes will be funded from the Water Development Charge Reserve Fund. It is recommended that in future years, reductions to debt servicing costs be transferred to the appropriate reserve to be used to reduce the reliance on debenture financing for the renewal and replacement of infrastructure.

Grand River Conservation Authority (GRCA) Levy

The Region is the largest funder of the GRCA. The Region’s share of the GRCA levy has been funded from water and wastewater rates since 2004. The Region’s preliminary 2016 operating budget for water and wastewater includes a provision of \$6.2 million for GRCA (an increase of 3.0% over the Region’s 2015 provision). The final GRCA levy may result in a minor variance in the water and wastewater programs.

Water Rate

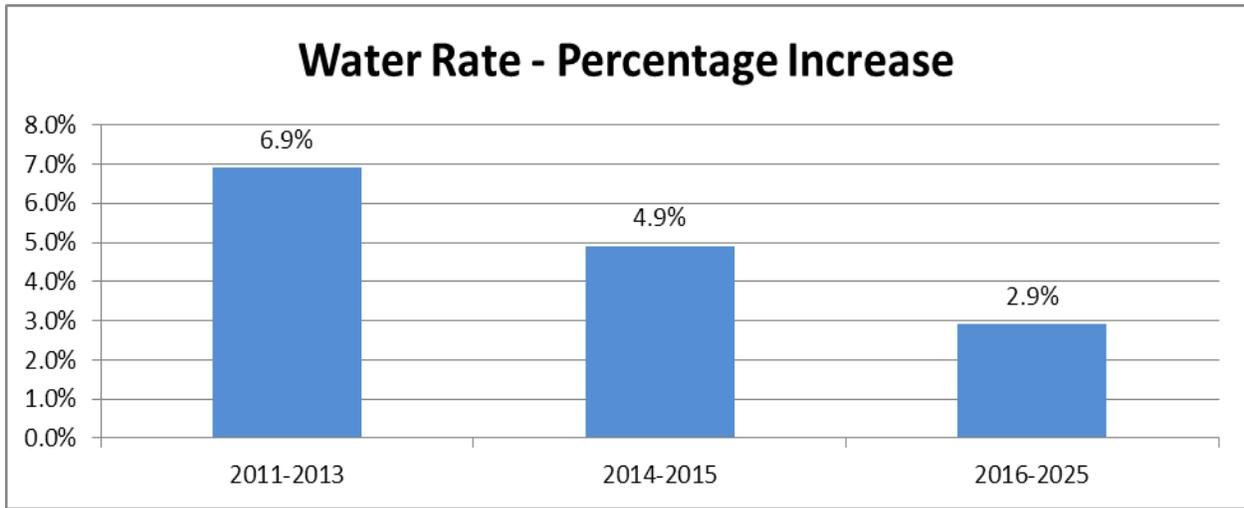
The ten year rate model presented during the 2015 budget process projected a 2016 water rate increase of 3.9%. Staff is recommending a 2.9% water rate increase for 2016 largely as a result of changes in the capital program.

Although water demand in the Region experienced a significant decline for a number of years, water demand has remained fairly consistent since 2012. The 2016 budget projects a 0.3% increase in water volume over 2015 budgeted levels.

The ten year rate model for 2016-2025 has been included in the 2016 Preliminary Budget Book. The 2016-2025 rate model reflects a lower rate of increase in 2016 and projects rate increases to continue at 2.9% in years 2017 to 2025. The rate model

includes revenue, operating and capital budgets and forecasts the amount of debentures required to finance various capital works. The budget impact of the two Water Services budget issue paper has not been included in the rate model but a sensitivity analysis indicates that the impact of these issue papers will not require an adjustment to the recommended rate increase.

The following graph depicts the projected water rate percentage increase from 2011 to 2025.



The following chart compares the average household impact from 2015 to 2016. It assumes rate increases are effective March 1. To estimate an annual household impact, January and February are calculated at the prior budget year's approved rate and the remaining months, March to December, are calculated at the rates approved/proposed in the current budget year. Annual average consumption is assumed to be constant at 204m³.

	<u>Rates per cubic metre</u>		<u>Annual Household Impact</u>		
	2015	2016	2015	2016	Increase
Water	\$ 0.9776	\$ 1.0060	\$197.88	\$204.25	\$6.37



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WASTEWATER TREATMENT

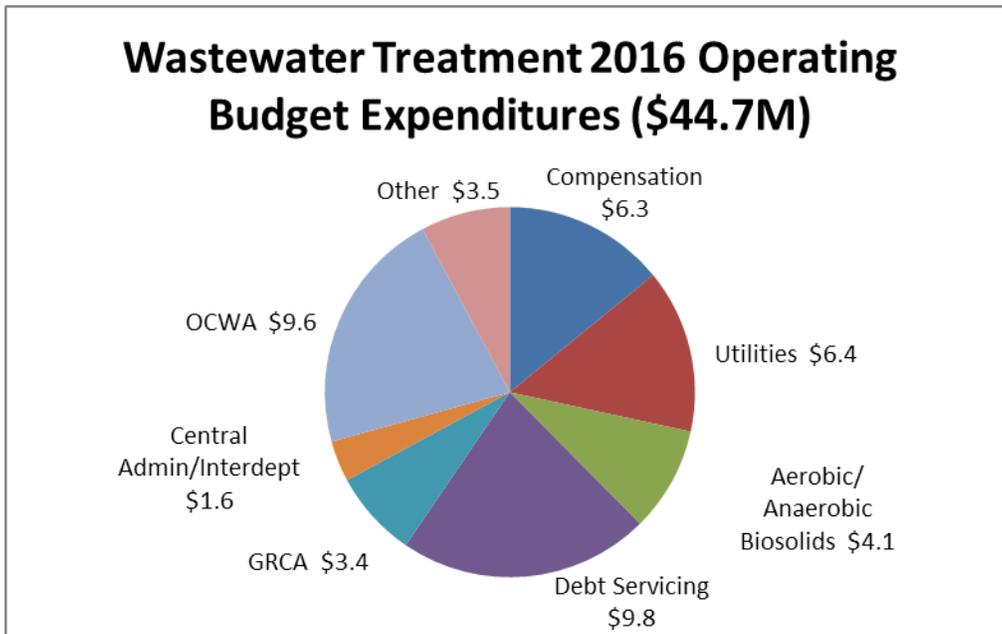
Budget Committee Date: November 18, 2015

The Region's Water Services Division provides wastewater treatment services to the seven area municipalities and is responsible for protecting the environment and accommodating growth in the community, in compliance with all applicable regulation and Regional policy. There are 13 wastewater treatment plants, one biosolids processing facility and six pumping stations treating approximately 66 million cubic metres annually. Wastewater laboratory services is part of the wastewater treatment program and it monitors and enforces the Region's Sewer Use By-law, provides analytical laboratory support services and spills response services.

Wastewater Treatment - Operating Budget

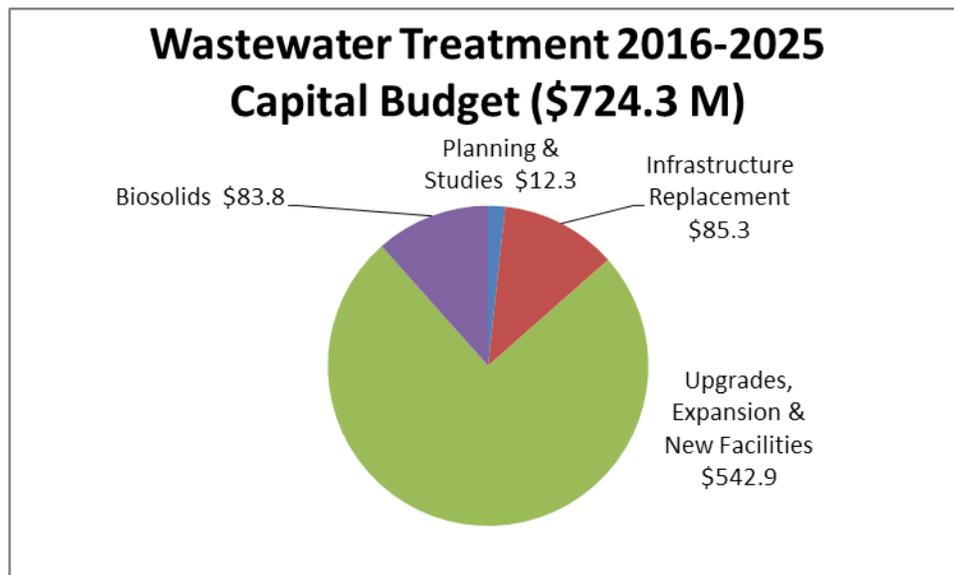
Excluding debt servicing costs, Wastewater Treatment operating expenditures are projected to increase by 0.6% in 2016 to \$44.7 million. The 2016 budget benefits from the new Aerobic Biosolids tender, approved in August 2015, which resulted in a \$400,000 savings to the operating budget. A detailed review of all expenditures during the 2016 budget process has resulted in further minor reductions, such that the total reductions identified in 2016 are \$576,000. A primary pressure to the 2016 wastewater treatment operating budget is the projected inflationary increase in hydro costs. The \$5.4 million hydro budget from 2015 has been increased by \$268,000 to \$5.6 million in 2016.

Funding for the Grand River Conservation Authority (GRCA) of \$3.4 million and for discretionary Regional Development Charge (RDC) exemptions of \$0.5 million is included in the proposed 2016 Operating Budget.



Wastewater Treatment - Capital Program

The proposed 2016-2025 Wastewater Treatment capital program is \$724 million which is approximately \$34 million less than the 2015-2024 program. There are two major wastewater treatment plant upgrade projects currently underway (Waterloo and Kitchener). There continues to be significant progress at the Kitchener WWTP, with the completion of Contracts 1A and 1B. Contract 2, which includes the Energy Centre and Digester Upgrades, is ongoing. Contract 3, which focuses on secondary treatment and new headworks, was tendered in 2015 and construction will be ongoing through 2016. Contract 4, which focusses on tertiary treatment and a new effluent outfall, was also tendered in 2015 with construction ongoing through 2016. The chart below shows the wastewater capital program by major category.



Wastewater Treatment - Capital Program Financing

The Wastewater Treatment capital program is funded from user rates and Regional Development Charges (RDCs). Financing in both cases is from the applicable Wastewater Reserves (previous and current year contributions) and from debentures (to be funded by future users and development).

As outlined in the Annual Adequacy of Regional Development Charge Collections Review report (COR-FSD-15-17 dated October 27, 2015), staff has undertaken a detailed analysis of capital plan financing options as a result of lower than anticipated RDC collections. This included a review of all RDC reserve funds, projected collections in order to assess capital program affordability over the next 10 years, and the timing of growth-related capital projects.

On the wastewater treatment 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, as will the RDC collections. Accordingly, the proposed financing plan for the wastewater capital program provides for certain growth-related projects to be debt financed in order to spread the cost over a longer period and better match costs to anticipated RDC revenues. Growth related debenture financing is proposed for the following projects:

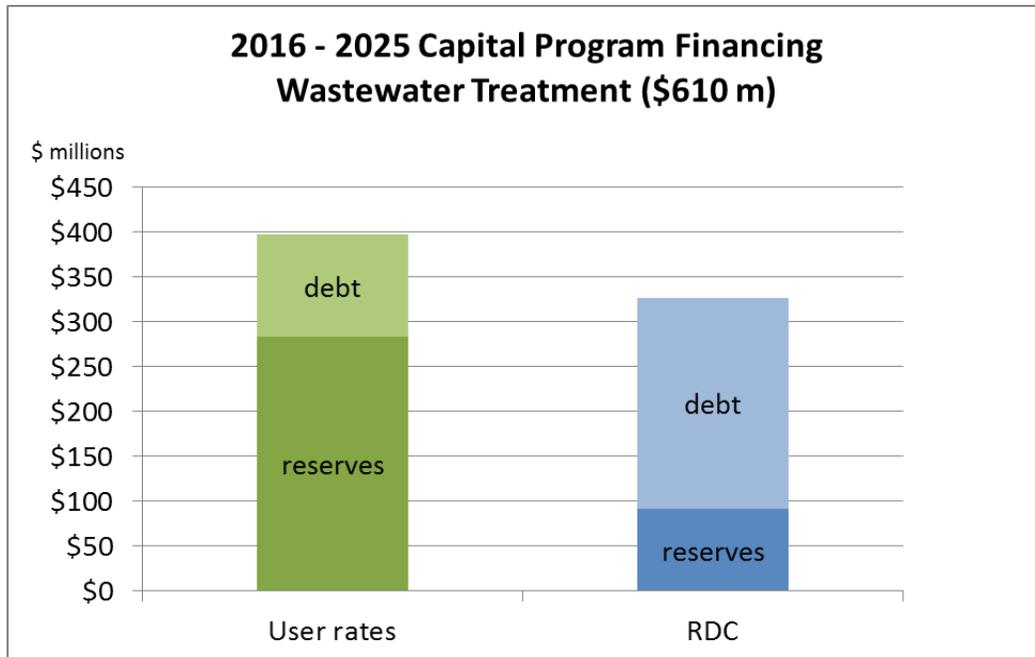
Growth Related Wastewater Capital Works	Growth Related Debt (\$ m)	Years of Debt Issuance
Galt Process Upgrades & Expansion	\$19.0	2016-2025
Waterloo Process Upgrades	\$1.6	2016-2017
Kitchener Process Upgrades	\$66.9	2016-2025
Waterloo Expansion	\$148.0	2017-2025
TOTAL	\$235.5	

As indicated in the table above, a total of \$235.5 million in growth related debt will be required over the Ten Year period representing 72% of the ten year growth-related capital costs for Wastewater Treatment.

With respect to non-growth related projects, 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 a 10 year term.

The Ten Year Wastewater Treatment Capital financing plan is summarized as follows:

2016-2025 Wastewater Capital Program		(\$ m)
Capital funding and financing sources	Capital reserve (including Equipment/Vehicle reserves)	\$283
	Debt recovered from future user rates	\$114
	Development charge reserve funds	\$91
	Debt recovered from future development charges	\$236
TOTAL		\$724

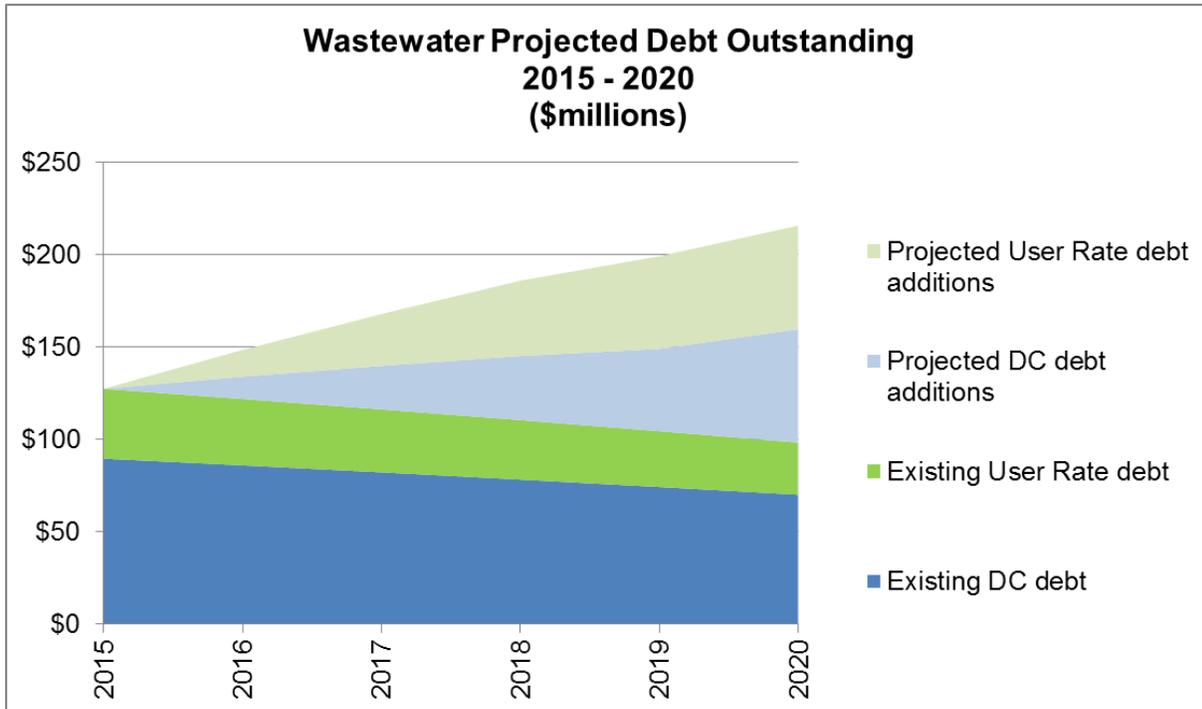


This proposed financing plan will spread the cost of significant infrastructure projects over a broader group of benefitting users and provide more capacity particularly in the Wastewater Reserve Fund to manage in-year revenue fluctuations and any potential shortfalls in development charge collections.

Staff will continue to explore a number of additional strategies in the first half of 2016 and will report back to Committee with recommendations for financing future capital program updates. Capital plan financing will also be reviewed as part of the Wastewater Master Plan update.

Debt Projections

Debenture financing is forecast in the wastewater rate model to achieve a balance between rate increases and debentures issued. The following chart shows projected debt outstanding for user rate and development charge support debt over the next 5 years



Should the Wastewater Development Reserve Fund be unable to cover the related debt servicing charges, these payments would have to be interim funded by Wastewater rate revenue.

Grand River Conservation Authority (GRCA) Levy

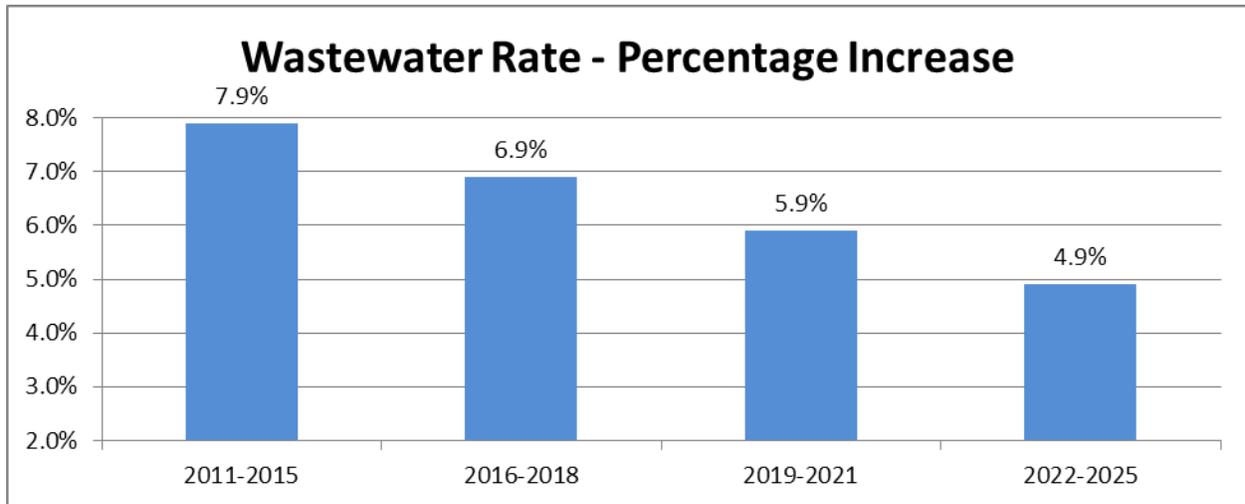
The Region’s share of the GRCA levy has been funded from water and wastewater rates since 2004. The Region’s preliminary 2016 operating budget for water and wastewater includes a provision of \$6.2 million for GRCA (an increase of 3.0% over the Region’s 2015 provision). The final 2016 budgets for water and wastewater will be adjusted to reflect the final GRCA levy. These final adjustments will have no impact on the proposed water and wastewater rates.

Wastewater Rate

Staff is recommending a wastewater treatment rate increase of 6.9% in 2016, consistent with the projection provided during the 2015 budget. The model forecasts \$114 million in debentures required for the non growth portion of two significant capital projects, issued over a 10 year term.

The projected rate increases are 6.9% 2016 to 2018, and 5.9% for 2019 to 2025.

The following graph depicts actual and projected wastewater rate percentage increases from 2011 to 2025.



As previously noted, rate increases and debenture requirements are determined using the wastewater rate model. This model includes revenue, operating and capital budgets and forecasts the amount of debentures required to finance various capital works.

The following chart compares the average household impact from 2015 to 2016. It assumes rate increases are effective March 1st. To estimate an annual household impact, January and February are calculated at the prior budget year’s approved rate and the remaining months, March to December, are calculated at the rates approved/proposed in the current budget year. Annual average wastewater volume is assumed to be constant at 204m³.

	<u>Rates per cubic metre</u>		<u>Annual Household Impact</u>		
	2015	2016	2015	2016	Increase
Wastewater	\$ 0.9441	\$ 1.0092	\$190.25	\$203.67	\$13.42



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WATER DISTRIBUTION & WASTEWATER COLLECTION

Budget Committee Date: November 18, 2015

The Region assumed ownership of the water distribution and wastewater collection systems in the Township of North Dumfries and Township of Wellesley in 2005. Water Services operates and maintains the water distribution system consisting of watermains, hydrants and valves, ensuring that drinking water always meets all applicable regulations and serving the villages of Linwood, Heidelberg, St. Clements, Wellesley, Ayr, Lloyd Brown, Branchton Meadows and Roseville. The wastewater collection system consists of sewer mains and manholes and is operated and maintained in accordance with all applicable regulations and legislation.

Water Distribution – Operating Budget

The proposed 2016 Operating Budget is increasing by 6.1% to \$1.7 million and includes a wholesale water rate increase of 2.9%. Minor increases were made to system maintenance and repair budgets to reflect the Region's commitment to identifying and repairing leaks in the system. Wholesale volumes have been adjusted to more accurately reflect actual demand within the Townships of North Dumfries and Wellesley. The Water Capital Program Budget Issue Paper proposes an increase to staff complement for water distribution of one temporary summer student to assist with an increased workload during summer months.

Water Distribution – Capital Program

The proposed 2016-2025 Water Distribution capital program is \$8.9 million which is approximately \$0.5 million higher than the 2015-2024 capital program. It includes provisions for Watermain and Valve Replacements, future meter replacements and fleet purchases and is funded by the Water Distribution Reserve Fund and Equipment Reserve.

Water Distribution - Rate

The 2016 water distribution rate is recommended to increase by 8.9% to \$2.37 per cubic metre. This is the same rate increase recommended for 2016 that was projected in last year's budget process. The rate increase and monthly service charge are determined using the water distribution rate model. This model includes revenue, operating and capital budgets and forecasts the annual rate adjustments and the amount of debentures required to finance various capital works. The budget impact of the Water Capital Program budget issue paper has not been included in the rate model but a sensitivity analysis indicates that the impact of this issue paper will not require an adjustment to the recommended water distribution rates. The 10 year water distribution rate model is updated each year and is included in the preliminary 2016 budget book for review.

The recommended monthly service charge remains unchanged from the previous year at \$8.00 per month. The service charge assists with covering fixed costs. Due to rising fixed costs, it is projected that the monthly service fee will increase to \$9.00 in 2017 and \$10.00 in 2019.

Wastewater Collection – Operating Budget

The proposed 2016 Wastewater Collection operating budget is increasing by 5.6% to \$926,000 which includes a wholesale wastewater rate increase of 6.9% and an adjustment in wastewater volumes to reflect the actual collection of wastewater within the Townships of North Dumfries and Wellesley.

Wastewater Collection – Capital Program

The proposed 2016-2025 Wastewater Collection capital program is \$3.65 million. The capital program is largely unchanged from 2015-2024. It includes provisions for the replacement and upgrade of collection mains and is funded by the Wastewater Collections Reserve Fund.

Wastewater Collection - Rate

The 2016 wastewater collection rate is recommended to increase by 5.9% to \$1.90 per cubic metre. This is the same rate increase projected for 2016 as in last year's budget process. The rate increase, monthly service charge and debenture requirements are determined using the wastewater collection rate model. This model includes revenue, operating and capital budgets and forecasts the annual rate adjustments and the amount of debentures required to finance various capital works. The 10 year wastewater collection rate model is updated each year and is included in the preliminary program budget book for review.

The recommended monthly service charge remains unchanged at \$6.00 for 2016. The 2015 budget had proposed a \$1.00 increase for 2016. It is projected that the monthly service fee will increase to \$7.00 in 2017.

Summary

The following chart compares the average household impact from 2015 to 2016. It assumes rate increases are effective March 1. To estimate an annual household impact, January and February are calculated at the prior budget year’s approved rate and the remaining months, March to December, are calculated at the rates approved/proposed in the current budget year. Annual average consumption is kept constant at 204m³.

	2015	2016	Increase	<u>Household Impact</u>		
				2015	2016	Increase
Water Distribution						
Usage Rate (per m3)	\$2.18	\$2.37	\$0.19	\$437.97	\$476.90	\$38.93
Monthly Charge	\$8.00	\$8.00	-	94.00	96.00	2.00
				\$531.97	\$572.90	\$40.93
Wastewater Collection						
Usage Rate (per m3)	\$1.79	\$1.90	\$0.11	\$361.71	\$383.85	\$22.14
Monthly Charge	\$6.00	\$6.00	-	70.00	72.00	2.00
				\$431.71	\$455.85	\$24.14



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USER RATES – COUNCILLOR REQUESTS

Budget Committee Date: November 18, 2015

Budget Committee requested that staff report back on two items relating to the proposed 2016 User Rates Budgets.

1. Impact of reduced Water and Wastewater Rate increases

The recommended increase in water and wastewater rates for the 2016 budget is 2.9% and 6.9% respectively. The recommended water increase is lower than the projected 2016 increase of 3.9% in the 2015 budget primarily due to changes in the capital program. The recommended increase in wastewater rates is consistent with that projected in the 2015 budget.

Staff were requested to consider the implications of having a 2016 rate increase lower than the recommended increases by 0.5% and 1.0%. The determination of rate revenue increases is complex as it must address both short- and long-term operating costs and provide funding for capital infrastructure.

Before lowering the rate increase, the following factors should be considered:

- a. **Rate Revenue:** Both wholesale water and wastewater revenues are largely dependent on weather. Given the large swings in temperature and variable levels of rain/snowfall, the rate revenue collected can vary significantly. For example in 2015 cold winter conditions with a slow spring temperature increase, coupled with lower than average rainfall, are projected to be the primary driver of a projected loss of \$7 million in wastewater revenue. Accordingly, adequate reserve fund balances are necessary to mitigate unforeseen fluctuations whether it is due to seasonal conditions or industrial demand in order to smooth the impacts of operating surpluses and deficits.
- b. **Value of Assets and Capital Program:** The provision of water and wastewater services are capital intensive operations, as shown in the following table:

(\$ million)	Historical asset value	Estimated replacement asset value	2016-2025 capital forecast	Projected 2015 Reserve Balance
Water Supply	\$259.0	\$886.6	\$419.4	\$34.8
Wastewater Treatment	\$248.2	\$1,014.8	\$724.3	\$11.5
TOTAL	\$507.2	\$1,901.4	\$1,143.7	\$46.3

The replacement and renewal of existing assets should be funded by user rate revenues/reserves to the greatest extent possible, while long term financing is more appropriate for major infrastructure upgrades and expansions. The Water and Wastewater Reserve Funds are required to fund expenditure variances, revenue variances and to provide funding to support the capital program. As shown in the table above, the reserve balances are a fraction of the asset values. Accordingly, there is a significant need to develop robust capital reserves for both water and wastewater.

- c. Potential interim funding for RDC related debt servicing costs: To date the Region has issued \$93 million in growth related debt to be funded from future development charge collections. Should RDC collections not be sufficient, interim funding would be required from the user rate revenues/reserves.

A single year reduction to the proposed rate increases would have the following impacts:

WATER	Recommended rate increase	-0.5% in 2016	-1.0% in 2016
Rate increase	2.9%	2.4%	1.9%
Total rate revenue (\$000)	\$54,856	\$54,630	\$54,403
Rate revenue reduction (\$000)	--	\$226	\$453
Ending reserve balance in 2016 (\$000)	\$40,924	\$40,695	\$40,465

WASTEWATER	Recommended rate increase	-0.5% in 2016	-1.0% in 2016
Rate increase	6.9%	5.4%	5.9%
Total rate revenue (\$000)	\$64,221	\$63,969	\$63,717
Rate revenue reduction (\$000)	--	\$252	\$504
Ending reserve balance in 2016 (\$000)	\$13,590	\$13,335	\$13,080

Reducing the 2016 user rate increases would reduce the amount of funding available in reserves. As indicated above, these reserves are needed to mitigate operating expenditure and revenue variances, provide a source of funding for the \$1 billion water and wastewater capital program, and potentially be required to interim finance debt servicing costs which will ultimately be repaid by development charges.

The following chart shows the 2015 rate increases across the three cities and the Region.

Water Rates per cubic metre

	2014	2015	\$ increase	% increase
Kitchener	\$1.7633	\$1.9379	\$0.1746	9.90%
monthly service fee	no fee	no fee	no fee	no fee
Waterloo	\$1.6000	\$1.6600	\$0.0600	3.75%
monthly service fee	\$2.85	\$2.91	\$0.06	2.11%
Cambridge	\$1.8327	\$1.9338	\$0.1011	5.52%
monthly service fee	\$8.93	\$7.95	(\$0.98)	-10.97%
Region	\$0.9319	\$0.9776	\$0.0457	4.90%
monthly service fee	no fee	no fee	no fee	no fee

Wastewater Rates per cubic metre

	2014	2015	\$ increase	% increase
Kitchener	\$1.9783	\$2.1742	\$0.1959	9.90%
monthly service fee	no fee	no fee	no fee	no fee
Waterloo	\$2.0000	\$2.1000	\$0.1000	5.00%
monthly service fee	no fee	no fee	no fee	no fee
Cambridge	\$1.8023	\$1.9514	\$0.1491	8.27%
monthly service fee	\$5.56	\$5.84	\$0.28	5.04%
Region	\$0.8750	\$0.9441	\$0.0691	7.90%
monthly service fee	no fee	no fee	no fee	no fee

2. Reserves and Reserve Funds

Staff was requested to provide information relating to options for borrowing between water and wastewater reserves.

The Municipal Act, 2001 (The “Act”) sets out the statutory authority for Council to establish reserves and reserve funds. The Act requires that the purpose of each reserve and reserve fund be specified when created by Council. Furthermore, the purpose of a reserve may not be converted to another use without Council’s approval.

In 2007, the Ministry of Environment released Ontario Regulation 453/07 requiring that all municipalities complete a Financial Plan for their drinking water system. Drinking water system owners are required to prepare a financial plan for their drinking water system as part of the new Municipal Drinking Water Licensing Program as set out in Part V of the ‘Safe Drinking Water Act’. Having separate reserves and reserve funds assists with meeting this Ontario Regulation.

A review of relevant legislation and regulations finds no restriction on a municipal council’s ability to borrow between discretionary reserves and reserve funds.

The Region develops and manages separate budgets for Water Supply, Wastewater Treatment, Water Distribution and Wastewater Collection. Each program has its own budgets, user rates and reserves. Each service has a separate rate and reserve fund to ensure full-cost recovery by service, as each service is not uniformly available to all residents of the Region. As indicated above, these reserves are needed to mitigate operating expenditure and revenue variances, provide a source of funding for the \$1 billion water and wastewater capital program and potentially be required to interim finance debt servicing costs which will ultimately be repaid by development charges.

Each individual 10 year rate model projects adjustments to rates to reflect the varying expenditure, revenue and capital investment factors identified above.



**Region of Waterloo
Corporate Services
Treasury Services**

**Community Services
Employment & Income Support**

2016 Budget

Information Paper

**2016 ONTARIO WORKS ALLOWANCES & BENEFITS AND TAX STABILIZATION
RESERVE FUND PROJECTION**

Budget Committee Date: November 18, 2015

Background

The provision of social assistance to eligible residents of the Region of Waterloo is a shared responsibility between the Province of Ontario and the Region of Waterloo. The Province determines benefit levels, eligibility criteria and cost share percentages. The Region, through the Employment and Income Support Division of the Community Services Department, is responsible for administering the program to eligible residents of Waterloo Region.

As part of the provincial uploading of social assistance costs, the Province will assume the municipal share of Ontario Works (OW) allowances and benefits by 2018. In 2016, the cost sharing ratio will be 94.2% provincial / 5.8% municipal. The Province also provides cost sharing on Ontario Works Administration (50% provincial / 50% municipal) and Ontario Works Employment programs (94.2% provincial / 5.8% municipal in 2016).

Social Assistance Allowances

For income support programs, a key measure of activity is the number of cases receiving social assistance at any given time, also known as the caseload. The number of individuals that makes up one case depends on the number of adults and children in a family unit.

The regular caseload is comprised of those cases which receive social assistance benefits in a given month. This caseload is reported to Regional Council on a regular basis and forms part of the operating budget for the Region.

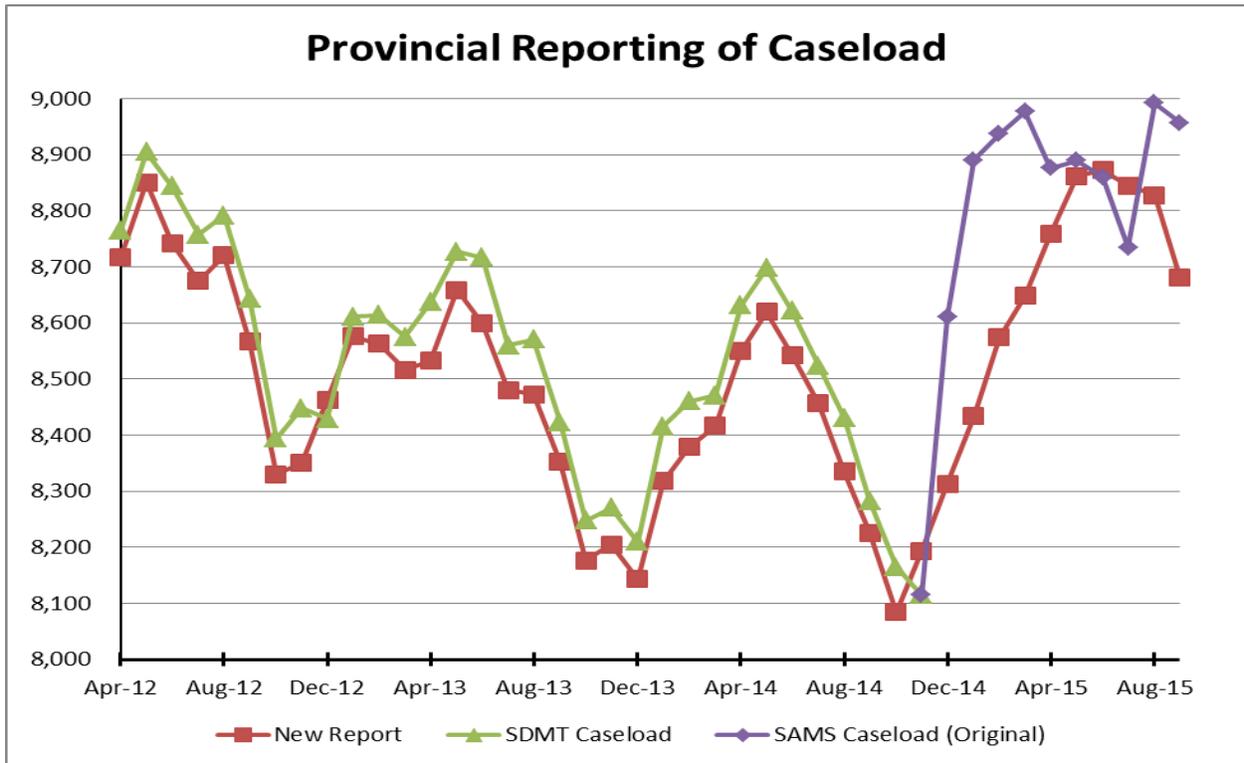
Social Assistance Management System

The Province is responsible for providing delivery agents with the technology to deliver social assistance in Ontario. Delivery agents are required to use this technology to manage the caseload for their jurisdiction.

In November 2014, the Province implemented a new technology platform, the Social Assistance Management System (SAMS). Council has received reports regarding the implementation of SAMS. In determining the regular caseload for Waterloo Region, staff have been using a report from the Province that includes both caseload and expenditure information. This report, received on a monthly basis, has shown an increased caseload since SAMS implementation.

In June 2015 the Province began providing municipalities with a new report, SAMS Transition Performance Reports. These reports provide a number of performance metrics for each delivery agent, including caseload. The revised caseload count, which is provided from April 2012 to present day, varies from the previously provided reports from both the old technology and since SAMS implementation. In all but four months, the new caseload count is lower than the one that has been used in the past. The following chart provides a summary of the change.

It is concerning that SAMS is providing two caseload counts for Waterloo Region. The Province has advised municipalities to use the new transition report as the official caseload, but the notes to the report state “The ministry is still validating the caseload data. Information shown does not represent the official Ontario Works caseload statistics.”



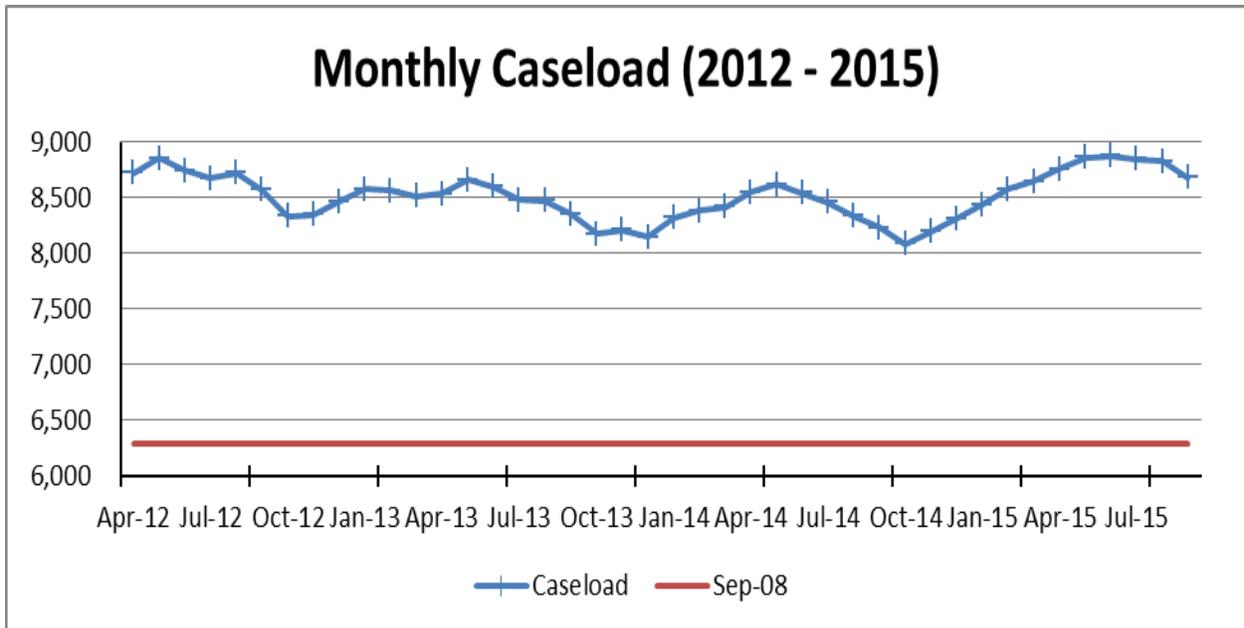
The reporting of a lower caseload results in an increased cost per case for the Region as the over all expenditures for OW allowances does not change. The following table summarizes the impact of a lower caseload for the 2013 to 2015 period:

	2013 Actual	2014 Actual	2015 Estimate
Net Expenditures	\$63,634,125	\$66,836,418	\$69,158,000
Previous Caseload	8,514	8,453	8,918
Cost per Case	\$622.84	\$658.90	\$646.24
New Caseload	8,440	8,370	8,700
Cost per Case	\$628.30	\$665.44	\$662.43
% change	0.88%	0.99%	2.51%

For the purposes of the 2016 budget and reporting on caseload, staff has used the new caseload count provided by the Province.

Overview of Caseload 2014 and 2015

The Region’s caseload continues to remain at high levels with the average 2014 caseload being at 8,370 and the year to date 2015 (September) caseload averaging 8,723 cases. In the 3rd quarter of 2015, caseload has declined to 8,681 cases, down 150 cases from June 2015, the highest caseload reported to date (8,873 cases). However, the September caseload continues to be 38% higher that September 2008’s caseload of 6,292 cases.



In order to manage the workload impacts of the increased caseload, Council added 8.0 FTE temporary full time caseworkers to the Region's staffing complement. These positions are funded 50% by the Province of Ontario and 50% by the Region's property tax levy.

Benefits Provided to Social Assistance Recipients

In addition to social assistance under the Ontario Works Act, the Region also provides various benefits to eligible recipients.

Mandatory Benefits

Municipalities are required to provide certain benefits to individuals who receive assistance from either Ontario Works or the provincially administered and funded Ontario Disability Support Program (ODSP). These benefits include vision and dental care for dependent children under the age of 18, prescription drug benefits, diabetic supplies, medical transportation, surgical supplies and dressings, guide dog benefits, employment start-up benefits, batteries and necessary repairs for mobility devices, child care start up costs, and transition child benefit. All eligible expenditures are cost shared with the Province at the same ratio as social assistance allowances and there is no cap on overall expenditures. The Region's 2016 proposed budget includes \$2.14 million for mandatory benefits, no change from the 2015 Budget.

Discretionary Benefits

In addition to mandatory benefits, municipalities can elect to provide discretionary benefits to social assistance recipients who receive Ontario Works or ODSP allowances. The Ontario Works Discretionary Benefits program (OWDB) provides benefits such as vision, hearing and dental care to adults, interpreter services for social assistance recipients, food stability programs (food hampers), eviction prevention, rental arrears and energy assistance programs.

In July 2012, the Province capped the level of expenditures it would cost share at \$10.00 per OW and ODSP case per month. Prior to this change the amount that could be cost shared was unlimited. As a result of this change, the amount the province would cost share declined from \$5.9 million to \$2.5 million. During the 2013, 2014 and 2015 budgets, Council added \$2.0 million in additional funding to the program to provide \$4.47 million in funding. The following chart summarizes the budget for OWDB from 2012 to 2016.

	2012	2013	2014	2015	2016
Expenditure	\$5,923,338	\$4,467,200	\$ 4,467,200	\$ 4,467,200	\$4,467,200
Funding:					
Provincial Subsidy *	\$4,904,523	\$2,116,858	\$ 2,185,939	\$ 2,255,000	\$2,324,100
Tax Stabilization Reserve Fund		625,000	500,000		
Capital Levy Reserve		375,000			
CHPI Funding				500,000	500,000
Regional Levy Contribution	\$1,018,815	\$ 1,350,342	\$ 1,781,261	\$ 1,712,200	\$1,643,100

* 2013-16 Provincial subsidies are increasing due to uploading of social assistance costs.

No changes to the budget for OWDB are contemplated in the proposed 2016 Budget.

2015 Expenditures

As reported in the September 2015 Periodic Financial Report (COR-TSY-15-101 dated October 27, 2015) the OWDB program costs are projected to exceed the budget by \$446,000 at year end mainly due to dental services benefits (\$832,000). Offsetting these additional costs are savings in funerals, interpreter services, emergency response and travel costs. Staff is undertaking a review of the OWDB program and will be making recommendations to Committee in December.

Benefits to Non Recipients

Finally, the Region has elected to provide a limited number of benefits to low income individuals that are not eligible for social assistance. These benefits are funded 100% by the Region of Waterloo. The Region has allocated the following amounts in its 2015 Operating Budget:

	2015 Budget	2015 Estimate	Variance
Transit Passes	\$796,300	\$796,300	\$0
Other Benefits (i.e. funerals and energy assistance)	199,500	323,500	(124,000)
Total	\$995,800	\$1,119,800	\$(124,000)
Revenue			
Provincial Gas Tax Funding	150,000	150,000	0
Regional Property Tax Contribution	\$845,800	\$969,800	\$(124,000)

In 2015, the number of funerals the Region is required to provide has exceeded the budget resulting in a projected variance of \$124,000. This variance will be funded by an increased transfer from the Tax Stabilization Reserve Fund.

No changes to the Benefits to Non Recipients program are contemplated in the 2016 Budget.

Provincial Uploading and the Region's Funding Strategy

The final consensus report of the Provincial Municipal Fiscal and Service Delivery Review was released in October 2008. The overall conclusions of the review were that social assistance benefit programs should generally be funded by the Province, which would free up capacity for municipalities to invest more in their core responsibilities, particularly infrastructure. In arriving at the decision to "upload" social assistance costs, the report noted that "property tax dollars currently used to pay for these services will become available for important municipal priorities, including infrastructure." Accordingly, the province has been steadily uploading the municipal share (historically 20%) of Ontario Works payments and Employment Assistance costs. The upload began in 2010 and extends over a nine year period ending in 2018, as detailed below:

Funding Shares for Ontario Works Benefit costs (%)									
	2010	2011	2012	2013	2014	2015	2016	2017	2018
Provincial	80.6	81.2	82.8	85.8	88.6	91.4	94.2	97.2	100
Municipal	19.4	18.8	17.2	14.2	11.4	8.6	5.8	2.8	0

The OW upload savings for allowances and benefits for Waterloo Region are estimated at \$12.1 million when fully phased in, as detailed in the following table.

\$ Millions	2010	2011	2012	2013	2014	2015	2016	2017	2018	Total
OW	0.5	0.4	1.2	1.5	1.7	1.7	1.7	1.7	1.7	12.1

The uploading of OW allowance and benefits was "back end loaded" in that the savings municipalities will realize are greater in the last few years of the upload than in the early years. Compounding the back end loading was an increased OW caseload and costs as a result of the economic downturn over the uploading period. In 2011 Council decided to use the Tax Stabilization Reserve Fund (TSRF) as follows:

- To fund the Region's share of the OW Allowances and Benefits as a result of increased caseload.
- To fund the difference between the Region's required (but declining) contribution for OW Allowances and Benefits and the desired property tax levy for the program.

The following chart summarizes the budgeted and actual TSRF contributions over the 2012 to 2015 time period and projected 2016 to 2018. In 2013 and 2014 Council approved increased funding for the OWDB from the TSRF. These transfers have been excluded from the chart.

TSRF Usage for Ontario Works Allowances and Benefits			
Year	Budget	Actual	Notes
2011	\$4,273,878	\$4,576,316	
2012	4,273,878	4,499,740	
2013	3,091,353	2,787,715	Excludes one time approval for OWDB program
2014	2,541,515	2,783,351	
2015	2,175,000	2,913,000	Actual figure is an estimate
2016 Projection	1,659,000		
2017 Projection	745,000		
2018 Projection	0		

The maximum balance in the TSRF is \$10.0 million.

It has been the practice of the Region to fund in year expenditures variances for social assistance allowances and benefits by adjusting the transfer from the TSRF. With the completion of the provincial upload in 2018, the requirement for the TSRF to offset costs related to OW Allowances and Benefits will cease.

2016 Budget – Social Assistance Allowances and Benefits

Based on the information received to date, staff has prepared the 2016 Budget for Ontario Works Allowances and Benefits. Due to a rate increase of 1% effective November 1st for some social assistance allowances and based on 2015 year to date reports, it is anticipated that the cost per case will increase by \$2.18 or 0.3% over 2015.

Based on September's adjusted caseload of 8,681 cases, an average monthly caseload of 8,700 cases is projected for 2016.

The 2016 Budget assumes a transfer from the Tax Stabilization Reserve Fund of \$1,659,000. The actual transfer from the TSRF will be dependent on actual expenditures in 2016. As of December 31, 2014 the balance in the TSRF was \$7,832,358.

The following table summarizes the 2016 budget for Ontario Works Allowances and Benefits:

	2015	2016	Budget Change
Ontario Works Allowances			
Average Monthly Caseload (1)	8,400	8,700	300
Cost per Case	\$666.96	\$669.14	\$2.18
Net Expenditures (2)	\$67,230,000	\$69,858,000	\$2,628,000
Mandatory Benefits	2,135,000	2,135,000	-
Discretionary Benefits	4,467,000	4,467,000	-
Transitional Child Benefit	1,500,000	1,500,000	-
Benefits to Non Recipients	250,000	250,000	-
Transportation Allowance	746,000	746,000	-
Energy Assistance Programs	412,000	412,000	-
	<u>\$76,740,000</u>	<u>\$79,368,000</u>	<u>\$2,628,000</u>
Revenues			
Subsidy	\$67,805,000	\$72,291,000	\$4,486,000
Fees	412,000	412,000	-
Total Revenues	<u>\$ 68,217,000</u>	<u>\$ 72,703,000</u>	<u>\$ 4,486,000</u>
Regional Contribution	<u>\$ 8,523,000</u>	<u>\$6,665,000</u>	<u>\$(1,858,000)</u>
Funded by:			
TSRF	\$2,175,000	\$1,659,000	\$(516,000)
Regional Property Tax (3)	6,348,000	5,006,000	(1,342,000)

1. Caseload based on Provincial Report
2. Expenditures net of recoveries
3. Balance of Upload savings are found in Ontario Works Administration and Housing (CHPI)

Cost Sharing with the Province of Ontario

The Region receives the provincial share of Ontario Works Allowances and Benefits through the submission of monthly claims. The Province provides an advance of funds at the beginning of each month based on an estimate of its costs and the claim is used to determine if the Region is entitled to funding greater than the advance or if funds are due to the Province. This system has been in place for several years and generally has worked satisfactorily.

Since the implementation of SAMS in November, 2014, the Province has not been able to accept claims from delivery agents. Based on information received from the Province, staff has completed normal accounting functions including revenue and expense recognition. The Province anticipates having claims functionality available in

February 2016 and at that time will provide updated expenditure statements and recalculations back to the implementation of SAMS (16 months after its implementation). At this time, any impact on the Region cannot be estimated. Treasury Services staff are participating in the pilot group to review SAMS reports and their impact on the claims process.



Region of Waterloo

2016 Budget

Information Paper

WATERLOO REGION POLICE SERVICES

Budget Committee: November 18, 2015

Preliminary information relating to the Waterloo Regional Police Service (WRPS) 2016 budget was presented to the Police Services Board (PSB) on November 4, 2015. At that time, the preliminary budget was \$151.457 million, which represented an increase of \$5.848 million or 4.02% over the 2015 levy for Police Services. Based on a revised assessment growth estimate of 1.41%, the tax rate impact of this levy increase for Police Services is 0.83%. The PSB has requested staff to present options to reduce the 2016 Police Budget by approximately \$450,000. On December 2, 2015 the PSB will meet again to review such options. The PSB will also review the proposed 2016 capital budget and 2017-2025 capital forecast.

The following table summarizes the impact of the preliminary WRPS operating budget as compared to the 2015 approval.

Waterloo Regional Police Services Budget Summary				
	2015 Approved	2016 Preliminary	\$ Change	% Change
Expenditure	\$158,696,385	\$165,390,805	\$6,694,420	4.22%
Revenue	13,086,829	13,933,315	846,486	6.47%
Property Tax Requirement	\$145,609,556	\$151,457,490	\$5,847,934	4.02%
Tax Rate Impact	0.58%	0.83%	--	--

Additional information regarding the WRPS budget will be presented by Police Services staff at the December 16, 2015 Budget Committee meeting. A copy of the November 4, 2015 PSB report is attached to this Information Paper.



WATERLOO REGIONAL POLICE SERVICES BOARD

People Helping People

HEADQUARTERS
Finance

To: The Chair and Members of the Waterloo Regional Police Services Board

Date: November 4, 2015

Subject: Proposed 2016 Budget – Waterloo Regional Police Service

Recommendation:

For Information.

Summary:

The 2016 Proposed Budget report provides the Police Services Board (PSB) a preliminary budget position, as of this date. The Senior Leadership Team (SLT) have performed comprehensive reviews of their initial branch and program submissions, acknowledging that, not unlike 2014 and 2015, 2016 will be another challenging year.

The proposed 2016 Operating Budget includes a net levy base budget increase of 3.56% inclusive of \$4.5 million in staffing costs for projected cost of living adjustments, benefits, contractual progressions, and the annualization of four additional civilian positions. Staffing costs account for 92.0% of the proposed 2016 base net levy. The base budget also includes an increase in other operating expenses of approximately \$1.5 million. These tax supported increases include but are not limited to sick leave, staff training, firearm and arsenal supplies, body armour and equipment replacement, licensing, legal and consulting fees as well as Regional interdepartmental charges for facilities and fleet maintenance and insurance coverage.

Revenue depicts a net increase of \$846,486 however \$297,850 of this amount is a proposed reserve funding offset to budgeted operating expenditures. The true net revenue increase totals \$548,636. On a gross basis, revenue would have been higher by \$545,000, however, due to the Ministry of Community Safety and Correctional Services (MCSCS) reviewing its grant funding, with a plan to develop an outcomes-based model, the previously approved Provincial Anti-Violence Intervention Strategy (PAVIS) funding has been reduced for 2015, effectively ending December 31st with no commitment to renewed funding for 2016. \$545,000 of PAVIS funding has been removed from base revenue for 2016.

To effectively support areas of identified operational and administrative shortcomings, the Service's SLT is recommending the addition of 10 civilian staff at the cost of \$664,317, effective April 1, 2016. These additional staff positions have been vetted by

Senior Command from an original list of 20. The requested personnel are comprised of five Communicators, a Financial Analyst, a Health and Safety Coordinator, an Occupational Health Nurse, an IT Project/Business Manager and a Mobile Workstation Technician.

Report:

The 2016 base budget is the amount of funding required to deliver the Board's objectives and priorities with respect to the previously approved level of service for 2015. It does not include funding for new initiatives or expansion requests that could not be found within the current base. Adjustments to the base budget include a proposed COLA increase for salaries inclusive of contractual grade and step advancements, the annualization of prior years' approved hires, changes to benefit costs, sick leave, training requirements, licensing, legal and consulting fees, and Regional interdepartmental charges for facilities and fleet maintenance and insurance coverage.

The Police Service has successfully utilized base budget reviews to bring forward budget increases that allow for the legislative provision of adequate and effective police services. The annual intent and challenge is to identify sustainable reductions of non-essential items and services. The base budget has been vetted through a comprehensive review process that involved analyzing all expense and revenue categories for the past three years plus current as compared to actuals, including additions for mandatory and non-discretionary expenses. To effectively reduce the base budget could require consideration of service level reductions. The result of the base budget review is depicted in Appendix A, which identifies the expense and revenue categories by object code level and the corresponding adjustments being proposed. Each object code consists of numerous separate expense accounts. Appendix A1 identifies a summary of the main expense code cost drivers.

The following table depicts the summary transition of the 2016 base and expansion budget as of November 4, 2015:

Budget Position January 1, 2015 (Approved)	\$145,609,556
Add: Base Budget Expenditure Adjustments to date	6,030,103
Deduct: Projected Revenue Increase Adjustment for 2016	<u>(846,486)</u>
Total Preliminary Net Levy Base Budget Increase of 3.56%	\$150,793,173
Add: Expansion Requests (10 Civilians)	<u>\$ 664,317</u>
Net Levy Budget Increase of 4.02%	<u>\$151,457,490</u>

In comparison, the following are the final approved net levy budget increases for the last four years:

Year to Year	Net Levy Budget Increase	Net Tax Rate Impact
2011 to 2012	6.10%	1.30%
2012 to 2013	7.31%	1.74%
2013 to 2014	4.26%	0.81%
2014 to 2015	3.23%	0.58%

The Waterloo Regional Police Service (WRPS) continues to utilize analytics to measure

the demands of our community on our ability to provide services and make responsive adjustments to meet performance goals and expectations. Quantifiable measures allow the Service to respond in the most effective and efficient manner, to meet or improve upon performance goals with transparency and accountability.

During 2015 the WRPS, in partnership with the Waterloo Regional Police Association, undertook a second analytical study of its recently implemented front-line deployment model and accompanying shift schedule. The intent was to create a model / schedule that was more conducive to ensuring the community is provided with the optimal level of police services that best reflects the needs of the community and promotes officer wellness. The new shift schedule and zone deployment model will be implemented January 3, 2016 and will continue to be monitored for effectiveness. Accordingly, there are no requests for additional police officers in 2016. A master staffing and facilities plan is to be tabled mid-2016 that will speak to proposed requirements for 2017 forward.

Staffing expansion requests for 2016 are limited to 10 civilian personnel deemed a priority in support of Communications, Human Resources, Information Technology and Finance. These 10 were vetted from a list of 20 proposed additions to operations and support staff.

The Ten Year Capital Budget Forecast has been extensively reviewed with all affected areas within the Service and meetings have been had with Regional Finance personnel to plan adjustments and deferrals. Discussions centered around planned investments in IT infrastructure, facilities renewal, equipment and fleet replacements and how best to finance the proposed expenditures. Even though long term interest (borrowing) rates remain at near historical lows, we continue to review which funding methodology is most efficient and cost effective given the current economic environment. The Ten Year Capital Budget is shown in Appendix B.

Strategic Business Plan:

To ensure the Service's vision of financial budgeting is aligned with accountability and responsible spending.

Financial Implications:

The budget report as presented proposes a preliminary 4.02% net levy increase. The net tax rate impact is yet to be determined although assessment growth is estimated to be 1.75%, of which the Police Services pro-rated share would be 0.56%.

Attachments:

Appendix A – 2016 Base and Expansion Budget Summary
Appendix A1 – Summary of Major Cost Drivers
Appendix B – Ten Year Capital Budget Forecast

Prepared By: Joseph A. Steiner, Director of Finance
Susan Wilson, Finance Manager

Approved By: Bryan M. Larkin, Chief of Police

WATERLOO REGIONAL POLICE SERVICE
Base Budget
2016

Appendix A

	2015 Approved Budget	2016 Base Budget	2016 Expansion Requests	2016 Proposed Budget	2016 \$ Change	% Budget Change
EXPENDITURES						
Salaries & Wages	107,188,772	108,486,074	518,920	109,004,994	1,816,222	1.69%
Wages - Grant or Recoverable		1,814,799		1,814,799	1,814,799	
Benefits	27,070,069	28,009,701	145,397	28,155,098	1,085,029	4.01%
Benefits - Grant or Recoverable		450,351		450,351	450,351	
Staffing Costs	134,258,841	138,760,925	664,317	139,425,242	5,166,401	3.85%
Other Allow & Benefits	1,736,020	2,231,911		2,231,911	495,891	28.56%
Office Supplies	183,850	178,650		178,650	(5,200)	(2.83%)
Materials & Supplies	2,890,713	3,157,154		3,157,154	266,441	9.22%
Maintenance & Repairs	2,055,365	1,912,547		1,912,547	(142,818)	(6.95%)
Vehicles	2,150,223	2,322,887		2,322,887	172,664	8.03%
Small Equipment	1,879,701	2,016,138		2,016,138	136,437	7.26%
Services	1,022,960	862,615		862,615	(160,345)	(15.67%)
Fees	1,227,368	1,945,046		1,945,046	717,678	58.47%
Rents	853,600	879,026		879,026	25,426	2.98%
Financial Expenses	4,209,960	3,786,754		3,786,754	(423,206)	(10.05%)
Communication Costs	1,598,947	1,570,881		1,570,881	(28,066)	(1.76%)
Meetings & Travel	405,375	487,548		487,548	82,173	20.27%
Interdept'l Charges From	3,467,306	3,820,441		3,820,441	353,135	10.18%
Interfund Trfs (Insurance)	756,156	793,965		793,965	37,809	5.00%
Other Operating	24,437,544	25,965,563	-	25,965,563	1,528,019	6.25%
Total Expenditures	158,696,385	164,726,488	664,317	165,390,805	6,694,420	4.22%
REVENUES						
General Police Revenue	3,130,500	3,136,300		3,136,300	5,800	(0.19%)
CPP/Ministry Grants	6,758,339	6,888,164		6,888,164	129,825	(1.92%)
PRIDE Revenue	1,696,342	1,730,539		1,730,539	34,197	(2.02%)
Miscellaneous Revenue	1,501,648	2,178,312		2,178,312	676,664	(45.06%)
Total Revenue	13,086,829	13,933,315	-	13,933,315	846,486	(6.47%)
NET LEVY	145,609,556	150,793,173	664,317	151,457,490	5,847,934	4.02%

**Waterloo Regional Police Service
2016 Budget – Major Cost Drivers**

Appendix A1

Salaries, Wages & Benefits:

Salaries, Wages (inclusive of 2015 / 2016 COLA projection)	\$3,631,021
Benefits (statutory and contractual retiree coverage)	1,535,380

Other Allowances:

Sick Leave (potential of 22 Uniform / Civilian retirements)	400,000
Staff Training (Mandated and / or Legislated)	89,761

Materials & Supplies:

Firearm and Arsenal Supplies	152,804
Uniforms and Clothing (Body Armour Replacement)	75,418

<u>Vehicles:</u> Cyclical replacements	172,664
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Small Equipment:

General Equipment - Net	76,397
Blackberries (end of contract life)	60,040

Fees:

License & Communication Fees – Net of Equipment Maintenance Adjustment	269,915
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Financial Expenses:

Debt Financed Principal and Interest	(423,206)
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<u>Meetings & Travel:</u>	82,173
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Interdepartmental Charges From Region:

Facilities Management Overhead Allocation	127,128
Fleet Management Overhead Allocation	4,373
Fleet Maintenance	62,823
Facilities Rent Allocation	104,997
Lifecycle Provision for Facilities	51,699

<u>Interfund Transfers:</u> Vehicle & Insurance Reserve Funds	<u>37,809</u>
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Total of Major Cost Drivers	<u>\$6,511,196</u>
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Waterloo Regional Police

Ten Year Capital Forecast (\$'000's)
2016 - 2025

	2016 Carryforward	2016 Request	Total 2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2016 - 2025 Total
EXPENDITURES													
PROGRAM AREA CAPITAL													
50000 Police Vehicles and Equipment		2,317	2,317	2,143	2,107	2,296	2,267	2,575	2,483	2,680	2,671	2,700	24,237
50003 PRIDE V		1,150	1,150	3,609	4,400	2,650	2,300	3,850	3,000	4,500	2,000	2,500	29,959
50004 Police Vehicles-Growth					144		144		144		144		574
50011 Voice Radio HW and SW Upgrades	253	917	1,170	1,082					1,219				3,471
50012 Training and Range Facilities	264	566	830					699					1,529
50013 Mobile Workstations	750		750			1,561							2,311
50015 Central Communications Centre	1,269		1,269	1,643									2,912
50022 Replacement of North Division	510		510										510
50032 Pistol Replacement						292	292						584
50034 Specialty Vehicle						697							697
50036 Central Division Renovations	1,196		1,196										1,196
50037 Expand/Renov Reporting Centre	210		210	200	50			100					560
50039 Central Division					2,040								2,040
50040 Expansion of Reporting Centre					663								663
50043 Renovation of Investigative Service Unit				750	1,500								2,250
50044 HQ Renovations		250	250	750									1,000
TOTAL PROGRAM AREA CAPITAL	4,451	5,200	9,652	10,177	10,903	7,495	5,002	7,224	6,845	7,180	4,814	5,200	74,492
FACILITIES MANAGED CAPITAL RENEWAL													
75011 Police Central Division Renewal		85	85	250	75	50	25						485
75012 Firearms Training Facility Renewal					43				29	23			95
75013 Police South Division Renewal				144	64	87	139	425	283	133	121	173	1,569
75014 Police North Division Renewal				12	17	12	75	248	167	98	231		860
75016 Police Headquarters Renewal	218	46	264	710	912	369	104	179	554	124	202	289	3,707
75017 Police Investigative Services Renewal		6	6	12			12	75	248	167	98	116	734
75018 Police Reporting Centre Renewal				364	179	75	17	64		46			745
TOTAL FACILITIES MANAGED CAPITAL RENEWAL	218	137	355	1,492	1,273	598	309	818	1,362	660	519	809	8,195
TOTAL EXPENDITURES	4,669	5,337	10,007	11,669	12,176	8,093	5,311	8,042	8,207	7,840	5,333	6,009	82,687
SOURCES OF FINANCING													
Grants and Subsidies		460	460	1,444	1,760	1,060	920	1,540	1,200	1,800	800	1,000	11,984
Reserve and Reserve Funds													
3980065 Facility Lifecycle Reserve	218	137	355	218	361	229	309	818	1,362	660	519	809	5,640
3982340 Police Vehicles & Equipment Reserve		2,317	2,317	2,143	2,107	2,296	2,267	2,575	2,483	2,680	2,671	2,700	24,237
3985400 RDC RF Police	204		204	263	2,650		144		144		144		3,547
Debentures	4,247	2,423	6,671	7,602	5,298	4,508	1,672	3,109	3,019	2,700	1,200	1,500	37,279
TOTAL SOURCES OF FINANCING	4,669	5,337	10,007	11,669	12,176	8,093	5,311	8,042	8,207	7,840	5,333	6,009	82,687