



Media Release: Immediate

Regional Municipality of Waterloo

Budget Committee

Agenda

Wednesday January 20, 2021

Closed Session at 3:30 p.m.

Open Session at 4:00 p.m.

Regional Council Chambers

150 Frederick Street, 2nd Floor, Kitchener

1. Motion to go into Closed Session

That a closed meeting of Budget Committee be held on Wednesday, January 20, 2021 at 3:30 p.m. in accordance with Section 239 of the “Municipal Act, 2001” for the purposes of considering the following subject matters:

a) labour relations

2. Motion to Reconvene into Open Session

3. Declarations of Pecuniary Interest under the” Municipal Conflict of Interest Act”

4. Opening Remarks (S. Strickland)

5. Opening Remarks (K. Redman)

6. Opening Remarks (B. Lauckner)

7. Budget Update Presentation (C. Dyer)

COR-CFN-21-06, Final 2021 Tax Supported Operating Budget and 2021-2030 Capital Program

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Tel.: 519-575-4400, TTY: 519-575-4605, or regionalclerk@regionofwaterloo.ca

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Recommendation:

That the Regional Municipality of Waterloo take the following action with respect to the preliminary 2021 Tax Supported Operating Budget as set out in Report COR-CFN-21-06 dated January 20, 2021:

- a) Amend the preliminary 2021 operating budget by \$3,249,085 with \$0 net tax levy impact to reflect costs and funding relating to COVID Isolation Centre operations; and
- b) Amend the preliminary 2021 operating budget by \$1,246,085 with \$0 net tax levy impact to reflect costs and funding relating to shelter-based COVID isolation spaces.

8. Item Referred from Library Committee**Page 6****Recommendation:**

That the Library Committee take the following action with regard to the 2021 Region of Waterloo Library Budget, as described in Report COR-FSD-20-36, dated December 4, 2020:

- a) Approve the 2021 Library Operating Budget with a net property tax levy of \$2,844,642;
- b) Approve the 2021-2030 Library Capital Budget and Forecast;

And that the matter be referred to the Budget Committee for consideration.

9. COR-CFN-21-07, 2021 User Fees & Charges (Information)**Page 11****10. COR-CFN-21-08, Municipal Budget Regulation (Information)****Page 18****11. Introduction of the Main Budget Motion Recommendation:**

- a) That the Regional Municipality of Waterloo approve the 2021 Tax Supported Operating Budget with a property tax levy of \$_____, excluding Police Services, as amended by Budget Committee on January 12, 2021 and on January 20, 2021;
- b) That the Regional Municipality of Waterloo approve the 2021 Tax Supported Capital Budget and 2022-2030 Tax Supported Capital Forecast, excluding

Police Services, subject to final adjustments for 2020 carry-forwards, and as amended by Budget Committee on January 12, 2021;

- c) That the Regional Municipality of Waterloo repeal By-law Number 20-001 (as amended), being a By-law to Establish Fees and Charges for the Regional Municipality of Waterloo and that a new Fees and Charges By-law be passed including the new and adjusted fees and charges listed in report COR-CFN-21-07 on the January 20, 2021 Budget Committee Agenda; and
- d) That the Regional Municipality of Waterloo adopt report COR-CFN-21-08 titled “Municipal Budget Regulation” as required by Ontario Regulation 284/09.

12. Councillor Budget Motions

13. Resolutions – 2021 Waterloo Regional Police Services Budget

- a) That the Regional Municipality of Waterloo approve the Waterloo Region Police Service 2021 Tax Supported Operating Budget with a property tax levy of \$185,387,096 as recommended by the Police Services Board on December 16, 2020; and
- b) That the Regional Municipality of Waterloo approve the Waterloo Regional Police Service 2021 Tax Supported Capital Budget and 2022-2030 Tax Supported Capital Forecast as recommended by the Police Services Board on December 16, 2020, subject to final adjustments for 2020 carry-forwards.

14. Adjourn

Region of Waterloo**Corporate Services****Corporate Finance**

To: Budget Committee

Meeting Date: January 20, 2021

Report Title: Final 2021 Tax Supported Operating Budget and 2021-2030
Capital Program

1. Recommendation:

That the Regional Municipality of Waterloo take the following action with respect to the preliminary 2021 Tax Supported Operating Budget as set out in Report COR-CFN-21-06 dated January 20, 2021:

- a) Amend the preliminary 2021 operating budget by \$3,249,085 with \$0 net tax levy impact to reflect costs and funding relating to COVID Isolation Centre operations; and
- b) Amend the preliminary 2021 operating budget by \$1,246,085 with \$0 net tax levy impact to reflect costs and funding relating to shelter-based COVID isolation spaces.

2. Purpose / Issue:

To approve the Region's 2021 Operating Budget and property tax levy, the 2021-2030 Capital Program, operating and capital budgets for the Waterloo Regional Police Service, and a new user fees and charges by-law. The main budget resolution and resolutions for the Police budget are outlined in the meeting agenda.

3. Key Considerations:

- a) Isolation centre funding: In December 2020 the Public Health Agency of Canada approved \$4.1M in funding for the Region of Waterloo to provide isolation spaces to the community through to March 31, 2022. This funding provides 54 local hotel spaces for COVID positive clients who are unable to safely self-isolate due to housing conditions. The Safe Voluntary Isolation Sites Program is being offered as part of the Government of Canada's rapid response in the fight against COVID and to support the efforts of provincial and local public health partners. The following table outlines how and when the funds will be used.

	<u>2021</u>	<u>2022</u>
Expenditure (\$000's)		
Staffing	\$358	\$90
Hoteling costs, meals and transportation	\$2,891	\$721
Total Expenditure	\$3,249	\$811
Revenue (\$000's)		
Public Health Agency of Canada	\$3,249	\$811
Net Levy Impact	\$0	\$0
Staffing Requirement (Full Time Equivalents)		
Manager	1.0	1.0
Program Coordinator	1.4	1.4
Total Temporary FTEs	2.4	2.4

Staff are recommending that the preliminary 2021 operating budget be increased by \$3,249,085 (\$0 net ley impact) funded by the Public Health Agency of Canada. It is estimated that an additional 2.4 temporary FTEs will be required for this work.

- b) Safe isolation spaces for emergency shelters: In December 2020 the Province announced an additional \$3.4M in Social Services Relief Funding (SSRF) to support emergency shelters. Of this amount, it is anticipated that \$0.4M will be needed to cover emergency shelter costs in 2020, leaving \$3.0M available for 2021 expenditure. The preliminary 2021 budget assumed that an additional \$2.0M in funding from the Province would be required for emergency shelters in order to enable physical distancing and prevent outbreaks, and as a result \$1.0M of announced funding is available for other emergency shelter needs, including safe isolation spaces.

A plan to provide 26 safe isolation spaces in hotels within Kitchener, Waterloo and Cambridge for shelter clients is being implemented to mitigate outbreak in the shelter system. The total estimated cost including hoteling, third party staffing, and transportation is approximately \$1.25M. Staff propose to utilize the remaining unallocated SSRF funding of \$1M toward this initiative. Future funding announcements from the province for these types of expenditure can reasonably be assumed and an additional \$0.3M in funding is anticipated. Estimated program expenditure and funding sources for emergency shelter safe isolation spaces are provided in the following table.

	<u>2021</u>
Expenditure (\$000's)	
Hoteling costs, transportation and other operating	\$854
Third party staffing	\$392
Total Expenditure	\$1,246
Revenue (\$000's)	
Unallocated Social Services Relief Funding carried over	\$974
Assumed future provincial funding	\$272
Total Revenue	\$1,246
Net Levy Impact	\$0

Staff are recommending that the preliminary 2021 operating budget be increased by \$1,246,564 (\$0 net ley impact) funded 100% by senior levels of government to reflect the plan for safe isolation spaces for emergency shelter clients.

- c) On December 4, 2020 the Library Committee approved the recommendations outlined in COR-FSD-20-36 Region of Waterloo Library Budget as follows:

That the Library Committee take the following action with regard to the 2021 Region of Waterloo Library Budget, as described in Report COR-FSD-20-36, dated December 4, 2020:

- a) Approve the 2021 Library Operating Budget with a net property tax levy of \$2,844,642;
 b) Approve the 2021-2030 Library Capital Budget and Forecast;

And that the matter be referred to the Budget Committee for consideration.

The 2021 Budget for the Region of Waterloo Library (RWL) with a total tax levy of \$2,844,642 represents a decrease of \$205,030 (7.2%) over 2020. These amounts are reflected in the 2021 Preliminary Budget Document. A summary of the 2021 Region of Waterloo Library Budget is provided in the following table:

	2020 Approved Budget	Recommended 2021 Budget	\$ Change	% Change
Expenditure	\$3,213,926	\$3,098,896	(\$115,030)	(3.6%)
Revenue	\$164,254	\$254,254	\$90,000	54.8%
Property Tax Requirement	\$3,049,672	\$2,844,642	(\$205,030)	(7.2%)

The Region of Waterloo Library is an "area-rated" service, with the property tax levy for libraries assessed uniformly across the four townships.

- d) On December 16, 2020 the Police Services Board (PSB) approved the 2021 Waterloo Regional Police Service (WRPS) budget resulting in a property tax levy

of \$185,387,096, which represents a 2.9% levy increase over 2020 and results in a change in property taxes for Police Services of 1.6% net of assessment growth. The impact to the average household valued at \$354,400 is an increase of \$10.54.

	Final 2020 WRPS Operating Budget	PSB Approved 2021 WRPS Operating Budget
Expenditure	\$200,143,238	\$205,724,419
Revenue	(\$20,020,062)	(\$20,337,323)
Property Tax Requirement	\$180,123,176	\$185,387,096
Year over year levy increase	\$10,588,770	\$5,263,920
Year over year % levy increase	6.3%	2.9%
Change in property taxes	4.4%	1.6%

The Police Services 2021-2030 capital program proposes investments of approximately \$206.8 million across the ten years of the program, with \$40.1 million in 2021. Funding for the capital program is comprised of grants/subsidies, property taxes and development charges.

- e) The 2021 Tax Supported Budget continuity inclusive of aforementioned staff recommendations, assessment growth of 1.3% and the Waterloo Regional Police Service budget is provided in the following table:

	Tax Levy	Change in Property Taxes
Regional tax supported base budget position, December 16, 2020	\$395,428,965	0.00%
Adjustments, January 12, 2021 (COR-CFN-21-04):		
Increase Safe Restart Funding to help offset the impact of COVID-19 in 2021	(5,644,000)	
Reduce the budget for assessment delivery services	(54,177)	
Reduce contribution from Tax Stabilization Reserve	5,698,177	
Community Paramedicine Program	-	
Subtotal Regional tax supported base budget position, January 12, 2020	\$395,428,965	0.00%
Adjustments, January 20, 2021 (COR-CFN-21-06):		
Isolation centre funding	-	
Safe isolation spaces for emergency shelters	-	
Direct Regional Services current position	\$395,428,965	0.00%
Waterloo Regional Police Service	\$185,387,096	1.60%
Total tax supported budget position and tax impact, January 20, 2021	\$580,816,061	0.51%

A 0.51% tax increase would add approximately \$11 to the Regional tax bill for a residential property assessed at \$354,400 in 2020.

- f) The Regional tax-supported 2021-2030 capital program proposes investments of approximately \$3.9 billion across the ten years of the program, with \$385 million in 2021. Funding for the capital program is comprised of grants/subsidies, property taxes and development charges.

4. Background:

Through report COR-FSD-20-27 dated September 23, 2020 Council directed staff to prepare the preliminary 2021 Tax Supported Operating Budget with a total targeted property tax impact of 0% inclusive of Police Services, with options for a total property tax impact up to the rate of projected 2021 inflation.

A budget increase at the rate of projected inflation (1.6%) for direct Regional services equates to a further \$6.3 million increase in the proposed 2021 tax levy. Options previously presented to Council include reduced reliance on the Tax Stabilization Reserve (2021 budgeted contribution from the reserve is \$3.6 million), enhancing or accelerating levy funding of strategic investments in 2021, or replacing some 2021 reserve funding for strategic investments with levy funding (e.g. \$20 million in 2021/22 Housing Capital Reserve funding for Affordable Housing).

5. Area Municipality Communication and Public/Stakeholder Engagement:

The plan for beyond COVID-19 and the accompanying 2021 budget has been shaped by community feedback and input including:

- Waterloo Matters Survey, which was conducted by the University of Waterloo in June 2020 with a sample size of 250 to 300 residents
- An Interactive Voice Response public telephone poll in July 2020, which was conducted by Conestoga College with a sample size of 800 residents
- Four separate Wellbeing Waterloo Region focus groups and accompanying survey in August 2020
- Public input sessions on December 16, 2020 and January 14, 2021
- Online feedback through Engage Region of Waterloo

With input from Council, this feedback helped the Region formulate a plan, a specific focus, and an accompanying budget for 2021. Report COR-CFN-21-03 dated January 12, 2021 summarizes the various public engagement and input initiatives which informed development of the 2021 budget.

6. Strategic Plan:

The budget process enables Council to achieve its Corporate Strategic Plan objectives by allocating appropriate resources to each focus area.

7. Financial Implications:

With the amendments recommended in this report, the preliminary 2021 property tax levy for regional services (excluding police) remains unchanged at \$395.4 million. The current property tax levy for Regional Services is \$5.1 million more than the 2020 property tax levy (a 1.3% increase). The property tax impact of Regional Services (excluding police) is currently 0% due to 2020 assessment growth in the Region of 1.3%.

A 1% change in the tax rate results in a \$6 increase per \$100,000 of residential assessment. A 1% tax rate increase generates an additional \$5.8 million in tax revenue.

The actual tax rate impact will differ across the area municipalities in the Region. While the net cost of most programs and services is levied in a uniform manner on all properties in the seven area municipalities, there are limited exceptions where service costs (public transit and library) are area rated to specific municipalities, as set out in Appendix A.

8. Conclusion / Next Steps:

Staff will prepare 2021 tax policy recommendations and associated by-laws to establish 2021 regional tax rates in March/April.

9. Attachments / Links:

[Appendix A – Funding of Regional Services from Property Taxes](#)

Prepared By: Christopher Wilson, Manager, Corporate Budgets

Reviewed By: Cheryl Braan, Director, Corporate Finance

Approved By: Craig Dyer, Commissioner, Corporate Services/Chief Financial Officer

Appendix A – Funding of Regional Services from Property Taxes

Net cost of service is levied to municipalities denoted with ✓

Service	Cambridge	Kitchener	Waterloo	N. Dumfries	Wellesley	Wilmot	Woolwich
Conventional Transit to Woolwich							✓
Conventional Transit to Wilmot						✓	
Urban Conventional Transit service	✓	✓	✓				
Urban Transit Mobility service	✓	✓	✓				
Rural Transit Mobility service				✓	✓	✓	✓
Rapid Transit	✓	✓	✓				
Library Services				✓	✓	✓	✓
All other Regional Services	✓	✓	✓	✓	✓	✓	✓
Police Services	✓	✓	✓	✓	✓	✓	✓

Region of Waterloo

Corporate Services

Corporate Finance

To: Budget Committee

Meeting Date: January 20, 2021

Report Title: 2021 User Fees and Charges

1. Recommendation:

For information.

2. Purpose / Issue:

To provide information to Council with respect to proposed changes to user fees and charges as part of the 2021 budget. A resolution to repeal the current Fees and Charges By-law and pass a new Fees and Charges By-law is included along with the General Budget Resolutions for Budget Committee on January 20, 2021.

3. Key Considerations:

a) Proposed changes to user fees and charges

As part of the 2021 budget process, all service areas reviewed their fees and charges and, where appropriate, are proposing changes to certain fees. Appendix A provides a list of fees that are proposed to be changed during 2021. Fee increases identified in the appendix have been used in the preparation of the 2021 Operating Budget. The following table provides a summary of the proposed changes:

Program area	Nature of proposed changes
Airport Services	Increases for landing fees, lease rates, lost parking ticket fee, and introduction of hot air balloon landing fee and apron sweeping fee
Waste Management	Increases to tipping fees, recyclable tipping fees, the special handling load rate, minimum rate and the introduction of the new asbestos handling fee
Transit Services	Introduction of the Monthly (ATP) and Stored Value Payment (ATP) and increases to the U-Pass
Council & Administrative Services	Increase to commissioner of oaths fee
Community Planning	Increases to fees for review of transportation impact study, noise study review and peer review
Paramedic Services	Increases to special event coverage fees and requests for information

4. Background:

Section 391 of the Municipal Act authorizes municipalities to establish and maintain a list of services subject to fees or charges. By-law 20-001 has been adopted to fulfill this requirement. The by-law is reviewed annually to incorporate new or revised fees adopted by Regional Council. User rates for Water and Wastewater have been approved through separate by-laws.

On December 16, 2020 staff presented report COR-FSD-20-42 outlining proposed changes to the Fees and Charges By-law for 2021. The proposed changes outlined in this report are the same as those noted in COR-FSD-20-42.

5. Area Municipality Communication and Public/Stakeholder Engagement:

Nil.

6. Strategic Plan:

The budget process enables Council to achieve its Corporate Strategic Plan objectives

by allocating appropriate resources to each focus area.

7. Financial Implications:

The estimated incremental user fee revenue associated with the proposed changes in 2021 is outlined in the table below:

Division	Incremental 2021 revenue (\$000s)
Region of Waterloo International Airport	\$ 9
Waste Management	\$ 689
Transit Services	\$ 170
Council & Administrative Services	\$1
Community Planning	\$ 20
Paramedic Services	\$ 1
Total	\$ 889

Estimated incremental revenues identified in the table above are associated with fee changes outlined in this report and have been incorporated into the preliminary 2021 operating budget. Should Council decide to change any other fee or charge listed under the by-law during the budget process, proposed changes listed herein would be updated.

8. Conclusion / Next Steps:

A resolution to repeal the current Fees and Charges By-law and pass a new Fees and Charges By-law is included along with the General Budget Resolutions for Budget Committee on January 20, 2021.

Attachments / Links:

[Appendix A: Proposed Changes to the Fees and Charges By-Law](#)

Prepared By: Emily Dykeman, Financial Analyst

Chris Wilson, Manager, Corporate Budgets

Reviewed By: Cheryl Braan, Director, Financial Services and Development Financing

Approved By: Craig Dyer, Commissioner, Corporate Services/Chief Financial Officer

Appendix A – Proposed Changes to the Fees and Charges By-Law
(Note: all fees listed herein are net of all applicable taxes)

Description	Current Fee	Effective Date	Proposed Fee
PLANNING, DEVELOPMENT & LEGISLATIVE SERVICES			
Airport Services (Region of Waterloo International Airport)			
Landing Fees			
Landing Fees per 1,000 kg. or part thereof (2,500 kg. and greater) (Based on gross take off weight)			
2,500 - 21,000 kg.	\$7.50	20-Jan-21	\$7.75
21,001 - 45,000 kg.	\$7.50	20-Jan-21	\$7.75
Greater than 45,000 kg.	\$7.50	20-Jan-21	\$7.75
Helicopter	\$7.50	20-Jan-21	\$7.75
Hot Air Balloon	New	20-Jan-21	\$50.00
Land Rental Fees	\$180.00 per acre	20-Jan-21	\$200.00 per acre
Lease Rates			
Adjusted annually based on the Consumer Price Index (C.P.I.). Increase is only applicable to new or renewed agreements.			
Private Building Rate	\$0.315/sq. ft.	20-Jan-21	\$0.320/sq. ft.
Commercial Building Rate	\$0.315/sq. ft.	20-Jan-21	\$0.320/sq. ft.
Private Land Rate	\$0.070/sq. ft.	20-Jan-21	\$0.075/sq. ft.
Commercial Land Rate	\$0.070/sq. ft.	20-Jan-21	\$0.075/sq. ft.
Special Commercial	\$0.445+ maintenance fee of \$0.09 per sq.	20-Jan-21	\$0.45+ maintenance fee of \$0.09 per sq.
Asphalt-Apron I,II,III	\$0.410/sq. ft.	20-Jan-21	\$0.425/sq. ft.
Hanger Rent	\$4.90/sq. ft.	20-Jan-21	\$5.00/sq. ft.
Automobile Parking			
Lost Ticket Fee	\$100.00	20-Jan-21	\$200.00

Description	Current Fee	Effective Date	Proposed Fee
Snow Removal			
Apron Sweeping	New	20-Jan-21	\$125.00 / hour
Council and Admin Services			
Commissioner of Oaths (signing)	\$20.00 / hour	20-Jan-21	\$25.00 / hour
Community Planning			
Review Transportation Impact Study (includes pre-consultation)	\$402.50	20-Jan-21	\$500.00
Noise Study Review	\$250.00	20-Jan-21	\$500.00
Peer Review Fee	Actual costs	20-Jan-21	Actuals costs + 10% Admin Fee
TRANSPORTATION AND ENVIRONMENTAL SERVICES			
Waste Management			
Waterloo and Cambridge Sites			
Minimum fee per visit to landfill and transfer stations	\$5.00 / per visit	1-Apr-21	\$10.00 / per visit
General Refuse/Garbage	\$82.00 / M.T.	1-Apr-21	\$85.00 / M.T.
Recyclables (loads must not be mixed with garbage) (All regular blue box materials, yard waste, brush, leaves, grass, inerts, appliances and scrap metal)	\$41.00 / M.T.	1-Apr-21	\$42.50 / M.T.
Waterloo Site			
Special Handling Load Rate (stumps, wire, styrofoam, nuisance dust)	\$164.00 / M.T.	1-Apr-21	\$170.00 / M.T.
Special Handling Load Rate (asbestos)	\$164.00 / M.T.	1-Apr-21	\$350.00 / M.T.

Description	Current Fee	Effective Date	Proposed Fee
Public Transit			
U-Pass	WLU:\$103.52 UW:\$105.50	1-Sep-21	WLU: TBD UW: \$113.30
Stored Value Payment (ATP)	New	20-Jan-21	\$1.49
Monthly Pass (ATP)	New	20-Jan-21	\$46.80
PUBLIC HEALTH & EMERGENCY SERVICES			
Paramedic Services			
<i>Special Event Coverage - Regular</i>			
Single Paramedic plus vehicle	\$88.00 / hour; \$350.00 minimum	1-Apr-21	\$91.00 / hour; \$364.00 minimum
Two Paramedics plus vehicle	\$150.00 / hour; \$598.00 minimum	1-Apr-21	\$158.00 / hour; \$622.00 minimum
Single Paramedic	\$62.00 / hour; \$248.00 minimum	1-Apr-21	\$65.00 / hour; \$258.00 minimum
<i>Special Event Coverage - Short Notice (OT) or FT Staff</i>			
Single Paramedic plus vehicle	\$119.00 / hour; \$472.00 minimum	1-Apr-21	\$124.00 / hour; \$491.00 minimum
Two Paramedics plus vehicle	\$221.00 / hour; \$882.00 minimum	1-Apr-21	\$230.00 / hour; \$918.00 minimum
Single Paramedic	\$93.00 / hour; \$371.00 minimum	1-Apr-21	\$97.00 / hour; \$386.00 minimum

Description	Current Fee	Effective Date	Proposed Fee
<i>Special Event Coverage - Public Holiday (OT)</i>			
Single Paramedic plus vehicle	\$150.00 / hour; \$598.00 minimum	1-Apr-21	\$156.00 / hour; \$622.00 minimum
Two Paramedics plus vehicle	\$274.00 / hour; \$1,094.00 minimum	1-Apr-21	\$285.00 / hour; \$1,138.00 minimum
Single Paramedic	\$124.00 / hour; \$497.00 minimum	1-Apr-21	\$129.00 / hour; \$516.00 minimum
<i>Special Event Coverage - Other</i>			
Vehicle – Ambulance	\$26.00 / hour; \$102.00 minimum	1-Apr-21	\$27.00 / hour; \$106.00 minimum
Vehicle - Emergency Response Unit (ERU)	\$20.00 / hour; \$80.00 minimum	1-Apr-21	\$22.00 / hour; \$85.00 minimum
Supervisor	\$61.00 / hour; \$247.00 minimum	1-Apr-21	\$68.00 / hour; \$276.00 minimum
<i>Request for Information</i>			
Ambulance Call Reports (Fee is per Request, not hourly)	\$95.00	1-Apr-21	\$99.00

Region of Waterloo**Corporate Services****Corporate Finance**

To: Budget Committee
Meeting Date: January 20, 2021
Report Title: Municipal Budget Regulation

1. Recommendation:

For information

2. Purpose / Issue:

To meet the requirements of O. Reg 284/09 under the Municipal Act.

3. Key Considerations:

- a) The Region, similar to most municipalities in Ontario and in accordance with the Municipal Act, budgets on a modified accrual basis to determine the property tax levy and user rate requirements needed to fund the operations of the Region and its ten year capital program.
- b) The Municipal Act allows amortization expenses, post-employment benefits expenses and solid waste landfill closure and post-closure expenses to be excluded from the annual budget. Before adopting a budget that excludes these expenses, a municipality must prepare a report regarding the excluded expenses and adopt the report by resolution. A resolution to adopt this report is included in the General Budget resolutions on this agenda.
- c) Amortization Expenses: The Public Sector Accounting Board (PSAB) requires the historical cost of tangible capital assets and the related annual amortization expense to be recorded in municipal financial statements. Amortization is the amount of a tangible capital asset which is consumed through use of that asset by a municipality during the year. For example, a road with an expected life of 50 years would have one-fiftieth of its historical cost recorded as amortization in a year.

The historical cost of assets net of accumulated amortization (\$3.5 billion in 2019) is included in the Statement of Financial Position, while the annual amortization expense (\$131.4 million in 2019) is included in the Statement of

Change in Net Debt and Statement of Cash Flows. The Region's annual tax supported and user rate operating budgets include the following items:

- Transfers to reserves to fund rehabilitation, replacement and expansion of capital works; and
- Principal and interest repayments on debt issued to acquire assets.

These amounts provide for the acquisition and replacement of assets as required, and in the Region's case the combined amount exceeds the related annual amortization (which reflects the historical cost of assets).

As previously reported, it is clear that additional contributions from the Tax Supported Operating Budget are required in order to fully fund asset lifecycle costs. The current level of property tax levy contributions to fund capital asset renewal falls short of contribution targets and the Region's ten-year capital plan currently does not achieve pay-as-you-go funding for asset renewal and rehabilitation projects.

- d) **Post-Employment Benefit Expenses:** The Statement of Financial Position includes a liability associated with employee future benefits. This liability has three components; post employment benefits, sick leave and Workplace Safety & Insurance Board (WSIB). These future liabilities are calculated annually for financial statement purposes in accordance with PSAB requirements. For the purpose of this report, post-employment benefit expenses refer to post employment benefits (health, dental, and life insurance) and vested sick leave. The liability for these benefits as of December 31, 2019 was \$44.0 million for the Region and \$153.3 million for WRPS, while the 2019 net change in the future liability was \$1.6 million for the Region and \$4.1 million for WRPS. For annual budget purposes, the Region and the Police Services Board estimates the current year benefit cost and this amount is provided for in the annual user rate and tax supported operating budgets.
- e) **Landfill Closure and Post-Closure Expenses:** Landfill closure and post-closure costs will be incurred to close active landfill sites and to monitor and remediate any closed landfills in the future. The future liability is calculated each year for financial statement purposes, in accordance with PSAB requirements. The liability recorded on the Statement of Financial Position is the present value of the amount that is expected to be paid out in the future (\$76.1 million in 2019), and the net change in the future liability from year to year is included on the Statement of Cash Flows (\$4.1 million in 2019). For budget purposes, the Region includes in its annual Tax Supported Operating Budget the annual maintenance and monitoring expenses at closed landfill sites. Any capital works are included in the Waste Management Capital Program.

- f) Estimated Impact of Budgeting for Non-Cash Expenses: The following table illustrates the amounts budgeted and included in the financial statements for the above items in the 2019 fiscal year. The 2020 amounts for changes in the outstanding liability will be available when the 2020 financial statements are completed. For comparison purposes 2021 budget figures are also shown.

Expense (\$ thousands)	2019 Budget	2019 Financial Statements	Difference	2021 Budget
1. Amortization				
User Rate Budgets:				
Transfers to Capital Reserves	\$55,613	n/a		\$58,606
Principal Repayments	\$12,195	n/a		\$13,035
Amortization	n/a	\$30,823		n/a
Subtotal User Rate Budgets	\$67,808	\$30,823	\$36,985	\$71,641
Tax Supported Budget:				
Transfers to Capital Reserves	\$61,390	n/a		\$84,160
Principal Repayments	\$44,263	n/a		\$43,056
Amortization	n/a	\$100,551		n/a
Subtotal Tax Supported Budget	\$105,653	\$100,551	\$5,102	\$127,216
Total Amortization	\$173,461	\$131,374	\$42,087	\$198,857
2. Post-Employment Benefits				
Region (excluding WRPS)	\$3,326	\$1,557		\$3,487
Waterloo Regional Police Service	\$3,479	\$4,063		\$5,420
Total Post-Employment Benefits	\$6,805	\$5,620	\$1,185	\$8,907
3. Landfill Closure and Post-Closure				
Operating Budget Expenditures	\$2,154	n/a		\$2,289
Capital Budget Expenditures	\$8,870	n/a		\$3,530
Closure & Post-Closure Liability	n/a	\$4,059		n/a
Total Landfill Closure and Post-Closure	\$11,024	\$4,059	\$6,965	\$5,818

The above table illustrates that the amount of funding (property taxes and water/wastewater rates) raised through the operating budget to fund non-growth and growth related capital projects (including repayment of debenture principal) exceeds the amortization expense used for financial statement purposes. This is expected as the amount required to fund asset replacements in the future would typically exceed amortization based on historical costs.

4. Background:

Section 289 of the Municipal Act ("the Act") [see Appendix "A"] requires an upper-tier municipality to prepare and adopt a budget including estimates of all sums required during the year for the purposes of the upper-tier municipality. O. Reg 284/09 under the

Act [see Appendix “B”] allows for the following items to be excluded from the annual budget; amortization expenses, post-employment benefits expenses and solid waste landfill closure and post-closure expenses. The Act requires that municipalities prepare balanced budgets which include all of the annual expenses of the municipality.

Before adopting a budget that excludes any of the expenses listed above, a municipality must prepare a report regarding the excluded expenses and adopt the report by resolution. Such report must contain an estimate of the change in the accumulated surplus of the municipality to the end of the year resulting from the exclusion of any of the expenses, and an analysis of the estimated impact of the exclusion of any of the expenses on the future tangible capital asset funding requirements.

5. Area Municipality Communication and Public/Stakeholder Engagement:

Nil

6. Strategic Plan:

The budget process enables Council to achieve its Corporate Strategic Plan objectives by allocating appropriate resources to each focus area.

7. Financial Implications:

Nil

8. Conclusion / Next Steps:

A resolution to adopt this report is included in the General Budget resolutions on this agenda.

9. Attachments / Links:

[Appendix A: Excerpt from Municipal Act](#)

[Appendix B: Ontario Regulation 284/09, Budget Matters — Expenses](#)

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Appendix “A”: Excerpt from Municipal Act**Yearly budgets, upper-tier**

289. (1) For each year, an upper-tier municipality shall, in the year or the immediately preceding year, prepare and adopt a budget including estimates of all sums required during the year for the purposes of the upper-tier municipality, including,

- (a) amounts sufficient to pay all debts of the upper-tier municipality falling due within the year;
- (b) amounts required to be raised for sinking funds or retirement funds;
- (c) amounts in respect of debenture debt of lower-tier municipalities for the payment of which the upper-tier municipality is liable; and
- (d) amounts required by law to be provided by the upper-tier municipality for any of its local boards, excluding school boards. 2001, c. 25, s. 289 (1); 2006, c. 32, Sched. A, s. 119 (1).

Exception

(1.1) Despite subsection (1), a budget for a year immediately following a year in which a regular election is held, may only be adopted in the year to which the budget applies. 2006, c. 32, Sched. A, s. 119 (2).

Detail and form

(2) The budget shall, in such detail and form as the Minister may require, set out the following amounts:

1. The estimated revenues, including the amount the municipality intends to raise on all the rateable property in the municipality by its general upper-tier levy and the amount it intends to raise on less than all the rateable property in the municipality by a special upper-tier levy under section 311.
2. The estimated portion of the estimated revenues described in paragraph 1, if any, to be paid into the municipality’s reserve, sinking and retirement funds.
3. The estimated expenses, subject to any regulation made under clause 292 (2) (a).
4. The estimated portion of the estimated expenses described in paragraph 3, if any, to be paid out of the municipality’s reserve, sinking and retirement funds. 2009, c. 18, Sched. 18, s. 1.

Appendix “B”: Ontario Regulation 284/09

Budget Matters — Expenses

Exclusion

1. In preparing the budget for a year, a municipality or local board may exclude from the estimated expenses described in paragraph 3 of subsection 289 (2) and in paragraph 3 of subsection 290 (2) of the Act all or a portion of the following:

1. Amortization expenses.
2. Post-employment benefits expenses.
3. Solid waste landfill closure and post-closure expenses. O. Reg. 284/09, s. 1.

Report

2. (1) For 2011 and subsequent years, the municipality or local board shall, before adopting a budget for the year that excludes any of the expenses listed in section 1,

- (a) prepare a report about the excluded expenses; and
- (b) adopt the report by resolution. O. Reg. 284/09, s. 2 (1).

(2) If a municipality or local board plans to adopt or has adopted a budget for 2010 that excludes any of the expenses listed in section 1, the municipality or local board shall, within 60 days after receiving its audited financial statements for 2009,

- (a) prepare a report about the excluded expenses; and
- (b) adopt the report by resolution. O. Reg. 284/09, s. 2 (2).

Contents

3. A report under section 2 shall contain at least the following:

1. An estimate of the change in the accumulated surplus of the municipality or local board to the end of the year resulting from the exclusion of any of the expenses listed in section 1.
2. An analysis of the estimated impact of the exclusion of any of the expenses listed in section 1 on the future tangible capital asset funding requirements of the municipality or local board. O. Reg. 284/09, s. 3.

Review

4. The Ministry of Municipal Affairs and Housing shall initiate a review of this Regulation on or before December 31, 2012. O. Reg. 284/09, s. 4.

5. Omitted (provides for coming into force of provisions of this Regulation). O. Reg. 284/09, s. 5.