Regional Municipality of Waterloo

Budget Committee

Minutes

Wednesday, October 19, 2016
4:30 p.m.
Council Chambers, 2nd Floor
150 Frederick Street, Kitchener


Members absent: B. Vrbanovic

Motion to Go Into Closed Session

Moved by K. Kiefer
Seconded by J. Mitchell

That a closed meeting of the Budget Committee be held on Wednesday, October 19, 2016 at 4:00 p.m. in the Waterloo County Room in accordance with Section 239 of the ‘Municipal Act, 2001’, for the purposes of considering the following subject matters:

   a) labour relations or employee negotiations

Carried

Motion to Reconvene Into Open Session

Moved by S. Foxton
Seconded by L. Armstrong

That the meeting reconvene into Open Session at 4:30 p.m.

Carried

2250819
Declarations of Pecuniary Interest under the “Municipal Conflict of Interest Act”

None declared

Opening Remarks – Chief Administrative Officer

Mike Murray, Chief Administrative Officer, provided opening comments. He noted that this budget cycle will have similar challenges as in the past, including infrastructure (existing and new) and service enhancements. He stated that additional challenges for the 2017 budget are revenues and a relatively low level of assessment growth, noting that the current rate of growth could be the lowest in the last 15 years. He added that staff have conducted detailed reviews of operating and capital budgets and have made base budget reductions of approximately $2.9 million.

Opening Remarks – Chair

Sean Strickland provided opening comments and thanked staff for their thorough efforts in preparing for the 2017 budget review process. He noted that based on preliminary data, the Region may be looking at a 4% tax increase, including the budget for Waterloo Regional Police Service; he noted that such an increase from the previous budget isn’t acceptable and that Regional Councillors will be looking to balance needs and taxes. He suggested that Regional Council may be considering development charges and red light cameras as sources of additional revenue, as well as savings from fuel costs and debt retirement. He added that, aside from the preliminary budget, Regional Council will also be reviewing Budget Issue Papers (BIPs) for such programs as paramedic services and the Grand River Transit (GRT) business plan.

2017 Preliminary Budget Presentation

COR-FSD-16-26, 2017 Budget Overview, was received for information.

Craig Dyer, Commissioner, Corporate Services/Chief Financial Officer, provided the Committee with a presentation; a copy is appended to the original minutes.

* T. Galloway joined the meeting at 4:43 p.m.

Highlights of the 2017 Preliminary Budget presentation included:

- Funding summary of major Regional services and relative expenditures
- Current economic climate and indicators, including inflation Gross Domestic Product (GDP), the cost of borrowing, Ontario Works caseload; crude oil and fuel costs for GRT
- Fuel price strategy and the impact of Ontario’s Cap and Trade regulations
C. Dyer responded to Committee questions regarding the fuel strategy in the event that fuel costs rise and for data about the national unemployment rate which will be provided to the Committee at a future meeting.

M. Murray responded to a Committee question regarding the high Ontario Works (OW) caseload despite the healthy economic situation in the Region. He stated that staff will prepare an Information Paper on this issue, including relevant demographics and comparators to the workforce in general.

In response to Committee questions about provincial uploading and other costs associated with Ontario Works, C. Dyer stated that the Ontario Works benefit costs will be fully uploaded in 2018 but that the Region continues to support discretionary benefits and is required to pay 50% of OW administration fees on a per caseload basis.

C. Dyer summarized the types of budgets being considered during the budget review process, including capital and operating; and user rate and property tax budgets. Other highlights of the presentation included:

- Wholesale costs for Water Supply and Wastewater Treatment
- Water Supply and Wastewater Treatment 2016 Operating Cost Variances and Budget Projections for 2017
- User Rate Capital Program and Financing Plan
- Water Supply and Wastewater Treatment 10-year Investment Plan
- Proposed User Rates and Service Charges
- 2016 Tax Supported Budget highlights
- Capital Plan Review Outcomes and Projects
- Internal Budget Review Process and Identified 2017 Budget Impacts

C. Dyer summarized the significant 2017 budget impacts including GRT fare revenue; Provincial upload savings; capital financing; base budget adjustments; historical assessment growth; the components of assessment growth and the 2016 reassessment undertaken by the Municipal Property Assessment Corporation (MPAC).

In response to a Committee question regarding plans for “month 13” of the refugee resettlement program, when federal support will cease, M. Murray advised that staff have included this matter in the 2017 budget and that an Information Paper will address this issue.

A request was made of staff to provide details about the base budget reductions; C. Dyer advised that this will be provided at the November Budget Committee meeting.

Committee members expressed their concerns with the low assessment growth trend given new construction projects. In response, C. Dyer suggested that working with
MPAC may garner more insight about the various factors resulting in the low level of growth. He explained the impact and accounting processes related to new property assessments and appeal outcomes.

The Committee commented on the impact of repurposed buildings in the downtown cores and the challenges of maintaining green spaces, as well as aggregate site re-assessments.

C. Dyer continued his presentation, advising the Committee of a projected net tax impact of 2.3%, not including Police services or Budget Issue Papers. He stated that staff are working on 2017 Budget Issue Papers and he gave some examples of the 2017 proposed service enhancements, including paramedic services and GRT. He advised that staff will continue to monitor assessment growth, GRT fare revenue and fuel prices. He summarized the public input opportunities and reiterated the 2017 budget schedule. He concluded his presentation noting that the Region strives for sustainable financing for asset renewal.

In response to a Committee question about reserves and reserve funds, C. Dyer advised that there will be a few BIPs dealing with reserves and he provided some examples. He added that staff are working on an updated reserve and reserve funds policy. In response to a Committee question about upcoming Public Input meeting dates, he stated that two meetings are scheduled in the Council Chambers beginning at 6:00 p.m. on November 16th and December 14th.

S. Strickland requested that staff prepare a breakdown of the major items impacting the base operating budget for 2017 and a continuity schedule of surpluses for the past 5 years, including the allocation of such surpluses.

Next Meeting – November 16, 2016

Adjourn

Moved by D. Jaworsky

Seconded by D. Craig

That the meeting adjourn at 5:57 p.m.

Carried

Committee Chair, S. Strickland

Committee Clerk, S. Natolochny

2250819
Purpose of the Budget

Region of Waterloo
Corporate Strategic Plan

- Achieve strategic objectives
- Establish service levels
- Approve financial and staff resources
- Determine property tax and user rate revenue requirements
- Set user rates and fees
2017 Regional Budget
Objectives of today's meeting

Overview of the status of the 2017 budget and the major factors influencing regional programs

Preview of the 2017-2026 capital program and proposed budget issue papers

Obtain feedback from Council on those areas for which additional information is required
2017 Regional Budget
Today's Agenda

• Economic Indicators

• Water and Wastewater Operating Budget and Capital Program

• Tax Supported Operating Budget and Capital Program

• Next Steps

• Discussion
2016 Funding Sources for Major Services

<table>
<thead>
<tr>
<th>Service</th>
<th>Property Taxes</th>
<th>Provincial &amp; Federal Subsidies</th>
<th>Fees &amp; Charges</th>
</tr>
</thead>
<tbody>
<tr>
<td>Region of Waterloo International Airport</td>
<td>$10</td>
<td>$10</td>
<td>$0</td>
</tr>
<tr>
<td>Paramedic Services</td>
<td>$50</td>
<td>$15</td>
<td>$0</td>
</tr>
<tr>
<td>Seniors' Services</td>
<td>$20</td>
<td>$10</td>
<td>$0</td>
</tr>
<tr>
<td>Public Health</td>
<td>$20</td>
<td>$15</td>
<td>$0</td>
</tr>
<tr>
<td>Children's Services</td>
<td>$20</td>
<td>$15</td>
<td>$0</td>
</tr>
<tr>
<td>Road Maintenance</td>
<td>$30</td>
<td>$10</td>
<td>$0</td>
</tr>
<tr>
<td>Waste Management</td>
<td>$40</td>
<td>$10</td>
<td>$0</td>
</tr>
<tr>
<td>Water</td>
<td>$40</td>
<td>$10</td>
<td>$0</td>
</tr>
<tr>
<td>Community Housing</td>
<td>$50</td>
<td>$10</td>
<td>$0</td>
</tr>
<tr>
<td>Wastewater</td>
<td>$60</td>
<td>$10</td>
<td>$0</td>
</tr>
<tr>
<td>Income Support</td>
<td>$70</td>
<td>$10</td>
<td>$0</td>
</tr>
<tr>
<td>Public Transit (including RTMP)</td>
<td>$80</td>
<td>$10</td>
<td>$0</td>
</tr>
<tr>
<td>Police Services</td>
<td>$100</td>
<td>$15</td>
<td>$0</td>
</tr>
</tbody>
</table>

Program spending (US dollars million)
### Economic climate

<table>
<thead>
<tr>
<th></th>
<th>Last Year</th>
<th>Now</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal Govt surplus (deficit)</td>
<td>$1.9b</td>
<td>($29.4b)</td>
</tr>
<tr>
<td>Provincial Govt (deficit)</td>
<td>($10.3)</td>
<td>($5.7b)</td>
</tr>
<tr>
<td>Ontario CPI</td>
<td>1.2%</td>
<td>1.5%</td>
</tr>
<tr>
<td>Unemployment rate (KCW)</td>
<td>6.1%</td>
<td>5.3%</td>
</tr>
<tr>
<td>OW caseload</td>
<td>8,957</td>
<td>8,882</td>
</tr>
<tr>
<td>10 year borrowing rate</td>
<td>2.4%</td>
<td>2.1%</td>
</tr>
<tr>
<td>Oil price per barrel ($US)</td>
<td>$46</td>
<td>$51</td>
</tr>
<tr>
<td>$1 CAD</td>
<td>$0.78 USD</td>
<td>$0.77USD</td>
</tr>
</tbody>
</table>
## Economic Indicators

<table>
<thead>
<tr>
<th>Inflation (CPI) Projections</th>
<th>2017 forecast (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal Government</td>
<td>2.4</td>
</tr>
<tr>
<td>Ontario Government</td>
<td>2.0 (Ont)</td>
</tr>
<tr>
<td>Bank of Canada</td>
<td>2.0</td>
</tr>
<tr>
<td>National Bank Financial</td>
<td>2.0</td>
</tr>
<tr>
<td>CIBC</td>
<td>2.2</td>
</tr>
<tr>
<td>RBC</td>
<td>2.0</td>
</tr>
<tr>
<td>Scotiabank</td>
<td>2.2</td>
</tr>
<tr>
<td>BMO</td>
<td>2.1</td>
</tr>
</tbody>
</table>
Real GDP growth projections

Source: The Conference Board of Canada, Summer 2016; Statistics Canada
Economic Indicators

Canada Government Bond 10Y

Source: www.tradingeconomics.com | Treasury Board of Canada
Economic Indicators

Ontario Works Caseload

- 39% above pre-recession levels
- SAMS Implementation
<table>
<thead>
<tr>
<th>Month</th>
<th>Average Region Price</th>
<th>Budgeted Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan-13</td>
<td>1.20</td>
<td></td>
</tr>
<tr>
<td>Jul-13</td>
<td>1.00</td>
<td></td>
</tr>
<tr>
<td>Jan-14</td>
<td>1.10</td>
<td></td>
</tr>
<tr>
<td>Jul-14</td>
<td>1.00</td>
<td></td>
</tr>
<tr>
<td>Jan-15</td>
<td>0.90</td>
<td></td>
</tr>
<tr>
<td>Jul-15</td>
<td>0.80</td>
<td></td>
</tr>
<tr>
<td>Jan-16</td>
<td>0.80</td>
<td></td>
</tr>
<tr>
<td>Jul-16</td>
<td>0.80</td>
<td></td>
</tr>
</tbody>
</table>
## Fuel price strategy

<table>
<thead>
<tr>
<th>Budget</th>
<th>Diesel</th>
<th>Gasoline</th>
<th>$ millions</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Fuel budget reduction</td>
</tr>
<tr>
<td>2014</td>
<td>$1.08</td>
<td>$1.08</td>
<td>($1.1)</td>
</tr>
<tr>
<td>2015</td>
<td>1.00</td>
<td>0.88</td>
<td>(1.1)</td>
</tr>
<tr>
<td>2016</td>
<td>0.92</td>
<td>0.92</td>
<td>(0.2)</td>
</tr>
<tr>
<td>2017</td>
<td>$0.90</td>
<td>$0.90</td>
<td></td>
</tr>
<tr>
<td><strong>Strategy Subtotal</strong></td>
<td></td>
<td></td>
<td>($2.4)</td>
</tr>
</tbody>
</table>

Total transfer to GRT bus reserve = $2.8 million (2015 actual and projected 2016); reductions in debt issued result in savings of approximately $330,000 in interest cost.
Economic environment

- Federal and provincial deficits
- Increasing CPI
- Historically low interest rates
- Stable OW caseload
- Oil prices trending higher
Types of Budgets

**Capital**
- Investment in capital assets, incl. land, facilities, infrastructure, vehicles, technology and equipment
- Funding: grants, development charges, property taxes and user rates

**Operating**
- Expenditure: compensation, materials & supplies, services, utilities, debt servicing
- Revenue: grants/subsidies, user fees and charges, property taxes
# Budgeting at the Region

## User Rate Budgets
- Region-wide wholesale water supply and wastewater treatment
- Retail function in two townships
- Funded from user rates and development charges
- Earlier approval to allow 5 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
- Transit and Library are area-rated
User Rate Budgets approved on Dec. 16/15

- Operating budget = $81 m
- 10 year capital spending = $1.2 b

Rate increases:

- Water = 2.9%
- Wastewater = 6.9%
- Retail water = 8.9%
- Retail wastewater = 5.9%
## 2016 Average Annual Wholesale Cost Per Household

<table>
<thead>
<tr>
<th>Description</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water Supply</td>
<td>$204</td>
</tr>
<tr>
<td>Wastewater Treatment</td>
<td>$204</td>
</tr>
<tr>
<td><strong>Annual Total</strong></td>
<td><strong>$408</strong></td>
</tr>
</tbody>
</table>
Water Supply Operating

2016 variances
- Expenditures close to budget
- Rate revenue projected shortfall of 1.8% ($1 m)
- Year end shortfall projected of $0.750 m

2017 budget
- Expenditures increasing by 2% (electricity costs)
- Revenues proposed to increase by 1.9%; volume projections slightly lower than 2016 budget
**Wastewater Treatment Operating**

**2016 variances**
- Expenditures close to budget
- Rate revenue projected shortfall of 4% ($2.8 m)
- Year end shortfall projected of $2.5 m

**2017 budget**
- Debt service costs increase (11%)
- Electricity costs rising
- Revenues proposed to increase by 7.9%; septage and lab revenue adjusted; volume projections slightly lower than 2016 budget
**User Rate capital program**

$1 billion over 10 years

<table>
<thead>
<tr>
<th></th>
<th>Amount</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth related</td>
<td>$468 m</td>
<td>share funded from development charges</td>
</tr>
<tr>
<td>Non-Growth</td>
<td>$558 m</td>
<td>share funded from user rates</td>
</tr>
<tr>
<td>Clean Water</td>
<td>$10.7 m</td>
<td>and Wastewater Funding</td>
</tr>
</tbody>
</table>
User Rates
2017-2026 capital plan

Sources of Financing ($1 billion)

- User Rates
  - Reserves
    - $521.4 (50%)
- DC Reserves
  - $192.8 (19%)
- DC Debentures
  - $275.5 (27%)
- Grants & Subsidies
  - $10.7 (1%)
- User Rates
  - Debentures
    - $36.4 (3%)

Region of Waterloo
Total 10 year investment: $433 m

Growth share: $65 m in growth related debt to be issued in 2019-2026

Non-growth share: No new non-growth related debt for water supply will be required over the next 10 years (i.e. these costs can be funded from the Water capital reserve).
Wastewater Treatment

Total 10 year investment: $599 m

Growth share: $210 m in growth related debt to be issued in 2017-2026

Non-growth share: $36 m of non-growth related debt to be issued in 2017 and 2018 of two significant projects (Upgrades at the Kitchener and Galt Wastewater Treatment plants)
## Proposed User Rates

<table>
<thead>
<tr>
<th>Service</th>
<th>2016 approved user fee increase</th>
<th>Projected 2017 user fee increase from 2016 forecast</th>
<th>Proposed 2017 user rate increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water supply</td>
<td>2.9%</td>
<td>2.9%</td>
<td>1.9%</td>
</tr>
<tr>
<td>Wastewater treatment</td>
<td>6.9%</td>
<td>6.9%</td>
<td>7.9%</td>
</tr>
<tr>
<td>Water distribution</td>
<td>8.9%</td>
<td>8.9%</td>
<td>8.9%</td>
</tr>
<tr>
<td>Wastewater collection</td>
<td>5.9%</td>
<td>5.9%</td>
<td>5.9%</td>
</tr>
</tbody>
</table>
## Proposed Service Charges

<table>
<thead>
<tr>
<th>Service</th>
<th>2016 approved service charge</th>
<th>Projected 2017 monthly service charge from 2016 models</th>
<th>Proposed 2017 monthly service charge</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water distribution</td>
<td>$8.00</td>
<td>$9.00</td>
<td>$9.00</td>
</tr>
<tr>
<td>Wastewater collection</td>
<td>$6.00</td>
<td>$7.00</td>
<td>$7.00</td>
</tr>
</tbody>
</table>
Proposed rate increases:
- 1.9% for water supply and 7.9% for wastewater treatment

Detailed review on November 16

Approval scheduled for December 14

Any rate changes approved by Council would be effective March 1, 2017
2016 Tax Supported Budget Recap

- Tax Supported Budget amended March 2, 2016; original approval January 13, 2016
- Operating budget = $979 million
- Tax levy = $471 million
- Tax rate increase of 2.89%
  - Direct Regional Services 2.22% tax impact
  - WRPS 0.67% tax impact
- Assessment growth = 1.41%
Review of all capital plans with CAO, CFO and departmental staff in June and July

Scope included:

- Appropriate distinction between operating and capital expenditures
- Project cost, timing, and need
- Sources of financing
- Development financing
Capital Review Outcomes

Scope and timing of significant projects reviewed

Inform the newly implemented capital variance reporting process

Improve debt profile and develop debt servicing cost budgets for 2017

Develop strategies to ensure capital plan funding is sustainable
Draft 2017-2026 Tax Supported Capital Program

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

10 year investment plan = $2 b
Detailed reviews of departmental budgets with CAO, CFO and departmental staff

<table>
<thead>
<tr>
<th>Capital projects</th>
<th>3 year budget versus actual comparisons</th>
<th>Base budget review</th>
<th>User fees and charges</th>
</tr>
</thead>
</table>

32
2017 Budget Pressures

- Grand River Transit fare revenue
- Airport revenues
- Housing subsidies
- Housing unit refurbishment costs
- RTMP funding
- Compensation
- Service enhancements
- Lower assessment growth
- Capital financing and debt reduction
Major 2017 Budget Pressures

GRT Conventional Ridership Revenue
Budget vs Actual
2014 - 2016

$ million

2014  | 2015  | 2016

Budget: $32.0  |  $33.0  |  $34.0
Projected: $32.0  |  $33.0  |  $34.0

Actual: $30.0  |  $31.0  |  $32.0

Region of Waterloo
## Major 2017 Budget Pressures

### GRT Ridership Revenue

**Budget Years 2014 to 2017**

($millions)

<table>
<thead>
<tr>
<th>Budget Year</th>
<th>PY Budget</th>
<th>Increases (fare, expansion)</th>
<th>Adjustment for trends</th>
<th>CY Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>29.6</td>
<td>2.4</td>
<td>(0.1)</td>
<td>31.9</td>
</tr>
<tr>
<td>2015</td>
<td>31.9</td>
<td>1.7</td>
<td>(1.1)</td>
<td>32.5</td>
</tr>
<tr>
<td>2016</td>
<td>32.5</td>
<td>1.6</td>
<td>(1.2)</td>
<td>32.9</td>
</tr>
<tr>
<td>2017</td>
<td>32.9</td>
<td>1.1</td>
<td>(1.5)</td>
<td>32.5</td>
</tr>
</tbody>
</table>
Major 2017 Budget Pressures

- Ontario Works (OW) benefits being uploaded from 2010 to 2018
- OW cost sharing ratio for 2017: 97.2% / 2.8%
- $1.7 million upload savings in 2017
- Court Security upload from 2012 to 2018 ($4.7 million) with revenue credited to the Police Budget
## Provincial & Federal Subsidy Estimates ($ millions)

<table>
<thead>
<tr>
<th>Program</th>
<th>2016 budget</th>
<th>2017 budget</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ontario Works/Social Assistance</td>
<td>$92.3</td>
<td>$98.2</td>
<td>$5.9</td>
</tr>
<tr>
<td>Child Care</td>
<td>39.9</td>
<td>39.9</td>
<td>0.0</td>
</tr>
<tr>
<td>Public Health</td>
<td>26.6</td>
<td>26.8</td>
<td>0.2</td>
</tr>
<tr>
<td>Long Term Care &amp; Community Programs</td>
<td>18.0</td>
<td>18.7</td>
<td>0.7</td>
</tr>
<tr>
<td>Paramedic Services</td>
<td>13.1</td>
<td>14.0</td>
<td>0.9</td>
</tr>
<tr>
<td>Community Housing</td>
<td>10.6</td>
<td>9.5</td>
<td>(1.1)</td>
</tr>
<tr>
<td>Community Homelessness Prevention Initiative</td>
<td>9.3</td>
<td>9.8</td>
<td>0.5</td>
</tr>
<tr>
<td>Ontario Bus Replacement Program</td>
<td>0.4</td>
<td>0.4</td>
<td>0.0</td>
</tr>
<tr>
<td>Provincial Gas Tax</td>
<td>10.6</td>
<td>10.7</td>
<td>0.1</td>
</tr>
<tr>
<td>Federal Gas Tax</td>
<td>15.4</td>
<td>15.4</td>
<td>0.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>236.2</strong></td>
<td><strong>243.4</strong></td>
<td><strong>7.2</strong></td>
</tr>
</tbody>
</table>
Major 2017 Budget Pressures

Capital financing

- Capital financing principles approved in June 2016
- Significant investment in capital assets
  - Renewal, refurbishment and replacement
  - Expansion related to growth
- Working towards full bus replacement from reserves, debt free for some areas
- Building lifecycle provision
Base Budget Adjustments

Efficiencies and cost savings without impacting service levels:

- Energy saving retrofits
- Reviewing and adjusting staffing levels and overtime requirements
- Restructuring software agreements and hardware replacement costs
- Minor revenue increases in areas such as POA and Waste Management

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017 (preliminary)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Base Budget Review Reductions ($millions)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>$1.9</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$11.1</td>
</tr>
<tr>
<td>2014</td>
<td></td>
<td>$2.5</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td></td>
<td></td>
<td>$1.9</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td></td>
<td></td>
<td></td>
<td>$1.9</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$2.9</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$1.9</td>
<td>$2.5</td>
<td>$1.9</td>
<td>$1.9</td>
<td>$2.9</td>
<td>$11.1</td>
</tr>
</tbody>
</table>
History of Assessment Growth

Average assessment growth = 2.19%
Assessment base changes

Starting point: Assessment base per the 2016 returned roll

Plus: new properties and property improvements

Less: appeals, requests for reconsideration, vacancies, etc.

Plus/minus: class changes

Equals: year end assessment totals

Net Growth
Assessment growth

A province-wide reassessment - fewer resources to add new properties and improved properties to the assessment roll.

Class changes, legislative changes and changes in assessment methodologies are impacting in-year weighted assessment growth.

The ARB's commitment to settle the backlog of appeals relating to 2008-2012 assessment years.
**Tax Supported Budget Status**

### Tax Supported Operating Budget – Direct Regional Programs

<table>
<thead>
<tr>
<th>Description</th>
<th>Tax rate % impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base Budget</td>
<td>1.5%</td>
</tr>
<tr>
<td>RTMP (net of Ontario Works upload)</td>
<td>1.0%</td>
</tr>
<tr>
<td>Capital financing and future debt reduction (debt servicing, contributions to capital/reserves)</td>
<td>0.5%</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>3.0%</td>
</tr>
<tr>
<td>Less: regional share of assessment growth</td>
<td>0.7%</td>
</tr>
<tr>
<td><strong>Net tax impact</strong></td>
<td>2.3%</td>
</tr>
</tbody>
</table>

* Assuming assessment growth of 1% for 2017  
Revenue generated by a 1% tax increase = $4,754,000  
Cost of 1% increase to average household valued at $312,500 = $19.46
Budget Issue papers

Sample of 2017 Proposed Service Enhancements

- Implementation of operating plans:
  - Paramedic Services master plan
  - GRT business plan
- Legislative compliance/safety concerns
- Program support staffing
- Capital financing and debt reduction
- 2017 cost approximately $6 million; annualization of $5 million
Items being monitored

- Assessment growth
- GRT fare revenue
- POA revenue
- Tipping fee revenue
- Fuel prices
Launch Engage Region of Waterloo online input November 10 (closes December 2)

Public Input meetings November 16 & December 14

Preliminary survey results December 14

Final information report on survey results to Committee January 11, 2017
The Budget Cycle

- Budget analysis and preparation
- Preliminary Budget Book
- Variance monitoring and reporting
- Council approval
- Budget Committee review, public input
2017 Budget Schedule

Oct. 19: Budget Committee overview

Early November: Print Budget Book; launch online public engagement survey

Nov. 16: Budget Committee Detailed Review and Public Input

Dec. 14: Budget Committee approval of user rate budgets, 2nd Public Input, WRPS and GRCA

Jan. 11/17: Tax Budget approval, user fees & charges approval
Tax Supported Budget

Inflation, utilities, service expansion → OPERATING COSTS (net of program revenue)

Infrastructure expansion → CAPITAL FINANCING

TAX RATE

PROPERTY ASSESSMENT

Lower despite building activity

Under significant pressure

Need sustainable financing for asset renewal
Questions?