



## **Regional Municipality of Waterloo**

### **Budget Committee**

#### **Minutes**

Wednesday, November 18, 2015

2:26 p.m.

Regional Council Chamber

150 Frederick Street, Kitchener

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

Members absent: J. Mitchell

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

Moved by K. Kiefer

Seconded by L. Armstrong

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

Carried

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

Moved by D. Jaworsky

Seconded by S. Foxton

That the meeting reconvene into Open Session at 2:26 p.m.

2008983

Carried

### **Declarations of Pecuniary Interest under the “Municipal Conflict of Interest Act”**

None

### **Opening Remarks**

Chair Sean Strickland provided opening comments, outlining the purpose of the meeting. He added that the estimated assessment growth is less than previously projected and that the current proposed tax rate increase is 3.5% including the preliminary police budget.

### **Budget Update**

COR-FSD-15-20, Executive Summary – 2016 Budget

Craig Dyer, Commissioner, Corporate Services/Chief Financial Officer, provided a [presentation](#) to the Committee; a copy is appended to the original minutes. He summarized the objectives of the meeting, the user rate and property tax budgets being reviewed, and the capital and operating components of each budget.

### **Presentations**

#### **Water/Wastewater Budgets**

Nancy Kodousek, Director, Water Services, delivered a [presentation](#) to the Committee; a copy is appended to the original minutes.

She provided an overview of local water services, local water supply, water regulations, and the proposed 2016 water operating budget, noting the 1.4% increase in hydro costs. She summarized the annual electricity consumption and costs, and gave an overview of the program initiatives to address innovation, energy reduction and asset management. She noted the water capital budget projects and the key trends, issues and initiatives regarding local water supply.

She responded to a Committee question regarding the extent of increased hydro costs, noting that local distribution companies (LDCs) set the hydro rates and that it's anticipated that the rates will be increased for 2016. The Committee requested additional information regarding the local rates for review at the next meeting.

She responded to a Committee question regarding a business case for co-generation, advising that the Region is working with the three largest LDCs to develop co-generation options to offset power required.

She noted the new federal regulation requirement for wastewater treatment and summarized the Environmental Enforcement and Laboratory Services offered by the Region. She provided highlights of the wastewater operating budget and outlined the annual electricity consumption and costs for wastewater treatment. She gave an overview of the wastewater capital upgrades and growth-related projects, noting the specific upgrades planned for the Kitchener and Waterloo treatment plants. She noted the key trends, issues and initiatives related to wastewater, as well as the improved impacts on the Grand River. She concluded her presentation by outlining the proposed rates for wholesale water supply and wastewater treatment, as well as the proposed retail water and wastewater rates.

She responded to Committee questions about the completion date for the Waterloo project, the staffing budget issue paper for the Cambridge upgrades and the administration costs associated with the water supply budget.

Thomas Schmidt, Commissioner, Transportation and Environmental Services, provided additional information about fixed costs.

C. Dyer provided an overview of the 2016 user rate budgets and the proposed user rate increases, proposed user fee service charges and the related information papers. He noted the significant capital investments related to water supply and the updated capital budget for water supply, as well as capital funding and financing. He also summarized the 2016 capital budget for wastewater treatment and capital funding and financing for the related projects.

He responded to Committee questions related to adjustments to deal with future debt levels and the possibility to transfer funds between the water and wastewater reserves. The Committee requested that staff consider the option of transferring funds between reserves prior to issuing debt.

C. Dyer noted the timelines for reviewing and approving the user rates budgets and the effective dates for the proposed 2016 user rate increases. He outlined the operating and capital components of the 2016 property tax supported budget. He highlighted the direct regional programs and noted the 2.4% tax rate increase excluding the proposed budget issue papers (at .47%) based on assessment growth of 1.41 %. He highlighted the base budget staff complement and base budget adjustments. He summarized the major 2016 budget impacts including the Regional Transportation Master Plan, provincial upload savings, capital financing, and revenue drivers.

The Committee requested a summary of staff hiring proposals, as noted in the budget issue papers.

C. Dyer highlighted the impacts of budgeted transit fare revenues, noting that staff will continue to monitor and will report back to Committee in December. He responded to Committee questions related to the provincial Ontario Works upload and recovery plans for the reduced transit fare revenues.

C. Dyer outlined budget versus actuals data for Provincial Offences Act (POA) fines and red light camera revenue, as well as landfill tipping fee revenue. He summarized the re-stated caseload data for Ontario Works, noting a current four-month decline, the projected additional costs and the offsetting funding sources in 2016. He stated that the Tax Stabilization Reserve Fund (TSRF) will not be required once the Ontario Works costs are completely uploaded by the province in 2018.

The Committee discussed the necessity of the TSRF beyond 2018 and options for use of these funds in a sustainable manner. C. Dyer stated that staff will bring back an overview of the status of reserves and reserve funds at the next meeting; he added that staff will be reviewing reserve and reserve fund policies later in 2016.

The Committee recessed at 4:06 p.m. and reconvened at 4:22 p.m.

C. Dyer responded to a Committee question about preparedness for possible program funding announcements as part of the pending federal budget.

C. Dyer outlined the proposed Waterloo Regional Police Service (WRPS) preliminary budget, noting that the Police Services Board has requested additional budget reductions.

### **Budget Issue Papers**

C. Dyer provided an overview of the 2016 Budget Issue Papers, noting that the budget impact is \$2.13 million and, if approved, would have a tax rate impact of .47%. He gave an overview of the budget issue papers, including those with no levy impact. The budget issue papers include the Conestoga College U-Pass; Transit Service to Family and Children's Services; Mobility Plus business plan, Paramedic Services enhancements, and Capital Levy Reserve Fund (CLRF).

T. Schmidt responded to Committee questions related to anticipated bus traffic increases once the multiplex facility is built in Cambridge.

\* B. Vrbanovic left the meeting at 4:38 p.m.

C. Dyer outlined the 2016 Capital Spending Adjustments. S. Strickland commended staff for reviewing capital spending and determining areas for adjustment. He requested more detail about the Airport's proposed capital projects and suggested that an airport improvement fee be considered to cover costs.

Mike Murray, Chief Administrative Officer, advised that the airport currently charges a passenger facilitation fee. The Committee requested additional information about airport fees and funding.

\* B. Vrbanovic returned to the meeting at 4:50 p.m.

C. Dyer highlighted Capital Expenditures by major programs and responded to Committee questions about the status of roads capital projects, specifically, River Road and King Street in Cambridge. S. Strickland requested more information on projects that have been deferred in the 2016 capital plan. Staff will prepare additional information about road project deferrals.

C. Dyer highlighted the following:

- Funding and Financing of the Capital Program
- Growth related Capital Financing Strategies
- Justifications/rationale for borrowing for capital and the areas for targeting debt issues
- Total Debt Outstanding – historical data
- Projected Debt Outstanding as part of the 2016-2025 Capital Plan
- Reserve and Reserve Fund Balances per Capita (noting that Waterloo is low relative to comparator Regions)
- Debt Per Capita – Regional Comparators (noting that Waterloo is high relative to comparator Regions)

He provided his concluding comments, including:

- 2016 Preliminary Funding for Regional Services
- Key Messages for User Rate Budgets
- Key Messages for Tax Supported Budget
- Potential Budget Adjustments
- Overview of the Budget Cycle, Schedule and the next Budget meeting

C. Dyer responded to a Committee question about the comparator municipalities data used, specifically when gathering information about reserve and reserve fund balances per capita. He added that staff intends to bring forward capital financing guidelines for the Committee's consideration in mid-2016.

**Next Meeting** – December 16, 2015

**Adjourn**

Moved by K. Redman

Seconded by S. Shantz

That the meeting adjourn at 5:07 p.m.

Carried

**Committee Chair**, S. Strickland

**Committee Clerk**, S. Natolochny

# 2016 Budget Update



Region of Waterloo

Presentation to Budget Committee

November 18, 2015



# 2016 Regional Budget

## Objectives of today's meeting

Review of 2016 User  
Rate Budgets

Review 2016 Tax  
Supported Operating  
Budget and 2016-  
2025 Capital Program

Respond to  
Councillor requests

Public Input



# Budget Information

- Links to Regional website

- Preliminary budget book:

[http://www.regionofwaterloo.ca/en/regionalGovernment/resources/Budget/2016 Preliminary Budget Book.pdf](http://www.regionofwaterloo.ca/en/regionalGovernment/resources/Budget/2016%20Preliminary%20Budget%20Book.pdf)

- Budget Issue Papers:

[http://www.regionofwaterloo.ca/en/regionalGovernment/resources/Budget/2016 Budget Issue Papers.pdf](http://www.regionofwaterloo.ca/en/regionalGovernment/resources/Budget/2016%20Budget%20Issue%20Papers.pdf)

- Committee agenda (staff report and information papers):

[http://www.regionofwaterloo.ca/en/regionalGovernment/resources/Budget/Budget Committee Agenda - November 18 2015.pdf](http://www.regionofwaterloo.ca/en/regionalGovernment/resources/Budget/Budget%20Committee%20Agenda%20-%20November%2018%202015.pdf)

# The Region's Budgets

- **User Rate Budgets**

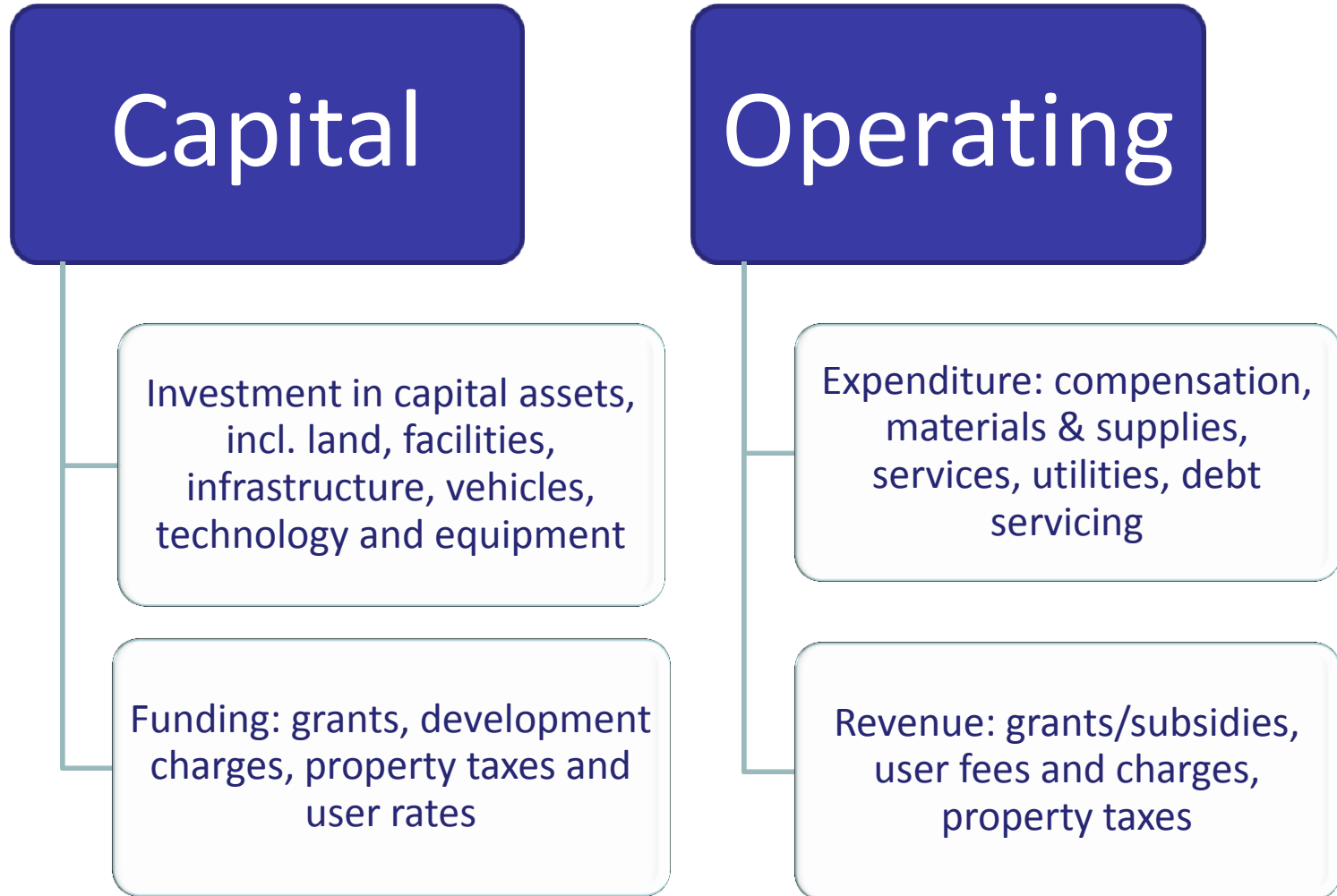
- Wholesale water supply and wastewater treatment
- Retail function in two townships
- Funded in full from user rates
- Earlier approval to allow area municipalities to set retail rates

- **Property Tax Budget**

- All other services
- Net expenditure (after all other revenue sources) funded from property taxes
- Includes Police Services



# Types of Budgets



# User Rate Budgets

Water  
Supply

Wastewater  
Treatment

Water  
Distribution

Wastewater  
Collection

# Information Sources

## 1. Budget Book

- Water Supply (pg. 164)
- Wastewater Treatment (pg. 174)
- Retail Water Distribution & Wastewater Collection (pg. 183)

## 2. Information papers

- Water Supply (pg. 27)
- Wastewater Treatment (pg. 33)
- Retail Water Distribution & Wastewater Collection (pg. 39)
- Councillor Requests Info paper (pg. 42)

## 3. Budget issue papers (pg. 21 and 25 of Section 4)



# Water Services

## Water and Wastewater

### 2016 User Rate Budget Update



# 2016 User Rate Budgets (\$ m)

	Operating expenditure	Debt servicing	Subtotal Operating	Capital reserve contribution	Total
Water supply	\$31.5	\$2.6	\$34.1	\$20.1	\$54.2
Wastewater Treatment	\$34.9	\$9.8	\$44.7	\$29.6	\$74.3
Waster Distribution	\$1.6	-	\$1.7	\$0.4	\$2.1
Wastewater collection	\$0.9	-	\$0.9	\$0.2	\$1.1
<b>Total</b>	<b>\$68.9</b>	<b>\$12.4</b>	<b>\$81.4</b>	<b>\$50.3</b>	<b>\$131.7</b>

# Proposed User Rate Increases

	<b>2015 approved user fee increase</b>	<b>Proposed 2016 user fee increase from 2015 forecast</b>	<b>Current estimate of 2016 user rate increase</b>
Water supply	4.9%	3.9%	2.9%
Wastewater treatment	7.9%	6.9%	6.9%
Water distribution	8.9%	8.9%	8.9%
Wastewater collection	5.9%	5.9%	5.9%





Region of Waterloo

# Proposed Service Charges

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

# Information Papers

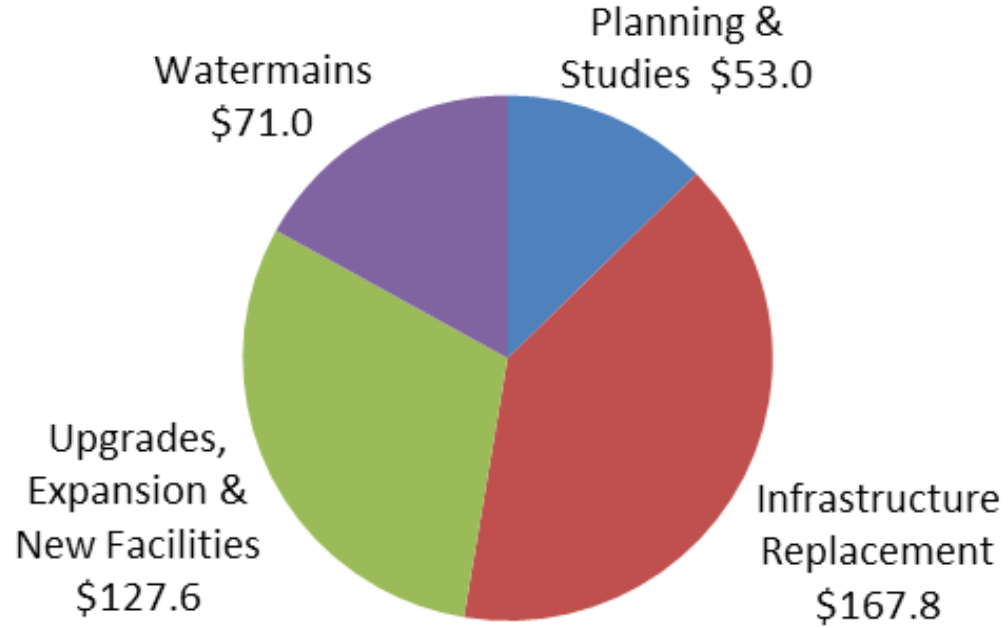
- Four information papers
- Councillor Requests information paper:
  - Impact of 0.5% and 1.0% reduction in proposed rate increases
  - Water and Wastewater reserves

# Capital Program Financing

- Significant capital investments underway, but...benefitting growth occurs over an extended period of time, and hence so will the RDC collections
- Given relatively low capital reserve balances and lower than anticipated RDC collections, staff have prepared an updated financing strategy

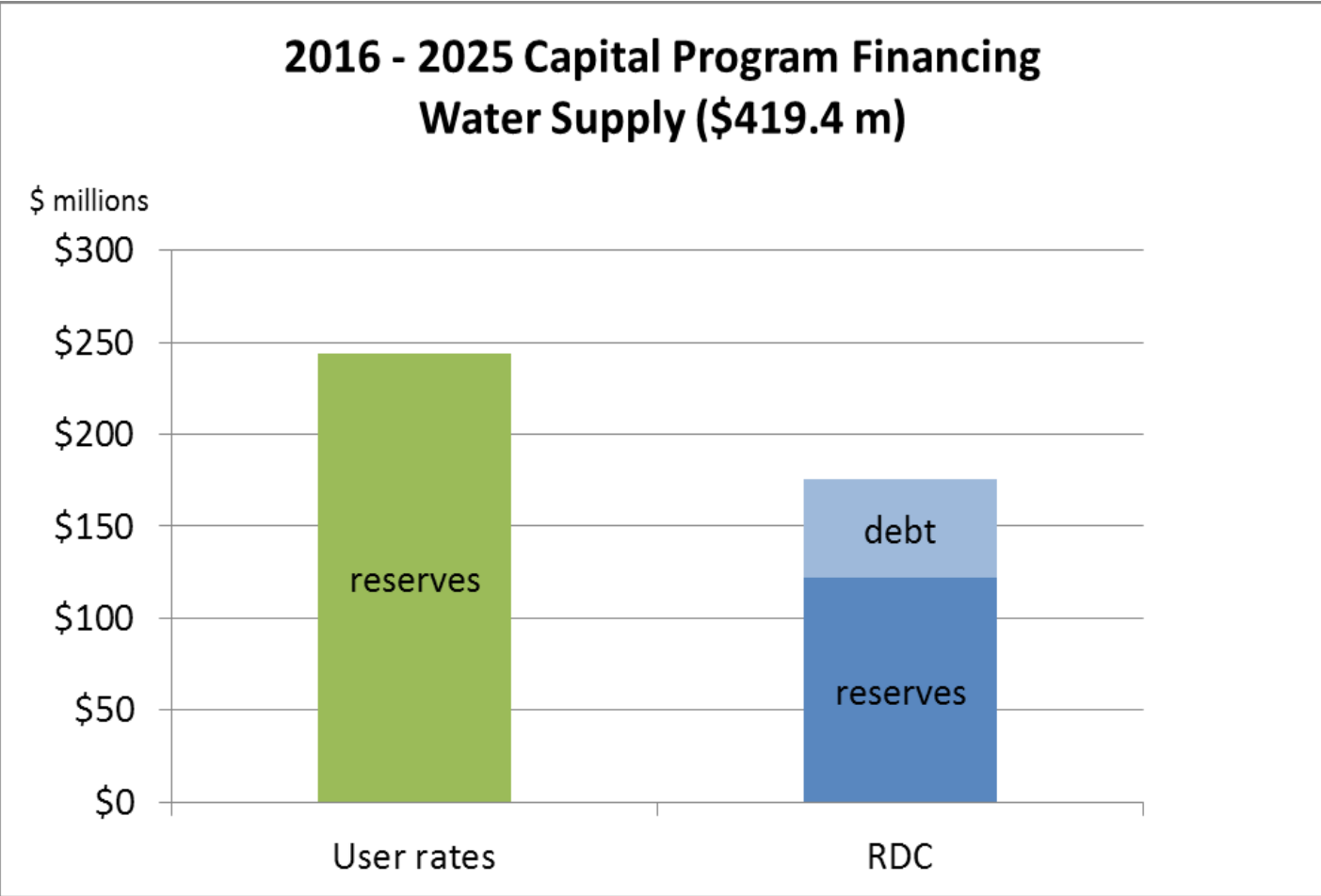
# 2016-2025 Capital Budget Water Supply

## Water Supply 2016-2025 Capital Budget (\$419.4 M)





# Capital Funding & Financing Water Supply

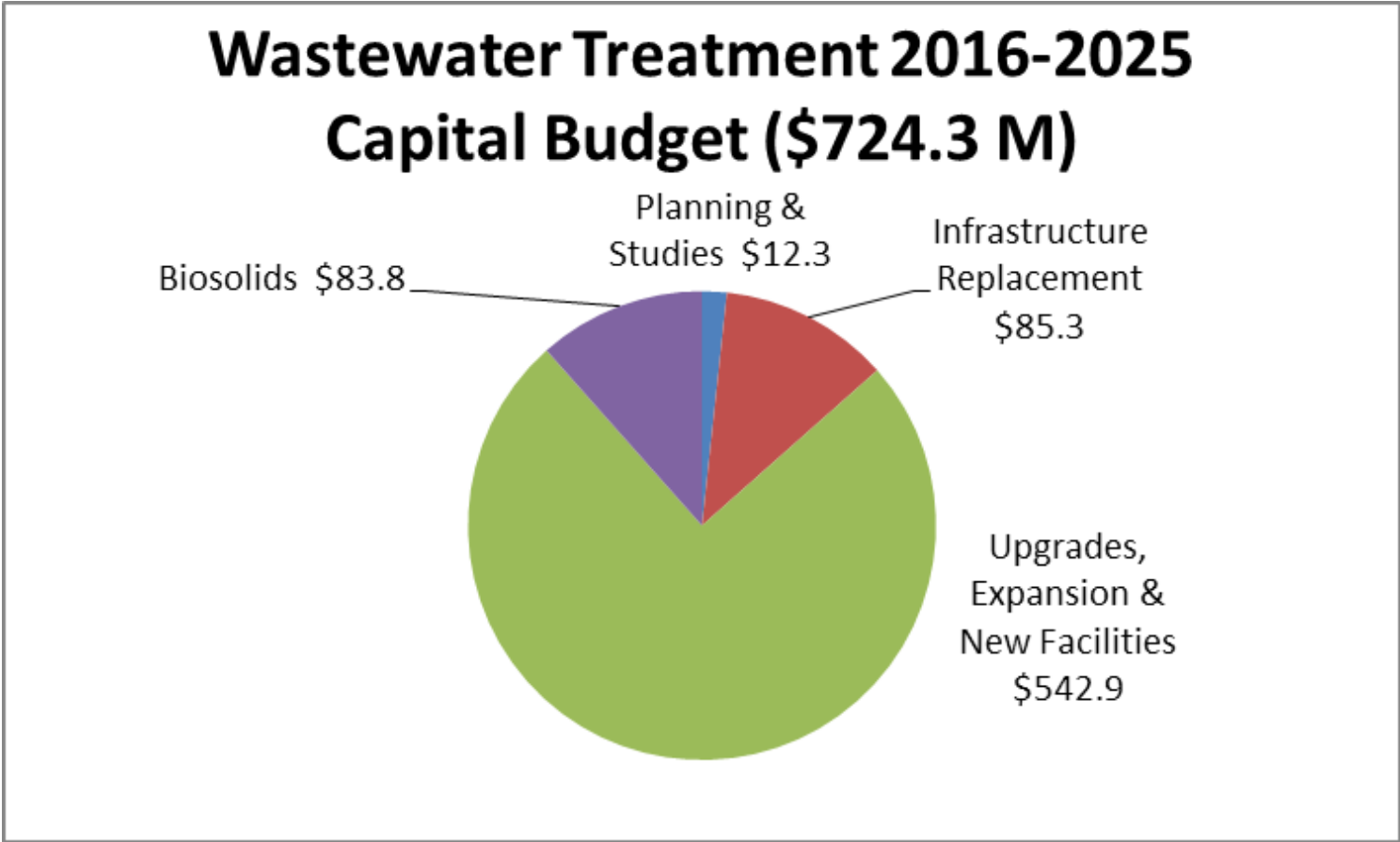




# 2016-2025 Capital Budget Water Supply

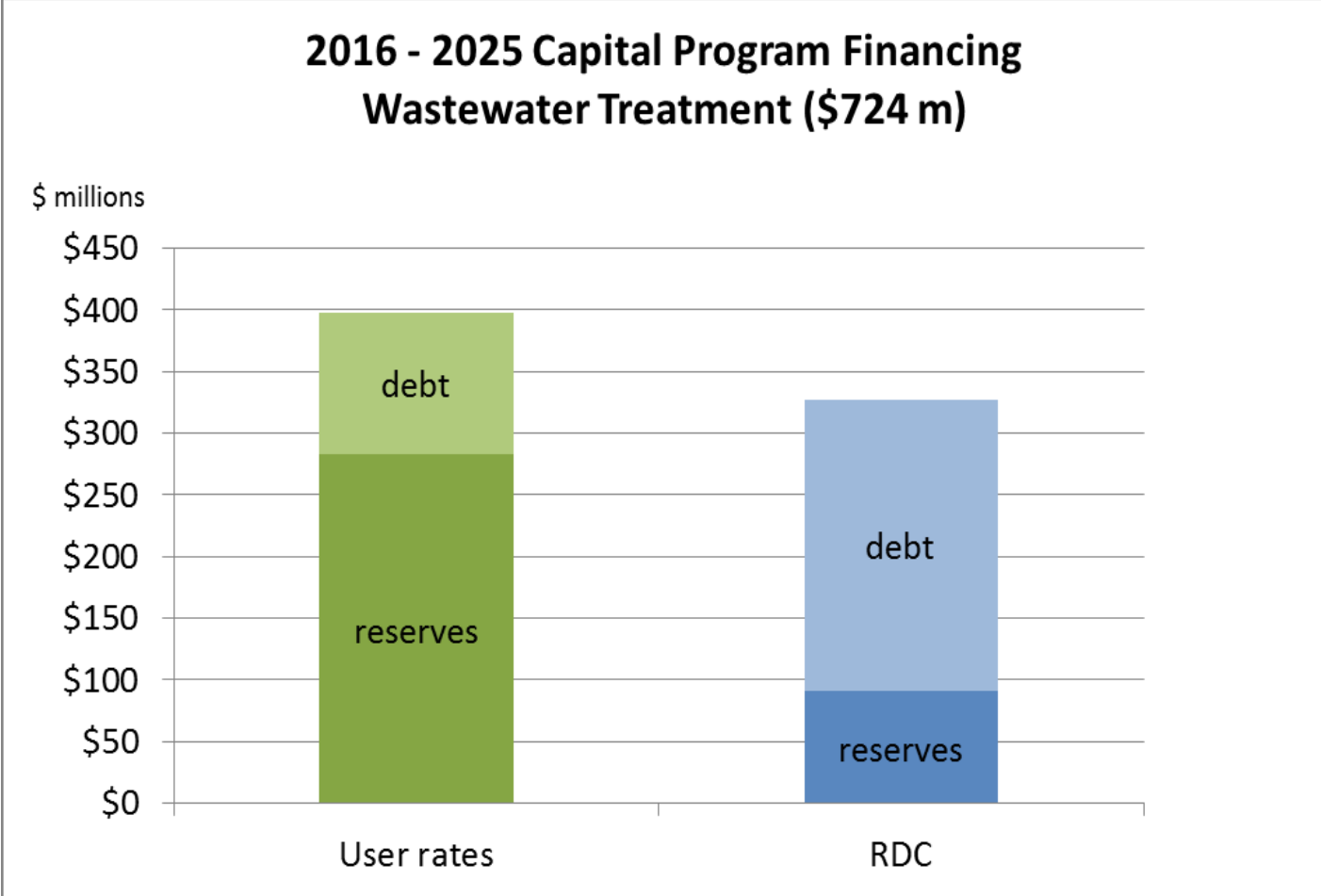
<b>Growth-related Water Capital Works</b>	<b>Growth Related Debt (\$ m)</b>	<b>Year of Debt Issuance</b>
Facilities Upgrades	\$26.8	2019-2025
Pumping and Storage Facilities System Expansion	\$10.0	2021-2025
Production Treatment Facilities System Expansion	\$10.0	2021-2025
Long Term Water Supply Aquifer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

# 2016 Capital Budget Wastewater Treatment





# Capital Funding & Financing Wastewater Treatment







# 2016-2025 Capital Budget Wastewater Treatment

<b>Growth Related Wastewater Capital Works</b>	<b>Growth Related Debt (\$ m)</b>	<b>Years of Debt Issuance</b>
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
<b>TOTAL</b>	<b>\$235.5</b>	



# Capital program financing

Spread the cost of long term infrastructure investments over a broader group of users

Provide more capacity in the Wastewater Reserve to manage in-year revenue fluctuations

Benefits of strategy

Improved matching to RDC collections

Allows for annual updating based on changing conditions



Region of Waterloo

# 2016 User Rate Budgets

## Next Steps

**Nov 18**

User rate  
budget  
review

**Dec 16**

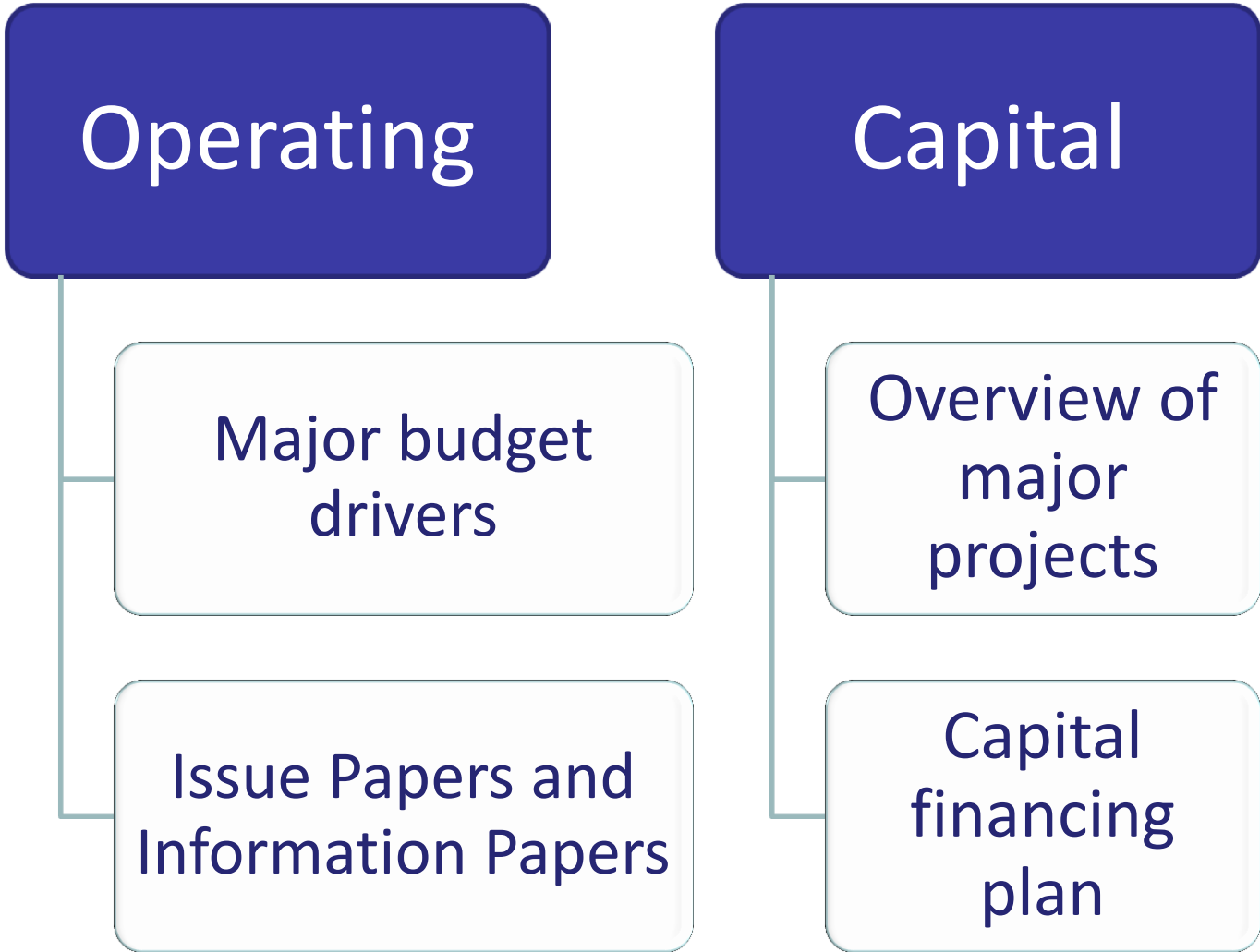
Approval  
of user  
rate  
budgets  
and rates

**March 1**

New  
rates  
come  
into  
effect



# 2016 Property Tax Supported Budget



## Definition:

The funding required to deliver the existing Council-approved service levels



# 2016 Budget Continuity

<b>TAX SUPPORTED OPERATING BUDGET</b>	<b>\$ million</b>	<b>Tax rate impact</b>
<b>DIRECT REGIONAL PROGRAMS</b>		
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)	
<b>Subtotal</b>	<b>\$15.3</b>	<b>3.34%</b>
Assessment growth (Region's share of 1.41%)		-0.94%
<b>Total tax impact of direct regional programs</b>		<b>2.40%</b>
Budget issue papers		0.47%

# 2016 Base Budget Staff Complement

	Permanent	Temporary	Total
<b>2015 Final Budget</b>	<b>2,782.1</b>	<b>120.1</b>	<b>2,902.2</b>
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
<b>2016 Base budget</b>	<b>2,782.1</b>	<b>108.2</b>	<b>2,890.3</b>
<b>Net change</b>	<b>0.0</b>	<b>-11.9</b>	<b>-11.9</b>

# Base Budget Adjustments

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

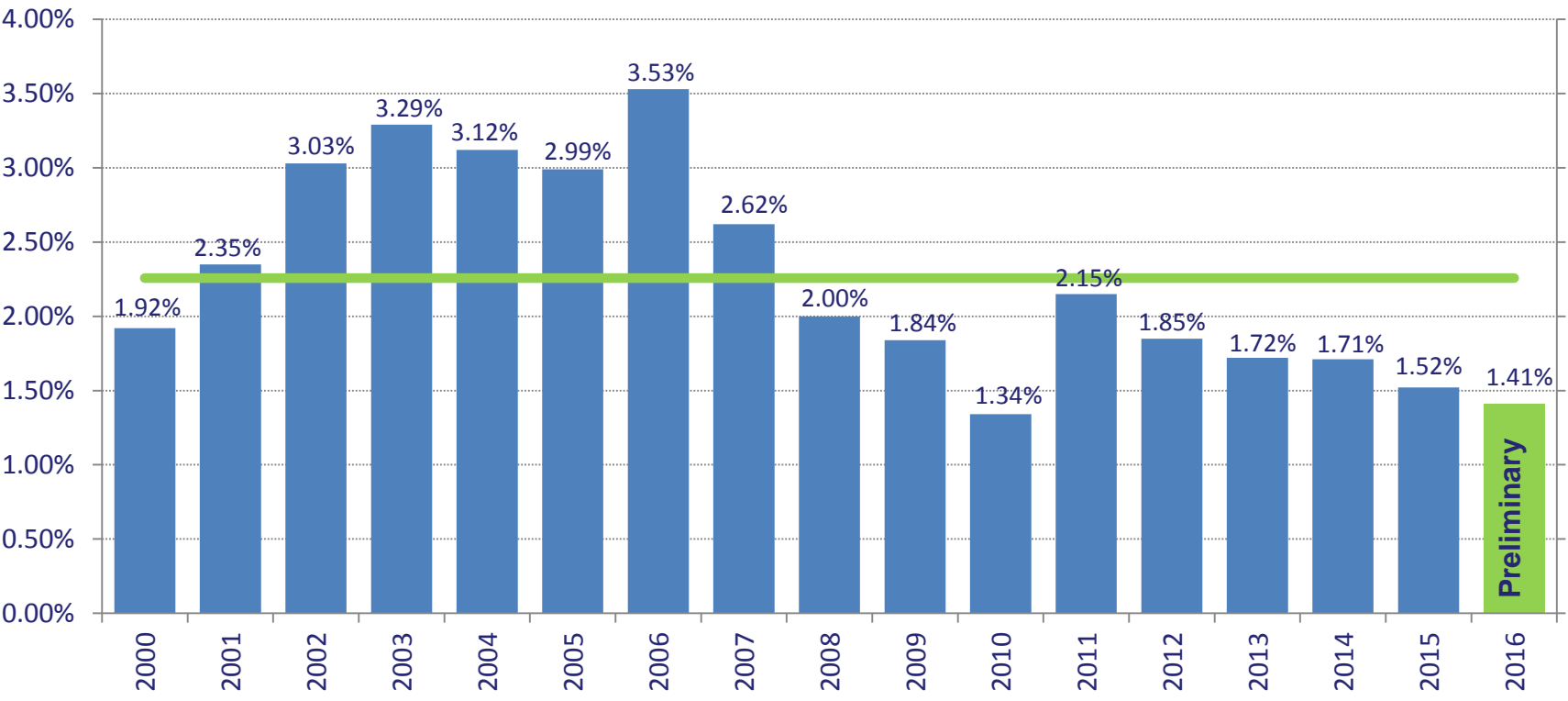
Base Budget Review Reductions (\$millions)						
	2012	2013	2014	2015	2016	Total
<b>Tax levy</b>	\$2.1	\$1.9	\$2.5	\$1.9	\$1.3	<b>\$9.7</b>
<b>User rates</b>	0.7	1.2	1.3	0.5	0.9	<b>\$4.6</b>
<b>Total</b>	<b>\$2.8</b>	<b>\$3.1</b>	<b>\$3.8</b>	<b>\$2.4</b>	<b>\$2.2</b>	<b>\$14.3</b>





# Assessment growth

Region of Waterloo



— Average assessment growth = 2.26%



# Major 2016 Budget Impacts

## Regional Transportation Master Plan (RTMP)

- 1.5% urban levy increase required annually for the next 3 years, followed by 0.75% in 2019
- Required to cover all operating and capital financing costs relating to ION Rapid Transit and aBRT, and costs related to GRT service level expansion
- Provincial upload offset

# Major 2016 Budget Impacts

## Provincial upload savings

- Ontario Works (OW) benefits being uploaded from 2010 to 2019
- OW cost sharing ratio for 2016: 94.2% / 5.8%
- Additional \$1.7 million upload savings in 2016
- Court Security upload from 2012 to 2018 (\$4.7 million) with revenue credited to the Police Budget

# Major 2016 Budget Impacts

## Capital financing

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

# Major 2016 Budget Impacts

## Revenue drivers

- Provincial funding +\$5.6m
- GRT fare revenue variance adjustment -\$1.8m



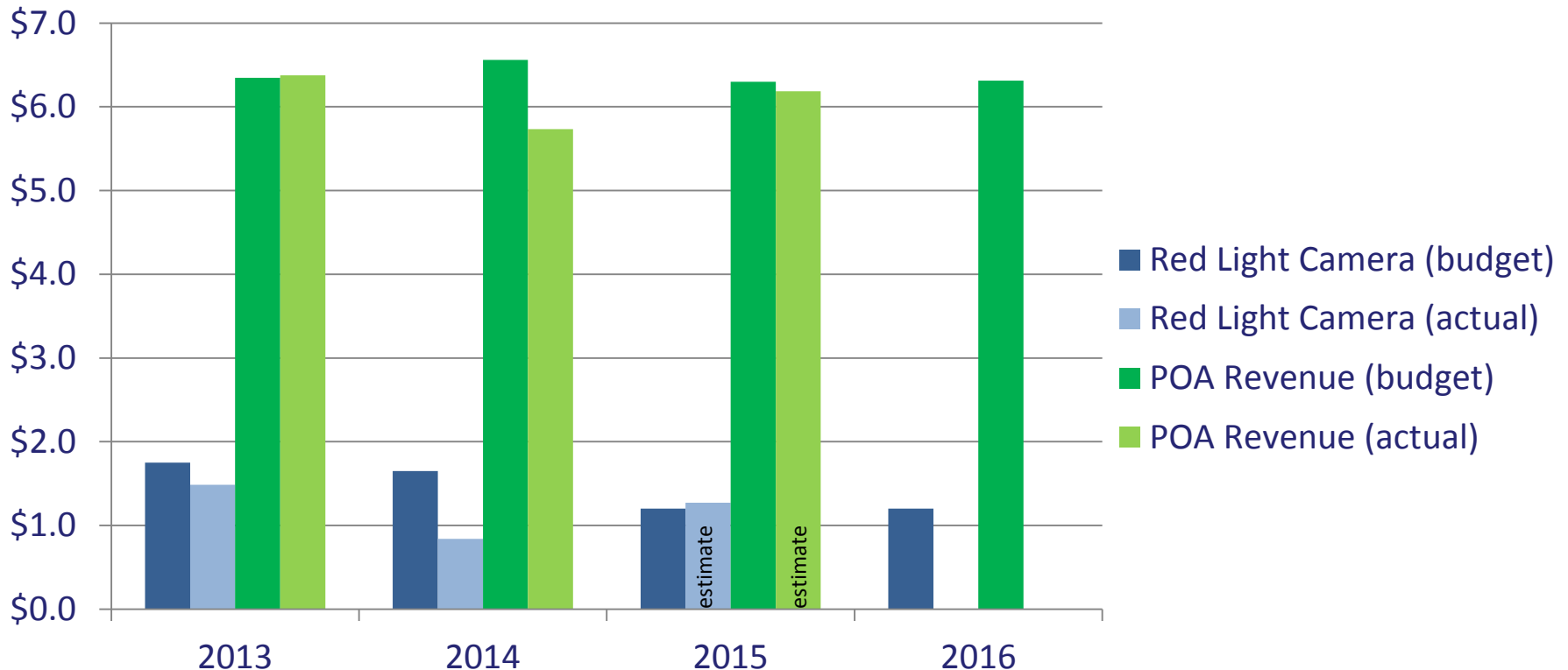
# Major 2016 Budget Impacts

## 2015-2016 Budgeted GRT fare revenue analysis (\$000's)

2015 fare Budget	Plus: annualiz. of 2015 service expansion	Plus: annualiz. of 2015 fare increase	Plus: proposed 4% fare increase on July 1, 2016	Less: adj. to reflect 2015 revenue variance	2016 fare revenue budget
\$32,539	\$552	\$450	\$600	(\$1,750)	\$32,391

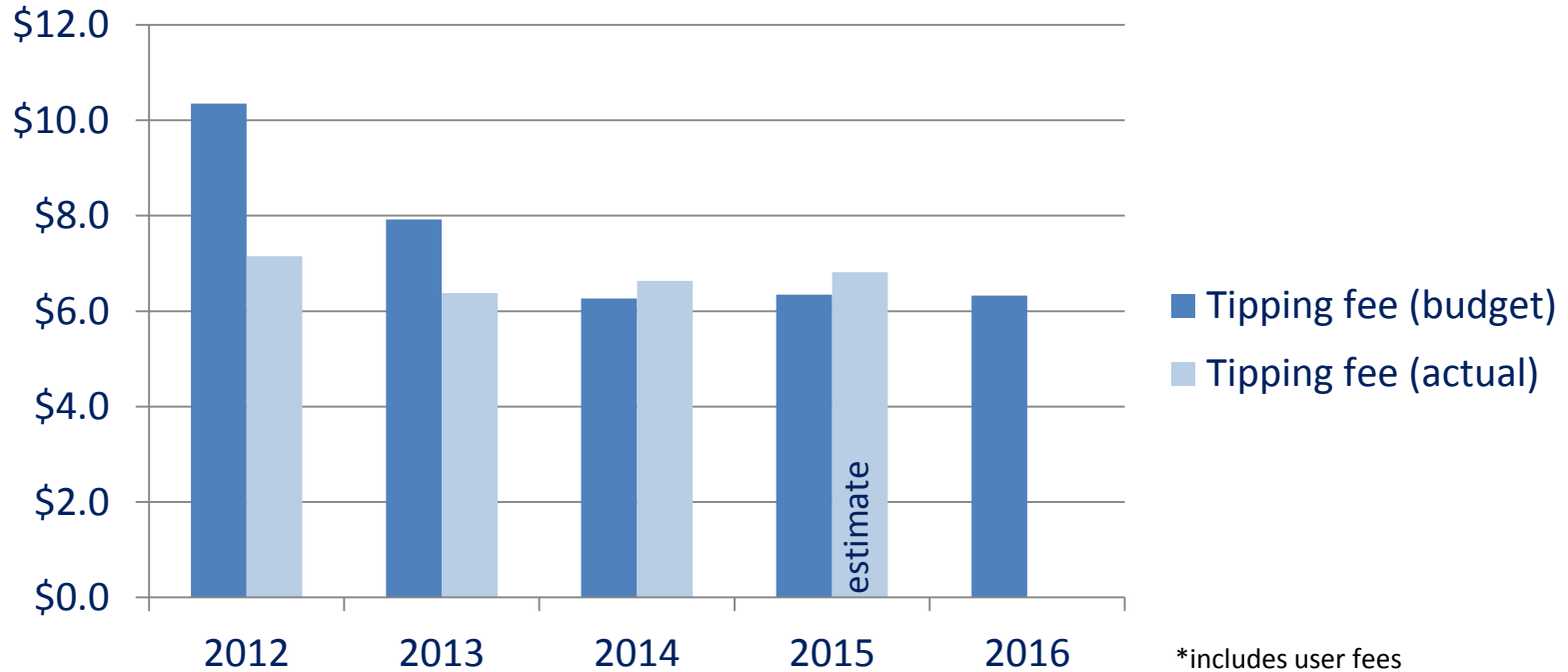
# POA & Red Light Camera Revenue

**Red Light Camera & POA Revenue  
Budget vs Actual (\$m)  
2013 - 2015**



# Landfill Tipping Fees

**Waste Management Tipping Fee Revenue\*  
Budget vs Actual (\$m)  
2012-2015**





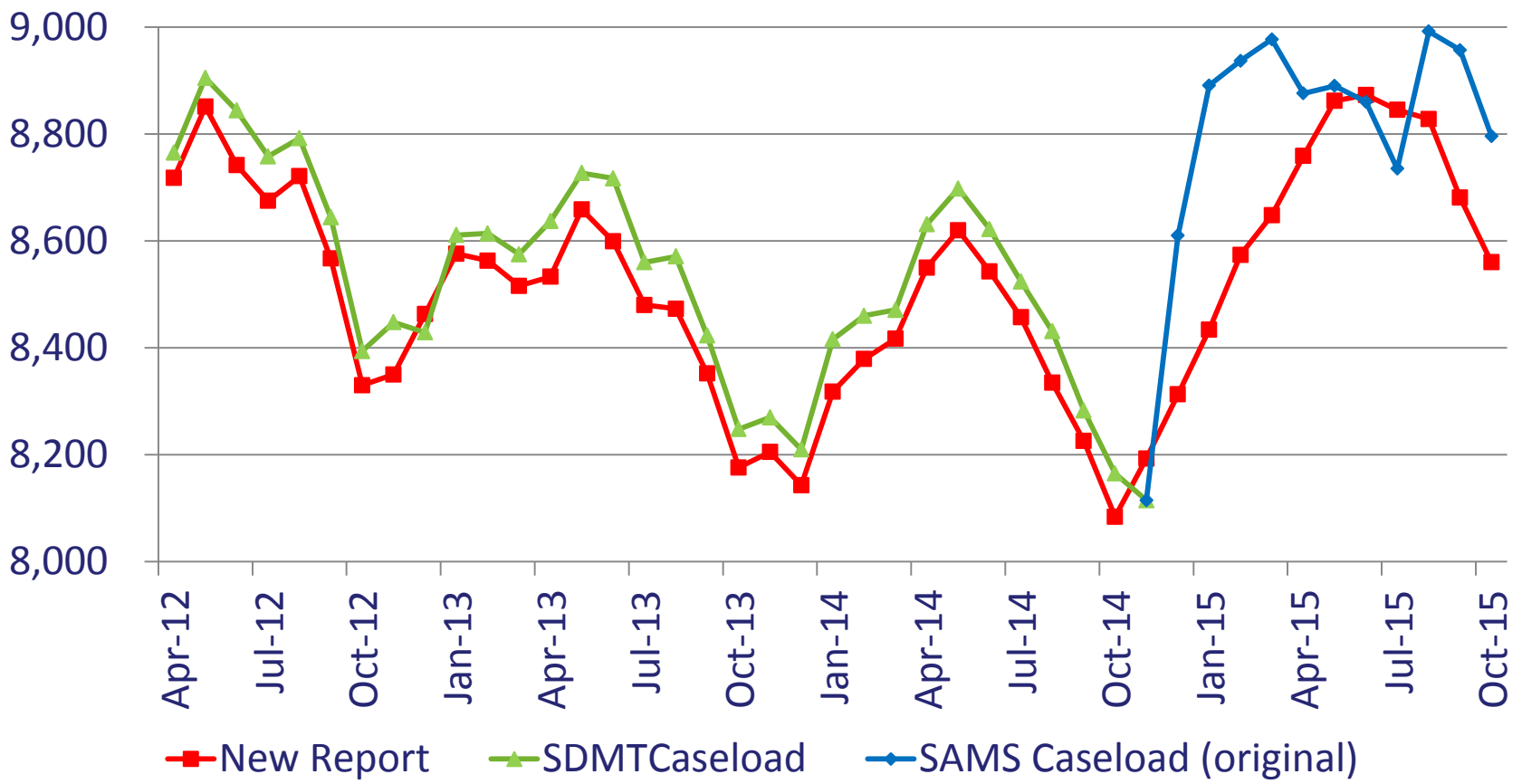
# Information Papers

1. 2016 Ontario Works Allowances & Benefits and Tax Stabilization Reserve Fund Projection (pg. 47)
2. Preliminary 2016 Police Services Budget (pg. 56)



# Ontario Works Allowances & Benefits

## Provincial Reporting of Caseload





# Ontario Works Allowances & Benefits

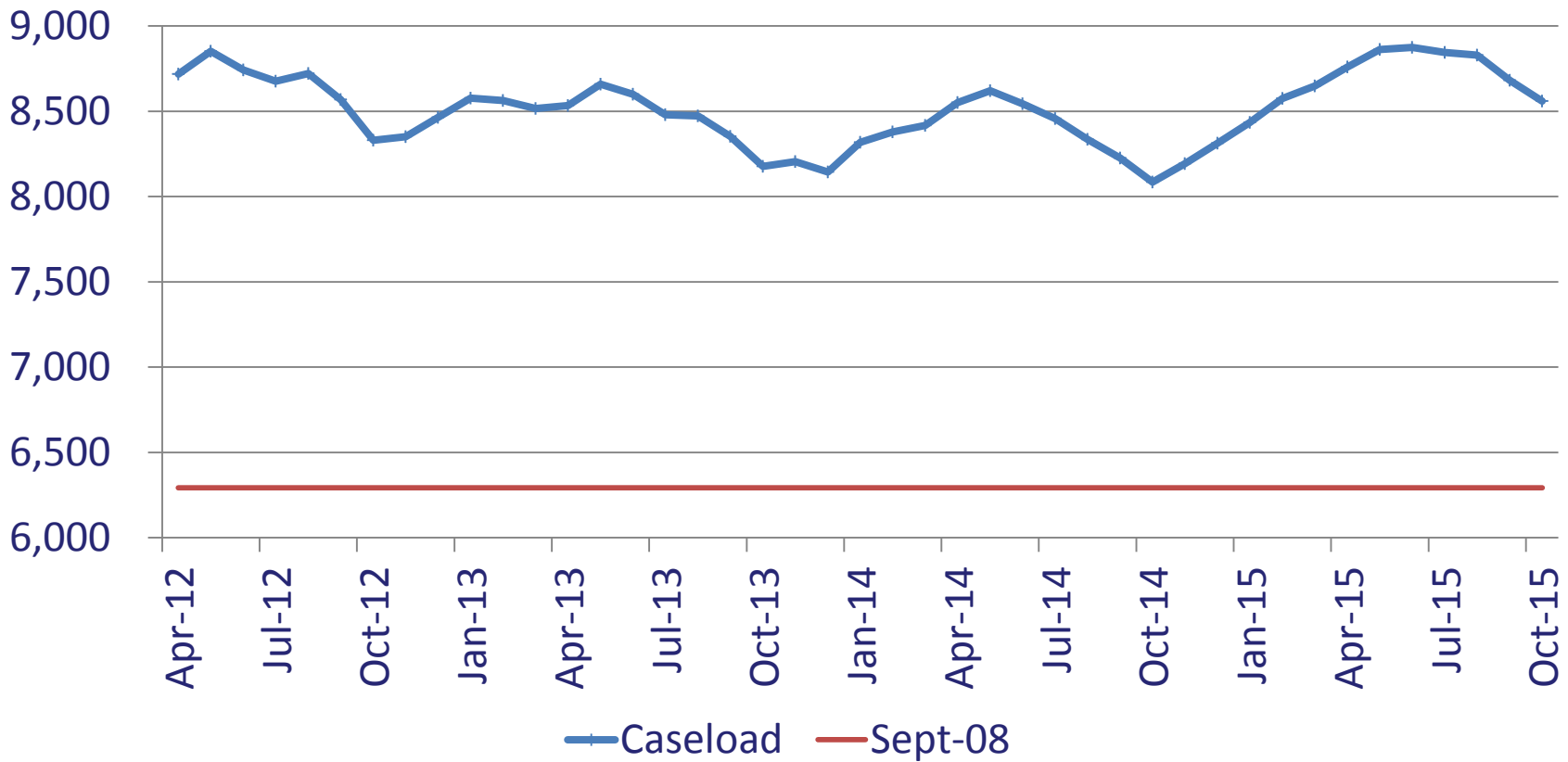
## Impact of change in reported caseload

	2013 Actual	2014 Actual	2015 Estimate
Net Expenditures (\$m)	\$63.6	\$66.8	\$69.2
Previous Caseload	8,514	8,427	8,918
Cost per case	\$ 622.84	\$ 660.94	\$ 646.24
New Caseload	8,440	8,370	8,700
Cost per case	\$ 628.30	\$ 665.44	\$ 662.43
% change	0.88%	0.68%	2.51%



# Ontario Works Allowances & Benefits

## Monthly Caseload (2012-2015)





# Ontario Works Allowances & Benefits

	2015	2016	Budget Change
Ontario Works Allowances			
Average Monthly Caseload *	8,400	8,700	300
Cost per Case	\$ 666.96	\$ 669.14	\$ 2.18
Total Expenditures	\$ 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	-
	\$ 76,740,000	\$ 79,368,000	\$ 2,628,000

\* Caseload based on Provincial Report

# Ontario Works Allowances & Benefits

Increased cost to Region of higher caseload and rate increase is more than offset by upload savings.

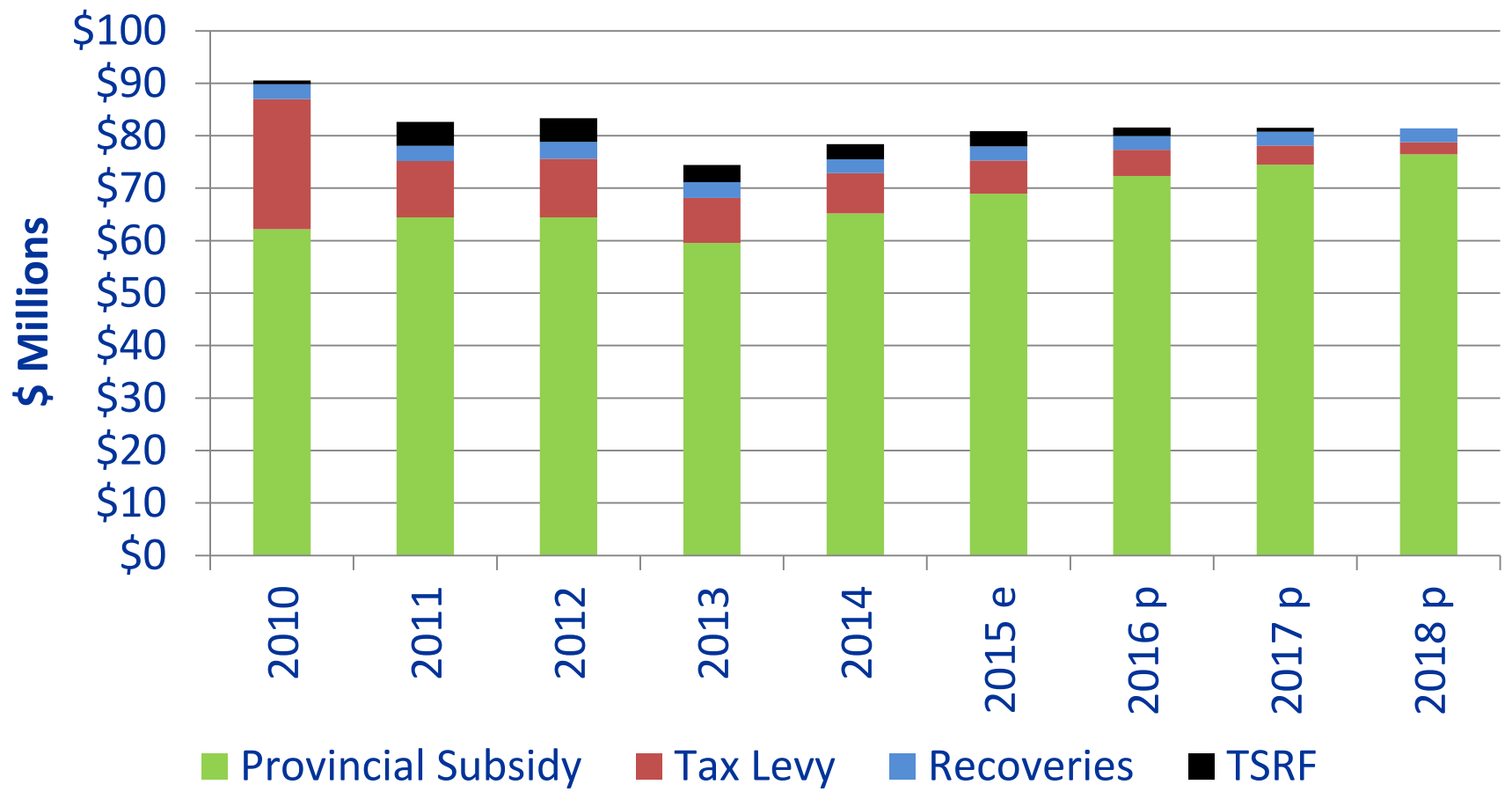
\$ millions

Increase in provincial subsidy	\$4.486
Decrease in tax levy funding	-\$1.342
Decrease in TSRF contribution	-0.516
<b>Net changes in funding</b>	<b>\$2.628</b>



# Ontario Works Allowances & Benefits

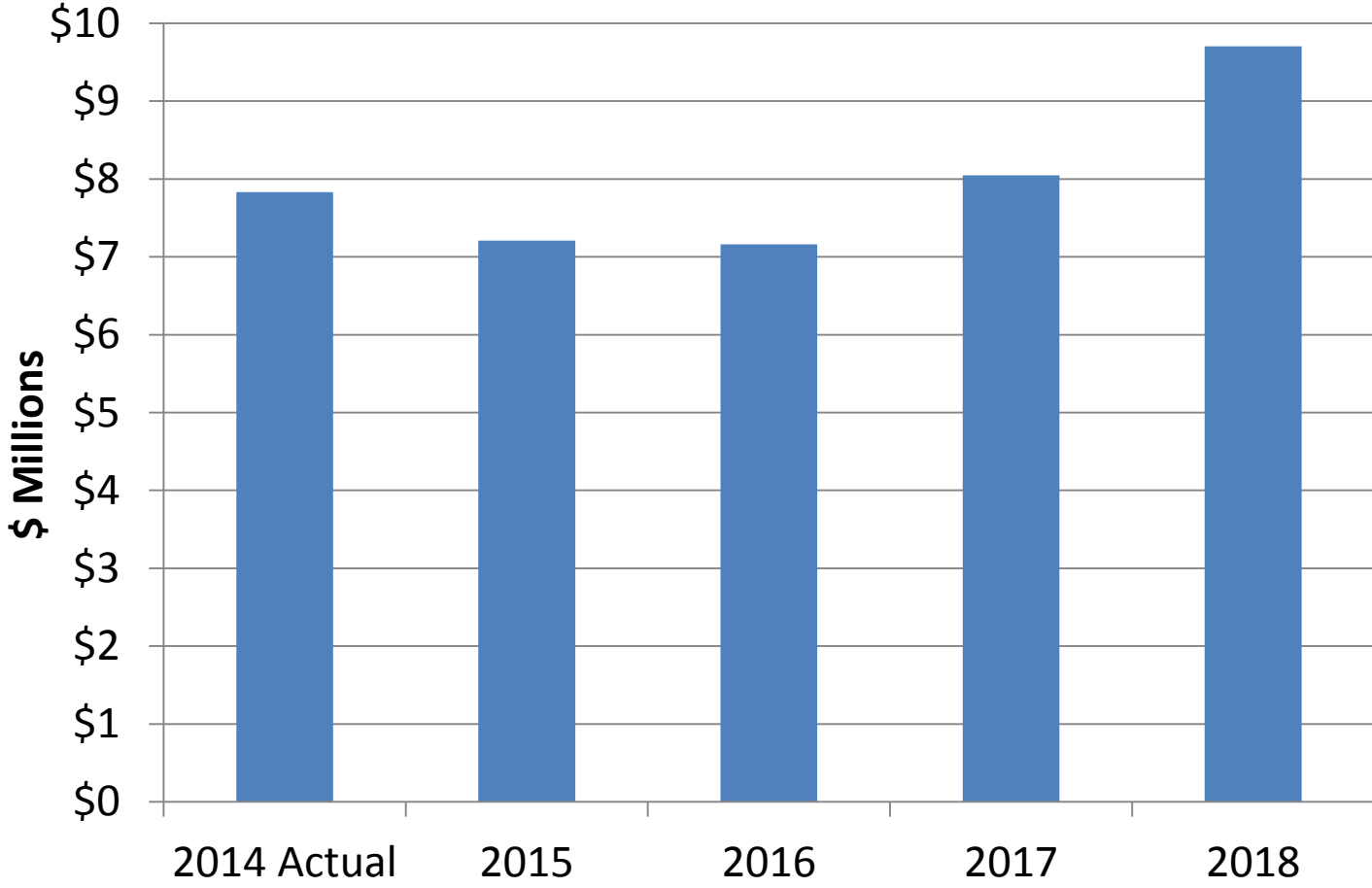
## Funding Sources for Allowances & Benefits





Region of Waterloo

# Tax Stabilization Reserve Fund projection







# WRPS Preliminary 2016 Budget

## Waterloo Regional Police Services Budget Summary

	2015 Approved	2016 Preliminary	\$ Change	% Change
<b>Expenditure</b>	\$158.7	\$165.4	\$6.7	4.22%
<b>Revenue</b>	13.1	13.9	0.8	6.47%
<b>Property Tax Requirement</b>	\$145.6	\$151.5	\$5.9	4.02%
<b>Tax Rate Impact</b>	0.58%	0.83%	--	--

# Police Services (pg. 56)

- Preliminary budget presented to the PSB on November 4
- PSB requested further reductions be identified
- PSB meets again on December 2
- Presentation to Budget Committee on December 16

# Budget Issue Papers

- Section 4 of Budget binder
- Service expansion/enhancement requests
- Budget Issue Papers provide details of the request, including costs/revenues, staffing requirements and implications of not approving

# Budget Issue Papers

- Appendix C
- Budget impact: \$2.13 m or 0.47% tax rate impact
- Some recommended issues have no tax levy impact as they are funded from reserves, capital projects, offsetting expenditure reductions, or offsetting revenue increases



# Proposed Budget Issue Papers

## No Levy Impact

Dept/Div	Description	Annualized Levy Impact (\$000s)	2016 operating budget impact		2016 sources of funding - capital budget		
			Property taxes	Reserves Capital Other	Property taxes2	RDC	User Rates
<b>Budget Issue Papers - No Levy Impact</b>							
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			



# Proposed Budget Issue Papers Levy Impact

		Annualized Levy Impact	2016 operating budget impact	2016 sources of funding - capital budget		
<b>Budget Issue Papers - 2016 Levy Impact</b>						
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-debenturable projects	\$750	\$750			
<b>Subtotal</b>		<b>\$3,402</b>	<b>\$2,130</b>	<b>\$0</b>	<b>\$3,964</b>	<b>\$1,385</b>
				<b>\$0</b>		<b>\$0</b>

### Public Transit

- Conestoga College U-Pass (pg. 57)
  - Nine expansion buses required
  - Operating costs funded by U-Pass fee revenue and the property tax levy
  - Significant annualization cost
  - Capital costs funded by development charges and the property tax levy

### Public Transit

- Transit service to Family & Children's Services (Hanson Ave.) (pg. 61)
  - Additional 3000 service hours required annually
  - Funded by ridership revenue and the property tax levy
- Mobility Plus business plan (pg. 52)
  - Additional 6000 service hours required annually as well as two additional vehicles and 1.3 drivers
  - Funded by the property tax levy (current revenue & GRT reserve)



### **Paramedic Services (pg. 45)**

- Call volumes and response times increasing
- Addition of 1 – 24 hour ambulance
  - Use of TSRF to mitigate operating impact due to lag in subsidy funding
  - 90% of capital costs are eligible for DC funding, interim funding from equipment reserve

### **Capital Levy Reserve Fund (CLRF) (pg. 63)**

- Recommendation to increase the CLRF contribution in 2016
- Minimize debt financing for projects in a variety of program areas with limited or no capital reserves

# Proposed 2016-2025 Tax Supported Capital Program

10 year  
investment  
plan = \$2.1 b

- ION Rapid Transit
- Roads rehabilitation and expansion
- Lifecycle work at facilities and housing sites
- Grand River Transit vehicles, facilities
- Waste Management
- Paramedic Services
- Cultural Sites

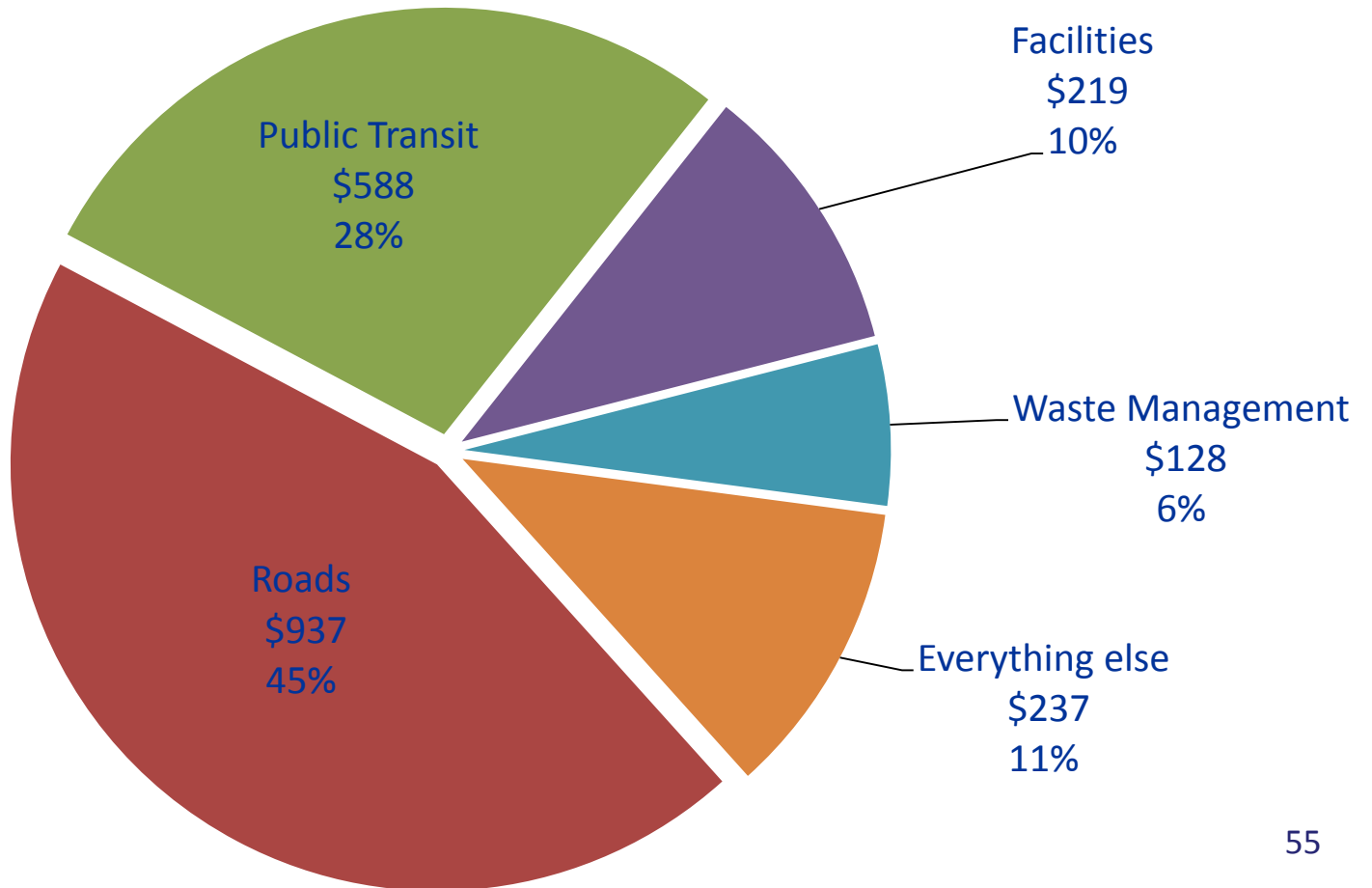
# 2016 capital spending adjustments

Program area	2016 capital expenditure projection from 2015 budget	Proposed 2016 capital expenditure	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)
<b>TOTAL EXPENDITURE</b>	<b>310.0</b>	<b>270.7</b>	<b>(39.3)</b>



# Capital Expenditure

**Tax supported total expenditure  
2016-2025 capital plan (\$2.1b)  
\$millions**





# Capital Funding & Financing

Region of Waterloo

## FUNDING

## FINANCING

Grants / Subsidies  
/ Recoveries

- Contributions from other levels of government and third parties

Development  
Charges

- Directly from Reserve Funds
- Debentures

Property taxes

- Transferred from Operating Budget
- Directly from Reserves
- Debentures



# Capital Funding & Financing

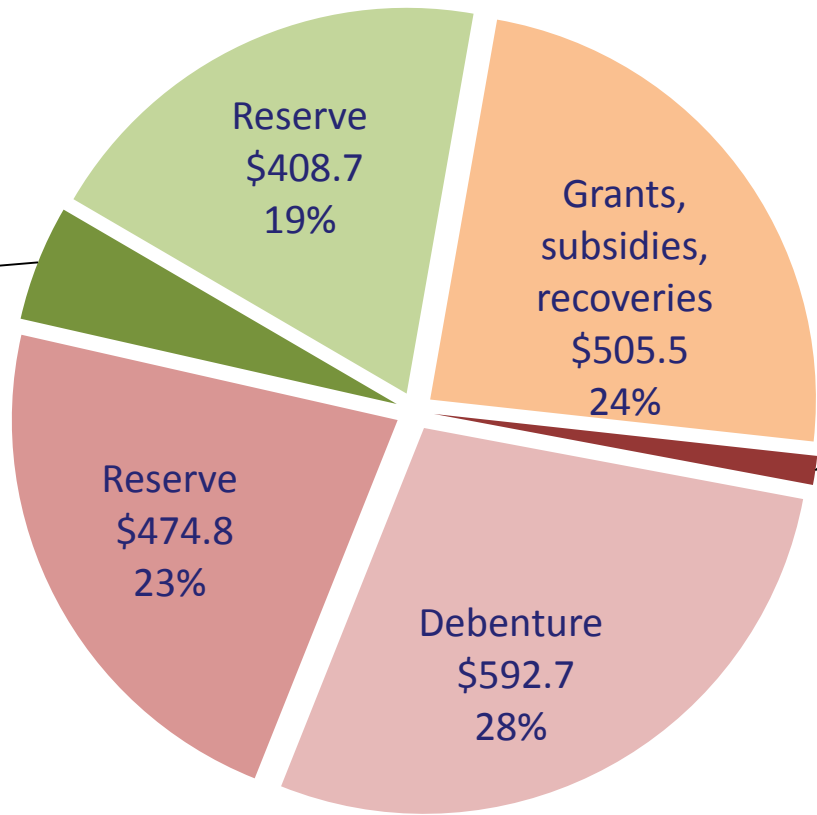
Region of Waterloo

**Tax supported funding & financing  
2016-2025 capital plan (\$2.1b)  
\$millions**

**Development  
Charges  
\$0.511 b  
24%**

**Other  
\$0.505 b  
15%**

Debenture  
\$102.5  
5%



Contributions for  
Operating  
\$25.6  
1%

**Property Tax  
\$1.094 b  
34%**



# Capital Program Financing

Similar to User Rates, staff have prepared an updated financing strategy to better match costs with RDC collections





Region of Waterloo

# Growth related capital financing strategies

Adjust timing of certain projects

Voice Radio  
Infrastructure  
Upgrade

Breslau  
Paramedic  
Services station

Interim financing from  
other sources until RDCs  
are available

Library  
Collections

New ambulances

Debt finance the growth  
related shares of major  
projects

Northfield Drive  
GRT  
maintenance  
facility

Certain road  
expansion  
projects

# Why borrow for capital?

Allows for capital investments to proceed without significant property tax/user rate fluctuations

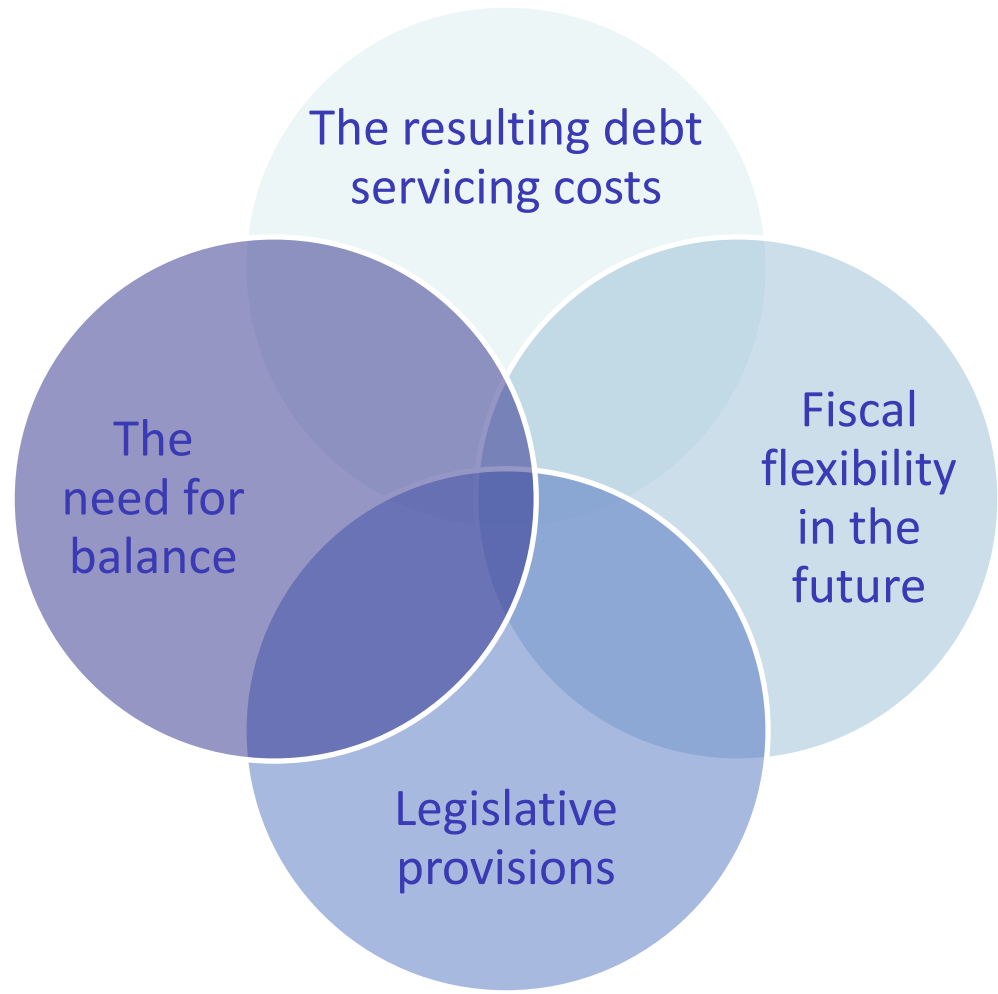
Spreads the cost over a longer term or the useful life of the asset

Those benefitting from the infrastructure pay for it

Increasing assessment base each year to cover the fixed cost



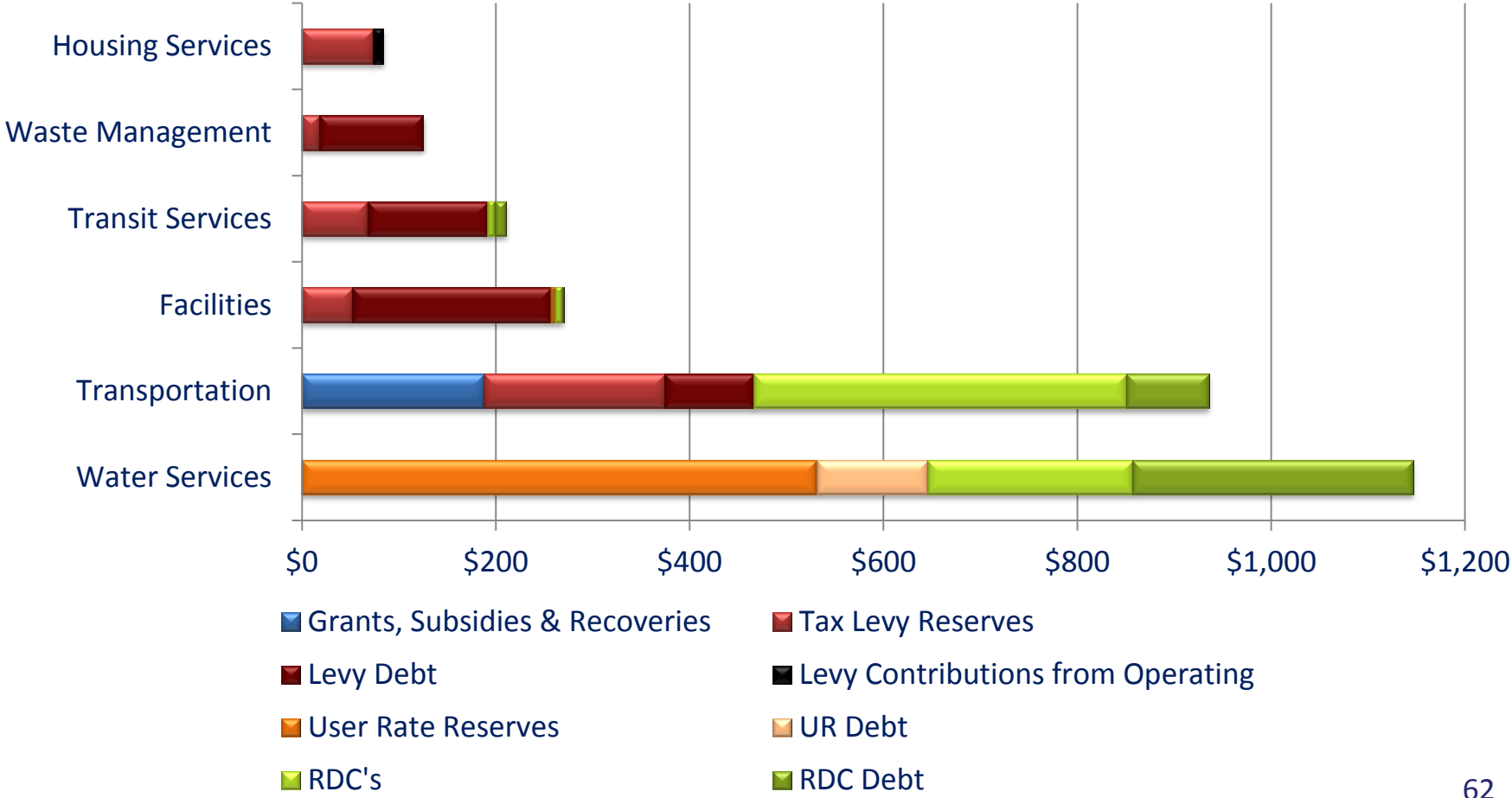
# Borrowing considerations...





# Capital financing sources

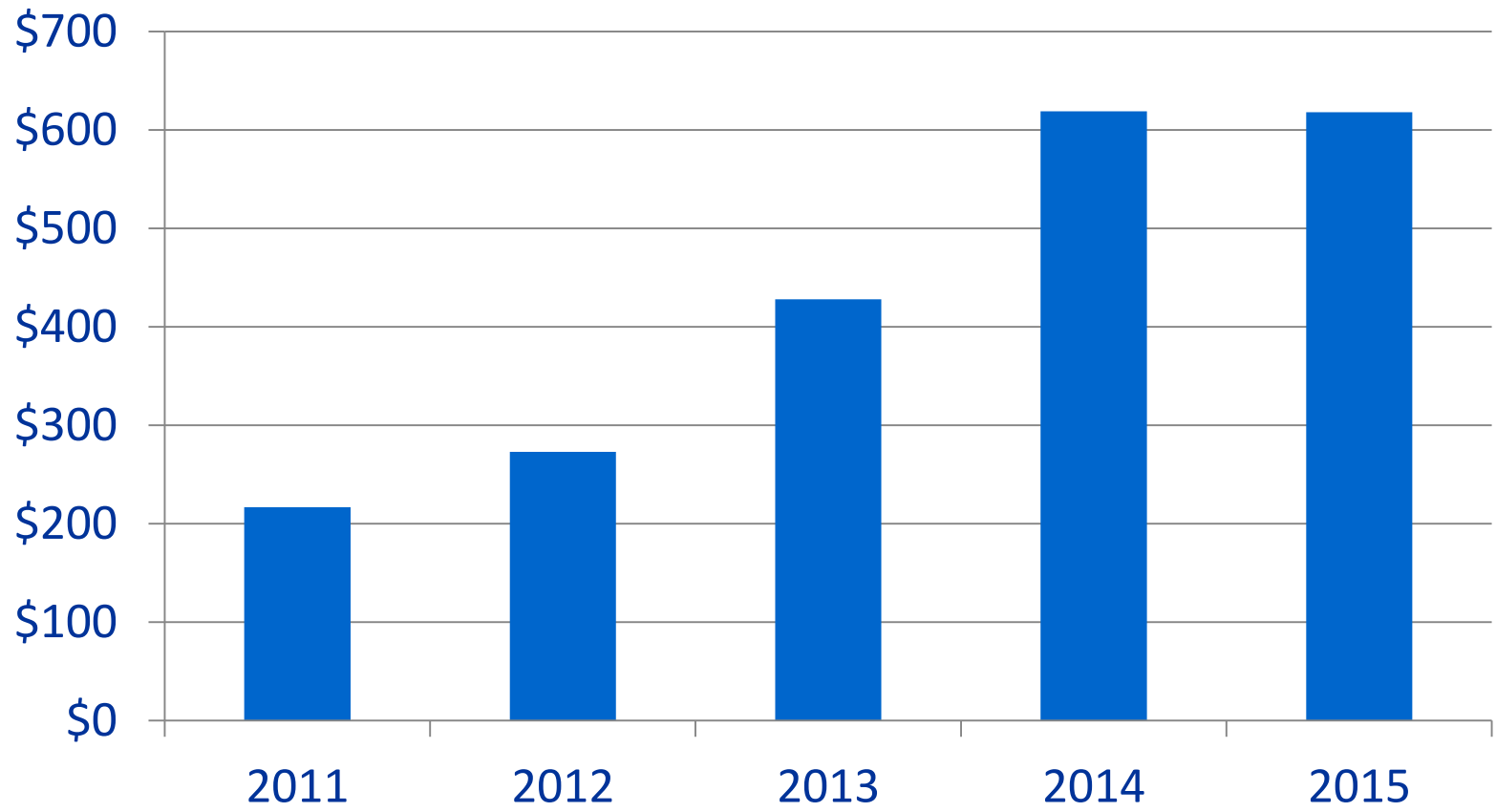
**2016-2025 Capital Plan**  
**Sources of Financing for Major Infrastructure**





# Total debt outstanding

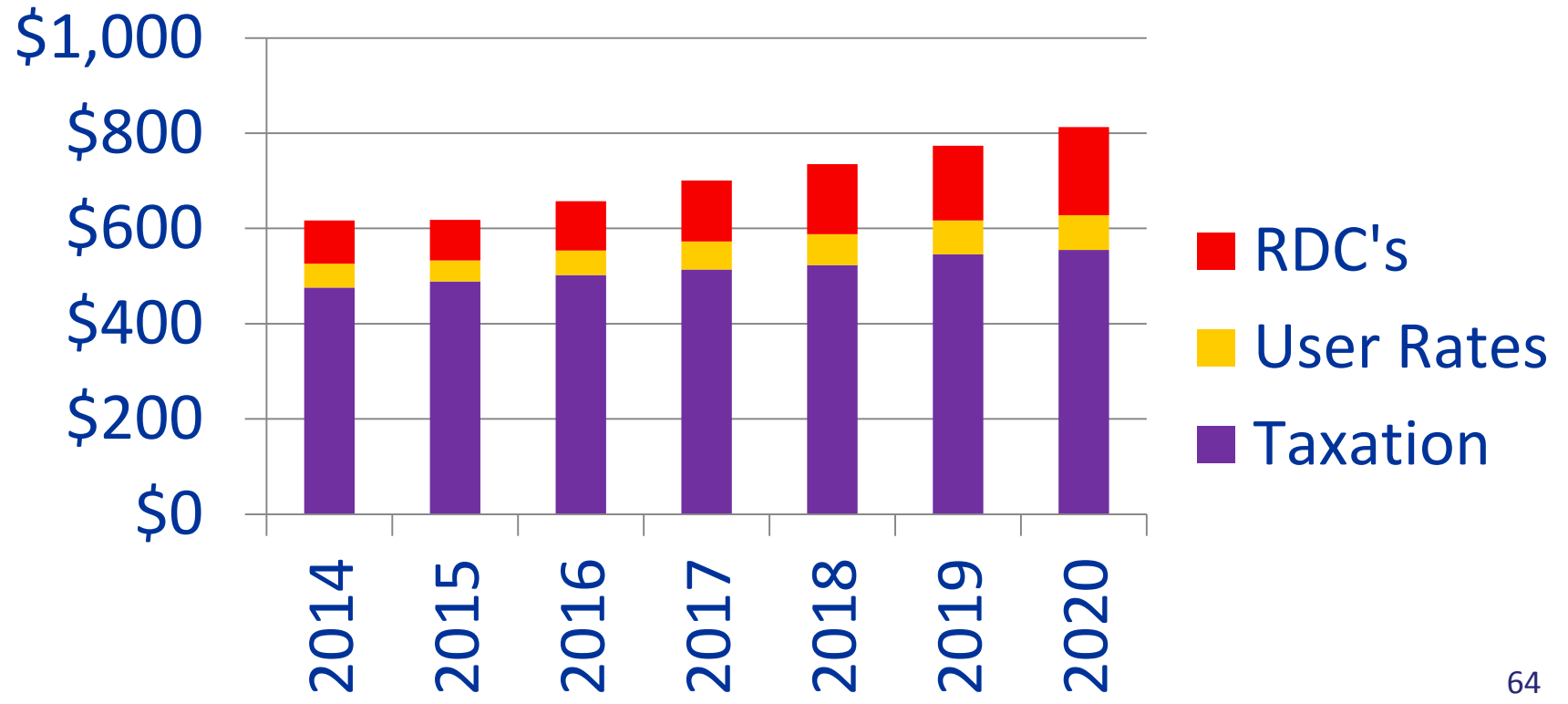
\$ millions





# Projected debt outstanding

## 2016-2025 Capital Plan \$ millions





# Reserve and Reserve Fund Balances per Capita

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

source: 2014 Financial Information Return data

\* excludes Development Charge reserve funds

# Debt per capita

## Regional comparators

Region	2010	2011	2012	2013	2014
York	\$1,411	\$1,807	\$2,057	\$2,345	\$2,649
<b>Waterloo</b>	<b>376</b>	<b>392</b>	<b>490</b>	<b>760</b>	<b>1,086</b>
Peel	472	483	960	1,108	1,052
Halton	357	521	659	604	609
Niagara	666	616	544	513	605
Durham	262	246	323	340	356





# 2016 Budget Update

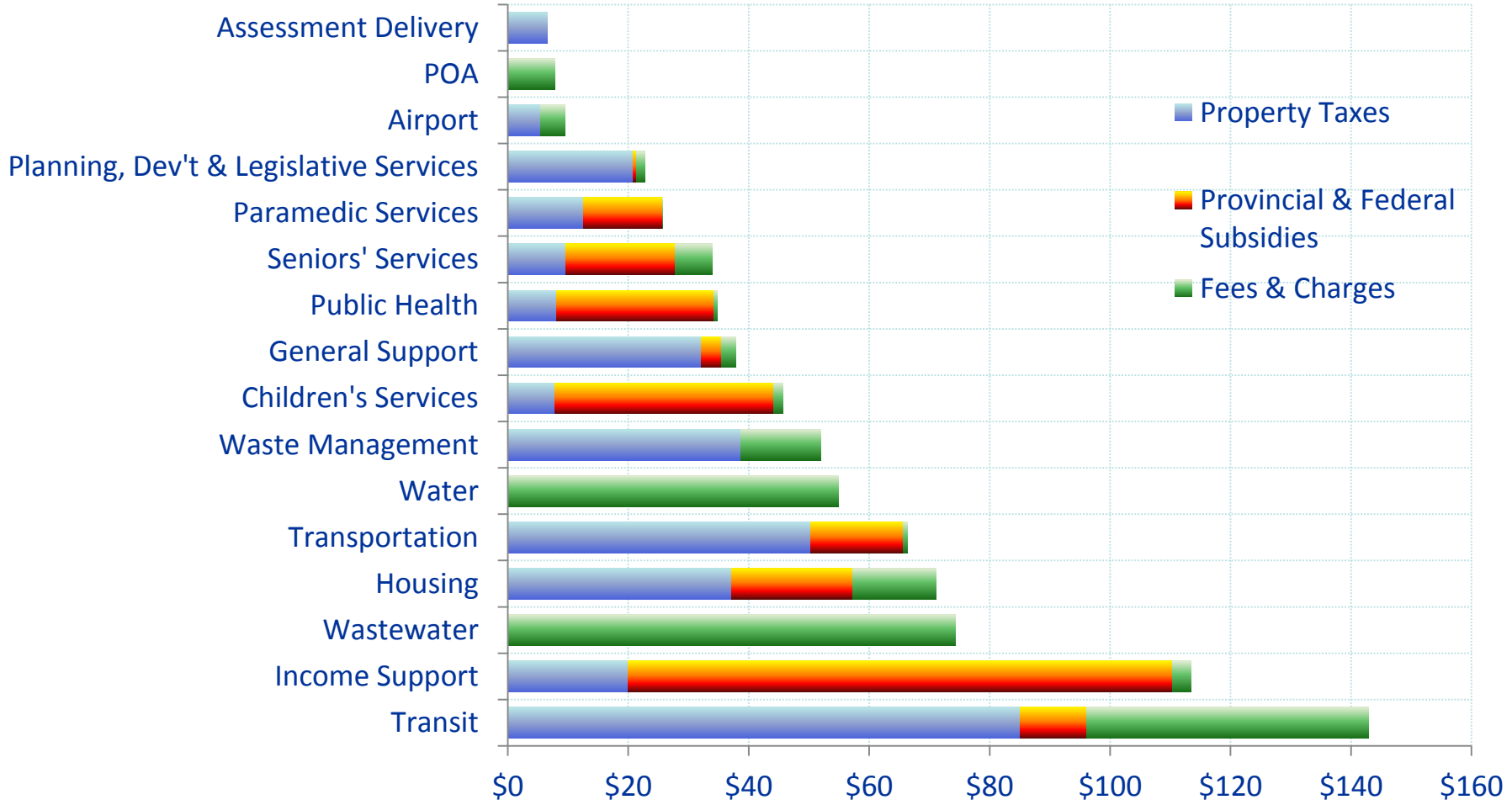
## Concluding Comments



Region of Waterloo

# 2016 Preliminary Funding for Regional Services

\$ millions



# 2016 Budget Update

## Key Messages

### **User Rate Budgets:**

- Wholesale water rate increase is lower than projections from last year
- Other rate increases consistent with projections from last year
- Retail wastewater monthly service charge for 2016 (\$6.00) lower than projection from last year (\$7.00)
- Updated capital financing plan

# 2016 Budget Update

## Key Messages

### **Tax Supported Budget:**

- Reduced capital expenditure in 2016
- Updated capital financing plan
- Lower assessment growth
- GRT revenue adjustment
- Base position including issue papers of 2.86% (excluding Police)

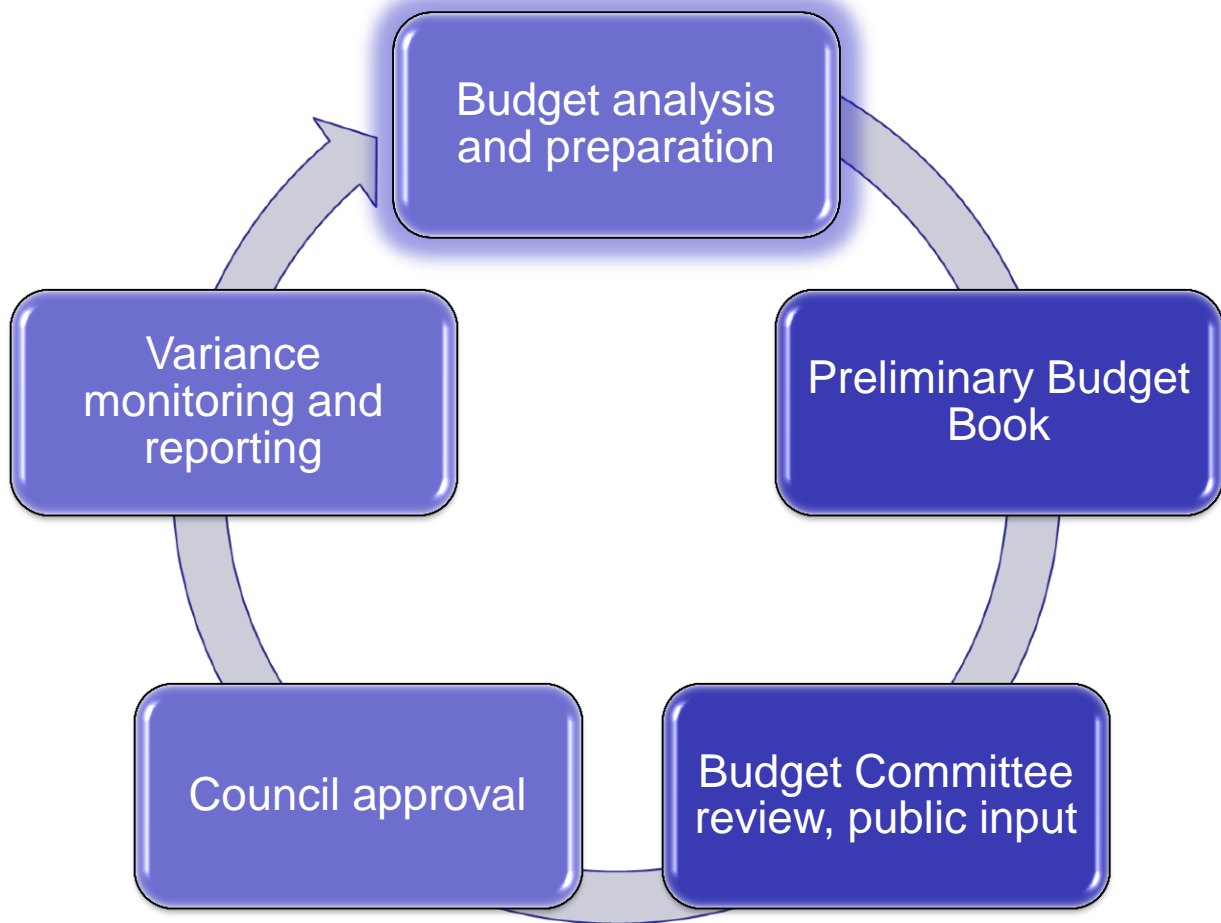
# Still monitoring...

## Potential budget adjustments:

- Fuel prices
- Major revenues
  - POA fines
  - Landfill tipping fees
  - GRT fare revenue
  - Payments-in-lieu of taxes



# The Budget Cycle





# 2016 Budget Schedule

Oct. 21: Budget Committee overview

Early November: Print Budget Book

Nov. 18: Budget Committee Detailed Review and Public Input

Dec. 16: Budget Committee approval of user rate budgets, 2nd Public Input, WRPS and GRCA

Jan. 13/16: Tax Budget approval, user fees & charges approval



# Preview of December 16, 2015

GRCA  
presentation

Approval of User  
Rate Budgets

Major revenue  
items: GRT fares,  
Tipping Fees, POA

Assessment  
Growth

Fuel prices

Police Budget  
presentation

Proposed  
Fees & Charges

Reserve &  
Reserve Fund  
Projections

Councillor  
Requests





# Water Services

## Water and Wastewater

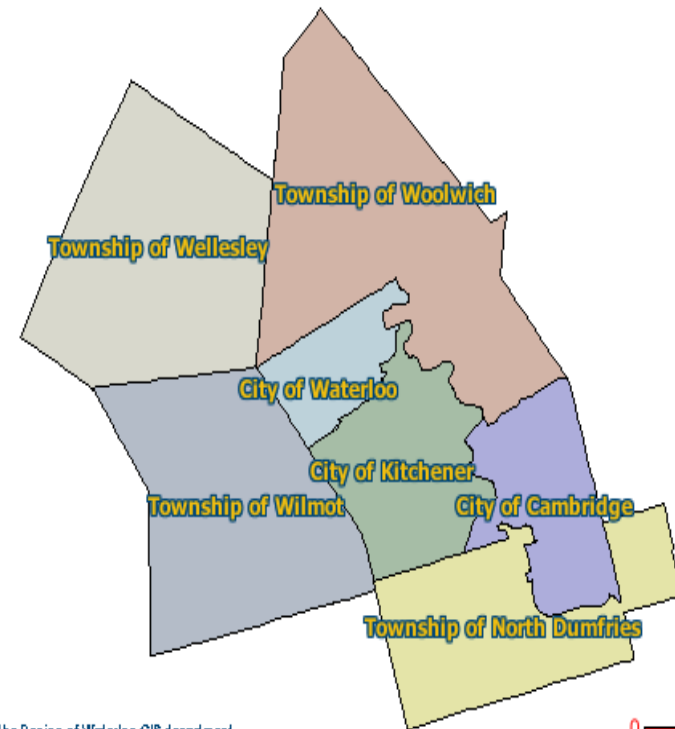
### 2016 User Rate Budget Update



# Water Services



- Water Supply & Wastewater Treatment
- Distribution & Collection (North Dumfries & Wellesley)



Maps provided by the Region of Waterloo GIS department.

0 8030m

# Water Supply

## Overview

### Water Supply Systems

- 1 Surface Water
- 20 Ground Water Supply Systems & over 100 Ground Water Wells
- Supply 54 Million Cubic Meters



# Water Regulations

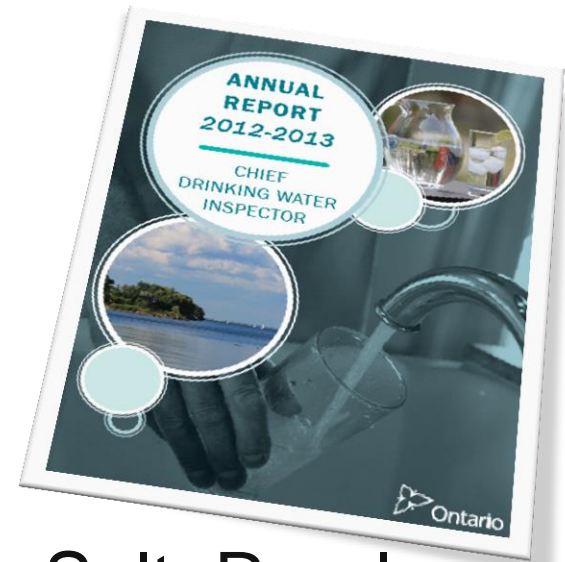


## Safe Drinking Water Act (2002)

- Mandatory Accreditation of
- Operating Authority

## Clean Water Act (2006)

- Ongoing Programs: Curb the Salt, Rural Water Quality, Well Assessments
- Incentive programs approval late 2016



# Water Operating Budget



- **Operating Budget: \$34.1 million (1.4 % increase)**

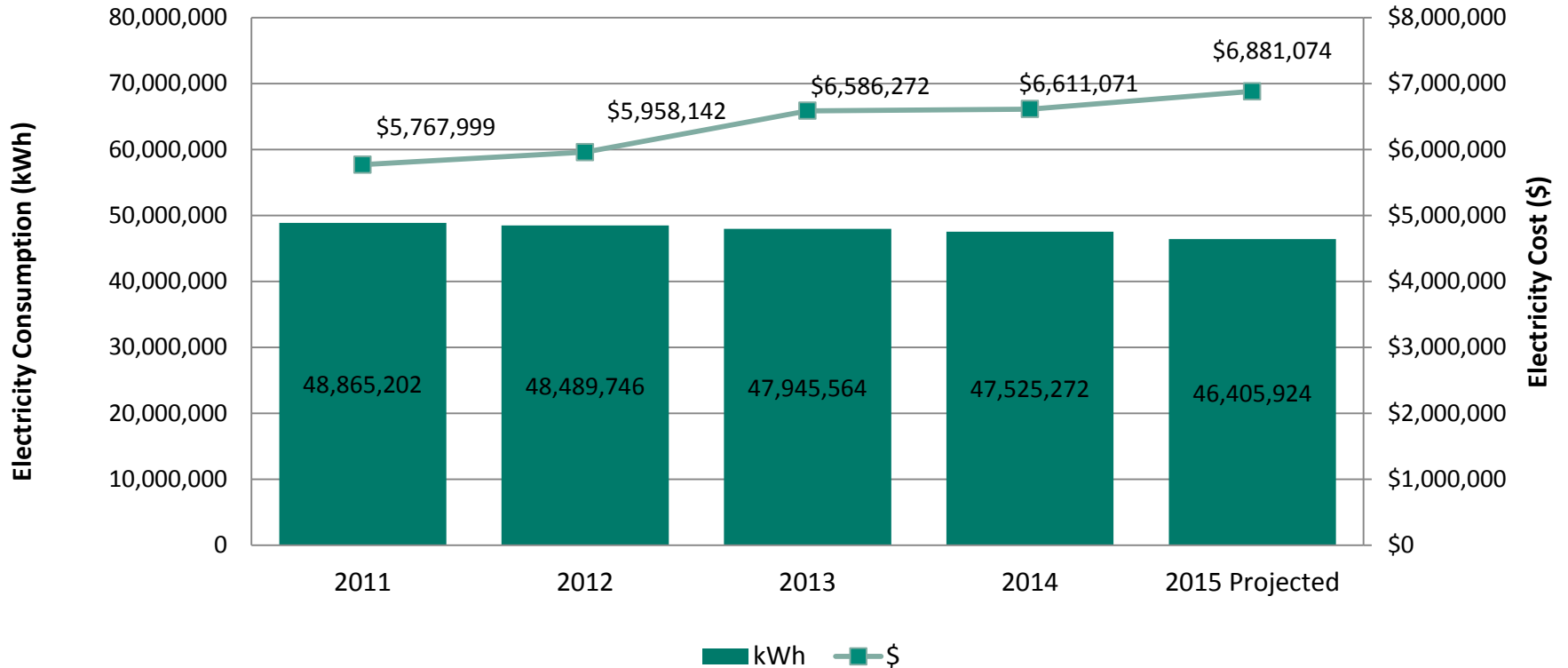


- Savings from 2015 Operating Budget - \$303,000 Water O&M
- Focus on Regulatory Compliance, Optimization & Asset Management

# Water Operating Budget - Hydro



**Water Pumping and Treatment  
Annual Electricity Consumption & Cost**



# Program Initiatives



## Innovation

- Studies; GUDI Terms of Reference

## Energy Reduction Initiatives

- Coordination with local hydro utilities



## Asset Management

- Implement Improved Work Practices

# Water Capital Budget Highlights



➤ **2016 - 2025 Capital Program: \$419 million**

## Projects include:

- Source Protection \$45M
- Infrastructure Replacement \$168M
- Water Mains \$71M
- Upgrades/Expansions \$128M

*2014 Water Supply Master Plan – set strategy for  
reinvestment in infrastructure*





# Water Supply Summary



## Key Trends

- Increases in hydro rates

## Issues

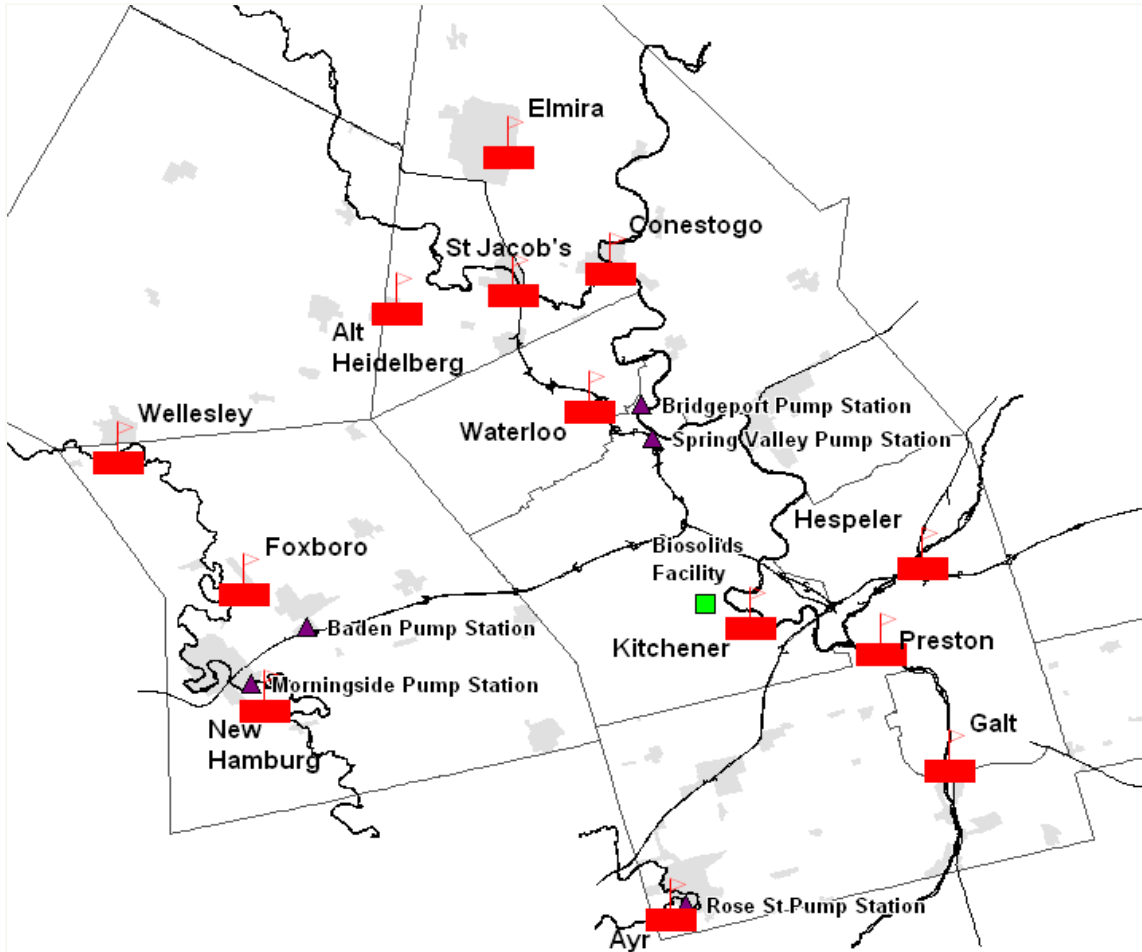
- Compliance to Regulations
- Asset Management

## Initiatives

- Energy Management Studies
- Optimization Studies
- Infrastructure reinvestment
- Implement Master Plan Recommendations



# Wastewater Treatment



13 Wastewater Treatment Plants

1 Biosolids Handling Facility

6 Pumping Stations

# Environmental Enforcement & Laboratory Services



## Enforcement

- Update of Sewer Use By Law
- Spills Response
- Surcharge Agreements

## Laboratory Services

- Total of 45,000 Water, Wastewater and Industrial Samples
- Total of 147,000 Water Tests, 40,000 Wastewater Tests & 16,000 Industrial Tests

# Wastewater Operating Budget Highlights



## ➤ Operating Program: \$44.7 Million (0.6 % increase)

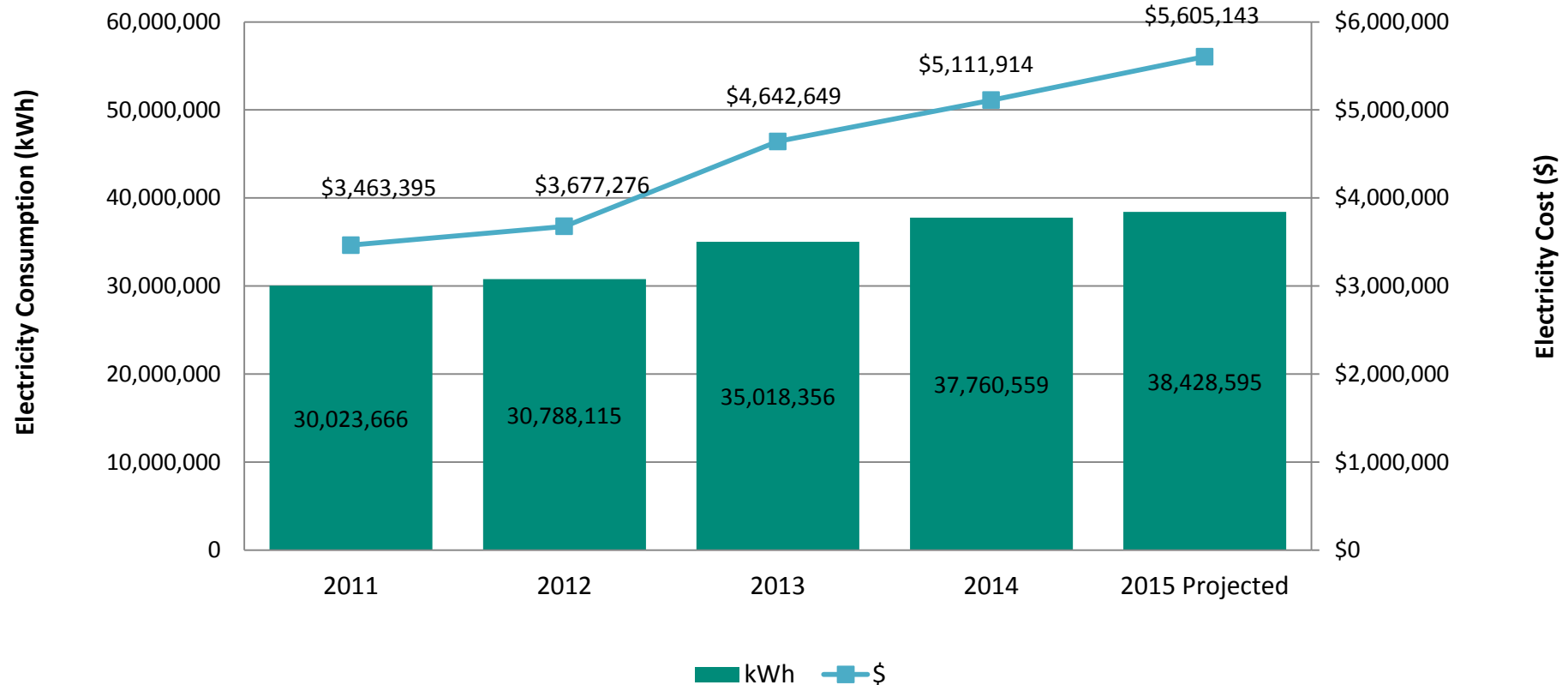
- Savings from 2015 Operating Budget -> \$576,000 Wastewater O&M
- Fluctuations of Wastewater Volume based on Weather Conditions
- New Biosolids Tender



# Wastewater Operating Budget - Hydro



## Wastewater Pumping & Treatment Annual Electricity Consumption & Cost



# Wastewater Capital Highlights



➤ **2016 -2025 Capital Program: \$724 Million**

➤ **Major Treatment Upgrade:**

- Waterloo WWTP
- Kitchener WWTP
- Galt WWTP

➤ **Growth Related:**

- Baden-New Hamburg WWTP
- Waterloo (& St Jacobs) WWTP



# Wastewater Treatment Plants

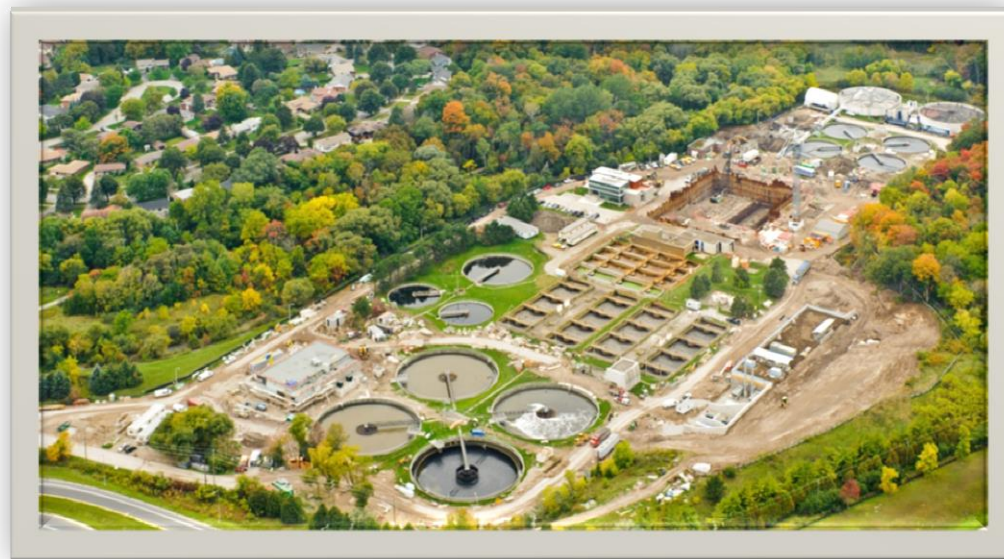


## Kitchener

**\$247M Remaining in Upgrades (total \$370M)**

- Upgraded to Tertiary Treatment Level
- Improve Equipment Reliability & Sustainability
- Improve Effluent & Water Quality in the Grand River

# Wastewater Treatment Plants



## Waterloo

**\$ 6.2 M Remaining in Upgrades to Treatment Plant (total \$120M)**

- Improve Equipment Reliability & Sustainability
- Improve Effluent & Water Quality in the Grand River



# Wastewater Summary



## Key Trends

- Impacts of Wet Weather Fluctuations
- Impact of large increase in hydro rate (hydro 24% of O&M budget)

## Issues

- Compliance to Regulations
- Asset Management

## Initiatives

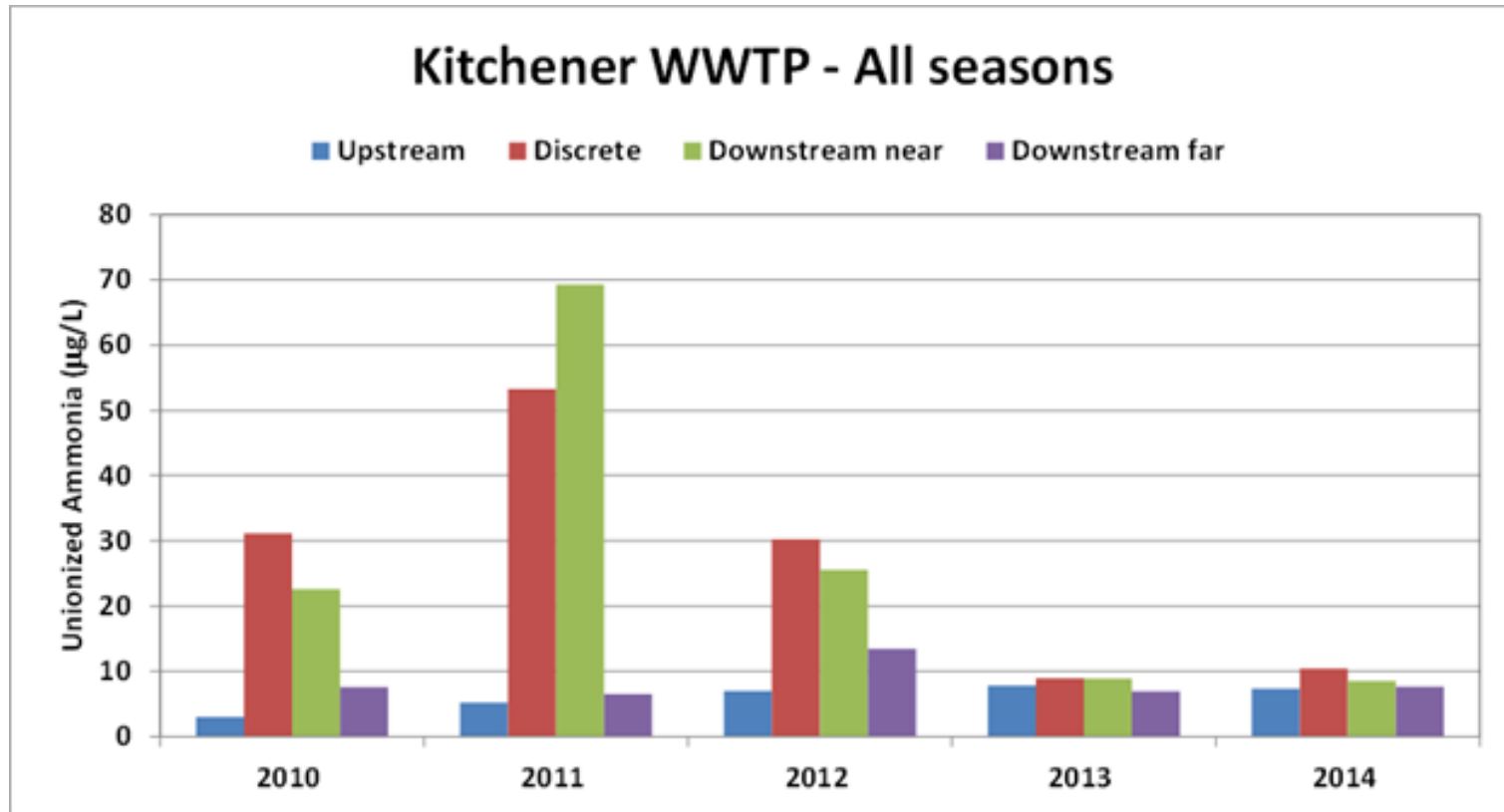
- Energy Management Studies (Cogeneration)
- Update to Wastewater & Biosolids Master Plans

# Wastewater Summary



## ➤ Impacts to the Environment

Improvement in Effluent Quality & Positive Impact on the Grand River



# Household Impact of Wholesale Rate Increases



## Recommended 2016 User Rate

Based on annual household consumption of 204m<sup>3</sup>

Cost of wholesale water \$1.0060/m <sup>3</sup>	2015:	\$198
	2016:	\$204 (+2.9%)
	Impact:	\$ 6
Cost of wholesale wastewater \$1.0092/m <sup>3</sup>	2015:	\$190
	2016:	\$204 (+6.9%)
	Impact:	\$ 13

**Annual Cost Impact: \$19 per household**

# Distribution & Collection Services



## Provide distribution services

- 70 km distribution water main
- Implementation of new Regional By Law
  - 14-013 Supply & Distribution of Water in the Township of North Dumfries and Wellesley (Backflow Prevention Program)

## Provide collection services

- 46 km of sanitary sewer
- Implementation of amendments to Sewer Use By Law
  - 1-90 Prohibit Regulate & Control the Discharge of Waters and Wastes into Bodies of Water within the Regional Area or into the Regional Sanitary Truck Sewers, Trunk Sewer System or Sewage Treatment Works and all Tributary Sewer Systems and to Regulate and Control Extensions, Alterations or Enlargement to the Sewer System of any Area Municipality

# Household Impact of Retail Rate Increases



## Recommended 2016 User Rate

Based on annual household consumption of 204 m<sup>3</sup>

Cost of water	2015:	\$532
\$2.37/m <sup>3</sup> + \$8 /month	2016:	\$573 (+8.9%)
	Impact:	\$ 41
Cost of wastewater	2015:	\$432
\$1.90 /m <sup>3</sup> + \$6 /month	2016:	\$456 (+5.9%)
	Impact:	\$ 24

**Annual Cost: Total is \$1,029 (Impact \$65)**

# Questions?

