



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

Regional Municipality Of Waterloo

Budget Committee

Agenda

Wednesday, January 21, 2015

Lunch 11:45 a.m., Waterloo County Room

Closed Session 12:15 p.m.

Open Session 12:30 p.m.

Regional Council Chambers

150 Frederick Street, 2nd Floor, Kitchener

1. Motion To Go Into Closed Session

That a closed meeting of the Budget Committee be held on Wednesday January 21, 2015 at 12:15 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

2. Declarations Of Pecuniary Interest Under The Municipal Conflict Of Interest Act

3. Opening Remarks (S. Strickland)

4. Opening Remarks (M. Murray)

5. Presentation: Budget Update (C. Dyer)

COR-FSD-15-01 - 2015 Budget Update

<u>Information Papers</u>	
Responses to Councillor Requests	18
Provincial Uploading	20
Fees & Charges By-law	23
Waste Management Fees	31
Curbside Waste Collection Policy Considerations	36
Closure of Rural Transfer Stations	43
Service First Call Centre	46
Budgeting for Regional Facilities	48
Assessment Growth	51
Status of Associated Agency Budgets	53
Status of Waterloo Regional Police Service Budget	56
6. Presentation: User Rate Budgets (N. Kodousek)	
<u>Information Papers</u>	
User Rates – Water Supply	57
User Rates – Wastewater Treatment	60
User Rates – Water Distribution/Wastewater Collection	64
7. Other Business	
8. Next Meeting	
February 11, 2015 – 12:00 p.m.	
9. Adjourn	



Report: COR-FSD-15-01

Region of Waterloo

Corporate Services

Financial Services & Development Financing

To: Chair Sean Strickland and Members of the Budget Committee

Date: January 21, 2015

File Code: F05-30

Subject: 2015 BUDGET UPDATE

Recommendation:

For Information

Summary:

The purpose of this report is to provide an update on the development of the Region's 2015 Budget. Subsequent Budget Committee meetings will provide an opportunity for detailed discussion on the proposed 2015 base budget, budget issue papers, and the ten year capital plan.

Report:

1. 2014 Regional Budget Recap

The 2014 Budget included a Regional tax levy of \$433 million, an average tax rate impact of 1.86% (of which 1.05% related to direct Regional programs and 0.81% related to Police Services), and user rate increases of 4.9% for water and 7.9% for wastewater effective March 1, 2014. The Regional tax levy comprises approximately 51% of the total residential property tax bill. Approximately 67% of the 2014 tax levy is for direct Regional services and 33% is for Police Services.

2. Economic Conditions

Report F-14-096 dated August 12, 2014 provided an overview of economic conditions affecting the Region's 2015 budget. Since that time, a number of significant developments have occurred, including:

- The price of crude oil has dropped over 50% since the summer of 2014
- The Canadian dollar has depreciated significantly relative to the \$US
- Long term interest rates have tested new lows
- Economic growth in the United States has accelerated
- A broad recovery in Europe has failed to materialize and high unemployment levels persist.

A brief update of the current economic climate is provided below.

2.1. Economic Growth

Growth in the Canadian economy remains modest. The depth and speed of oil price reductions has created significant uncertainty and capital investment cutbacks in the resource sector. Canadian gross domestic product growth in 2014 is now projected to be in the 2.4% range and some projections for 2015 have been reduced to the 2.0% range.

2.2. Federal and Provincial Budgets

The Federal Government continues to forecast a surplus in the 2015/2016 fiscal year. The significant oil price reduction will put added pressure on the federal budget balance, and the Finance Minister has announced that the 2015/16 Federal Budget will be delayed at least until April 2015. Provincial finances remain tenuous with significant budget deficits to be dealt with in Ontario. Staff remains cautious with regard to expectations for additional funding for cost-shared programs and new initiatives.

2.3. Inflation

The most recent Consumer Price Index figures (November 2014) show consumer inflation running at 2.0% for Canada and 2.4% for Ontario year over year. The significant drop in oil prices will put downward pressure on consumer inflation rates in 2015.

2.4. Interest Rates

The overnight interest rate set by the Bank of Canada remains at 1.00%, a level unchanged since September 2010. Until recently, this rate was widely expected to be increased in 2015. Given recent developments, some economists have pushed out the date for rate increases to 2016. Long term borrowing rates remain at or near historically low levels in both Canada and the United States. Current borrowing rates for the Region are estimated at 2.5% for a 10 year serial debenture and 3.45% for a

30 year sinking fund debenture. Most financial institutions are projecting long term borrowing rates to increase in 2015 and 2016, although there is some variation in terms of both timing and extent of such increases.

2.5. Unemployment Rates and Ontario Works Caseload Levels

The unemployment rate in November 2014 was 7% in Ontario and 5.6% in Waterloo Region. Ontario Works caseload levels have been in the range of 8,000 - 9,000 per month since the beginning of 2010. Although the October 2014 caseload (8,165) remains 30% higher than pre-recession levels, caseload has declined by 6% since May of 2014. The October caseload of 8,165 was 533 cases lower than May 2014. Due to ongoing reporting issues with the new Social Assistance Management System, monthly caseload figures have not been available since October, 2014.

2.6. Development Trends

Recent development activity in Waterloo Region is summarized as follows:

New Development Activity			
	Jan-Nov 2013	Annual 2013	Jan-Nov 2014
# of Residential units	2,256	2,564	3,507
Value of residential permits (\$m)	\$478.4	\$543.0	\$767.5
Non-residential square feet (millions)	1.14	1.38	2.34
Value of non-residential permits (\$m)	\$186.7	\$229.1	\$437.3

Both residential and non-residential development levels were substantially higher in 2014 when compared to 2013. Residential activity in 2014 will be above the 30-year regional average of 3,387 units. As of November 2014, the number of residential units for which permits were issued increased by approximately 37% over the 2013 annual number of permits and the total dollar value of the permit issued was up 41% over the annual 2013 total value. Similar trends are seen in non-residential development with the number of permits up in November by 70% over the annual 2013 number and total permit values nearly doubling. One of the primary reasons for the substantial increase in 2014 is an increase in the number of permit applications made in advance of new Development Charge rates that came into effect on August 1, 2014.

2.7. Regional Development Charges

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

Regional Development Charge Collection Summary				
(\$ millions)				
	2011	2012	2013	2014
Residential	\$30.8	\$20.2	\$21.0	\$43.9
Non-Residential	\$9.4	\$9.6	\$10.5	\$13.9
Total	\$40.2	\$29.8	\$31.5	\$57.8

RDC revenue for 2014 is \$57.8 million (\$43.9 million residential and \$13.9 million non-residential), up by \$26.3 million or 83% compared to 2013. Total RDC revenue collected in 2013 was in turn 6% higher than in 2012. As mentioned in the previous section, the primary reason for these increases was the number of permit applications made in advance of the implementation of new Development Charge rates.

3. 2015 User Rate Operating Budgets and 2015-2024 Capital Plan

The 2015 Water and Wastewater operating budgets propose operating expenditure in 2015 of \$81 million, which is comprised of \$34 million for water supply, \$44 million for wastewater and \$3 million for water distribution/wastewater collection in the townships of Wellesley and North Dumfries. The proposed water and wastewater budgets include wholesale rate adjustments of 4.9% for water and 7.9% for wastewater effective March 1, 2015. Retail water rates are proposed to increase by 8.9% for water distribution and 6.9% for wastewater collection, along with a \$1/month increase in the service charge for both water and wastewater. Total capital spending for water and wastewater is projected to be \$1.2 billion over 10 years. There are no user rate related budget issue papers in 2015. Details of the water and wastewater budgets are provided in the Preliminary Budget Book as well as the attached information papers. These budgets, which are scheduled to be approved on February 11, 2015, will be the subject of a staff presentation at the Committee meeting on January 21, 2015.

4. 2015 Preliminary Tax Supported Operating Budget

Staff has developed a preliminary 2015 base budget for Tax Supported Services, which reflects the amount of funding required to deliver the current Council approved level of service. Base budgets for 2015 reflect all settled collective agreements, and estimates for those that remain to be negotiated, estimates for benefit rates and inflation, annualization of prior years' approved initiatives, debt servicing costs, estimated provincial and federal funding and user fee revenue. Details regarding the 2015 base

budget are contained in the 2015 Preliminary Budget Book.

The preliminary 2015 base budget requires a property tax increase of \$12.2 million which translates to a 1.77% tax rate impact over 2014. This increase includes the impact of final assessment growth of 1.52% pro-rated between Regional Services (1.01%) and Police Services (0.51%). The impact on the average household property tax bill is approximately \$32. The tax impact of the 2015 base budget is outlined in the table below and is reflected in the Preliminary Budget Book. The opening base position excludes any provisions for service enhancements made through budget issue papers.

Status Of Preliminary 2015 Tax Supported Operating Budget (excluding Budget Issue Papers and Police)	Tax Rate % impact
Regional Operations	0.87%
RTMP (net of Ontario Works upload)	0.92%
Capital Financing (debt servicing, contributions to capital/reserves)	0.99%
Subtotal	2.78%
Less: regional share of assessment growth	1.01%
Total tax impact of Regional programs	1.77%

There are a number of projects, factors and initiatives that impact the 2015 Operating and Capital budgets, and these are set out below.

4.1. Regional Transportation Master Plan (RTMP)

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

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

*projected

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

The 2015 budget will mark the fourth year of the funding strategy. Total taxes to be collected in 2015 for the RT project are estimated to be \$24.4 million and will be transferred to the Regional Transportation Master Plan (RTMP) Reserve Fund, which in turn will be used in 2015 to fund Grand River Transit service improvements as well as costs relating to the RT project.

4.2. Debt Servicing Costs

The Region placed two capital market debenture issues in 2014 (\$61.5 million in the spring and \$53.4 million in the fall). Much of this debt is related to major infrastructure projects such as the Rapid Transit project (\$50 million), upgrades to the wastewater treatment facilities (\$23 million), and the renovation of 20 Weber Street (\$12.5 million). While funding to offset the resulting debt servicing costs is available in some cases (e.g. development charges and user rates for the wastewater plant upgrades and RTMP increases for Rapid Transit/Grand River Transit), some debt servicing costs are funded from property taxes. Approximately \$3.5 million will be required for incremental debt servicing costs in the 2015 budget.

4.3. Employee Compensation

The base budget for 2015 reflects the salary and benefit provisions of all collective agreements which have been settled and an estimate for those which remain unsettled. Employee compensation costs represent 30% of total budgeted Regional spending in 2015.

4.4. Provincial Offences Act / Red Light Camera Revenues

POA/Red Light Camera revenues were approximately \$1.6 million below budget in 2014, which is comprised of a \$0.8 million projected shortfall in fine collection revenues and a \$0.8 million shortfall in red light camera revenues. The preliminary 2015 base budget includes a reduction in budgeted revenues of \$750,000 (approximately one-half of the 2014 shortfall).

4.5. Provincial Uploading and Ontario Works Caseload

It is expected that the upload of Ontario Works benefit costs by the Province will continue as planned in 2015, the eighth year of the upload. The subsidy rate for

Ontario Works benefit costs is scheduled to increase to 91.4% from the 2014 rate of 88.6%. This increase in cost sharing will result in a savings of \$1.7 million to the Regional tax levy. The Court Security upload, which began in 2012, is phased and is scheduled to be completed in 2018. Initial upload amounts were to total \$3.5 million. In the fall of 2014, the Province provided updated amounts for 2015 and 2016 which included a retroactive amount in 2015. The total value of the upload is estimated to be \$4.7 million when fully phased in. The following table summarizes the life to date and projected impact of uploading on the Region of Waterloo.

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

*updated amounts for 2015-2018

Further details can be found in the Provincial Uploading Budget Information paper.

4.6. Federal and Provincial Government Funding

Despite the focus on deficit reduction at the federal and provincial levels, an additional \$6.9 million in provincial funding is anticipated in 2015. Provincial and federal funding for cost-shared services in the 2015 budget is projected to be as follows:

PROVINCIAL SUBSIDY ESTIMATES (\$ millions)			
Program	2014 budget	2015 budget	2015/14 change
Ontario Works/Social Assistance	\$82.6	\$87.6	\$5.0
Child Care	32.2	32.4	0.2
Public Health	26.4	26.7	0.3
Long Term Care	17.4	17.9	0.5
Paramedic Services	11.4	12.0	0.6
Community Homelessness Prevention Initiative	9.4	9.8	0.4
Community Housing	9.6	9.5	(0.1)
Total	\$189.0	\$195.9	\$6.9

It is noted that provincial funding for Community Housing will drop by \$1.0 million over the next four years.

4.7. Fuel Prices

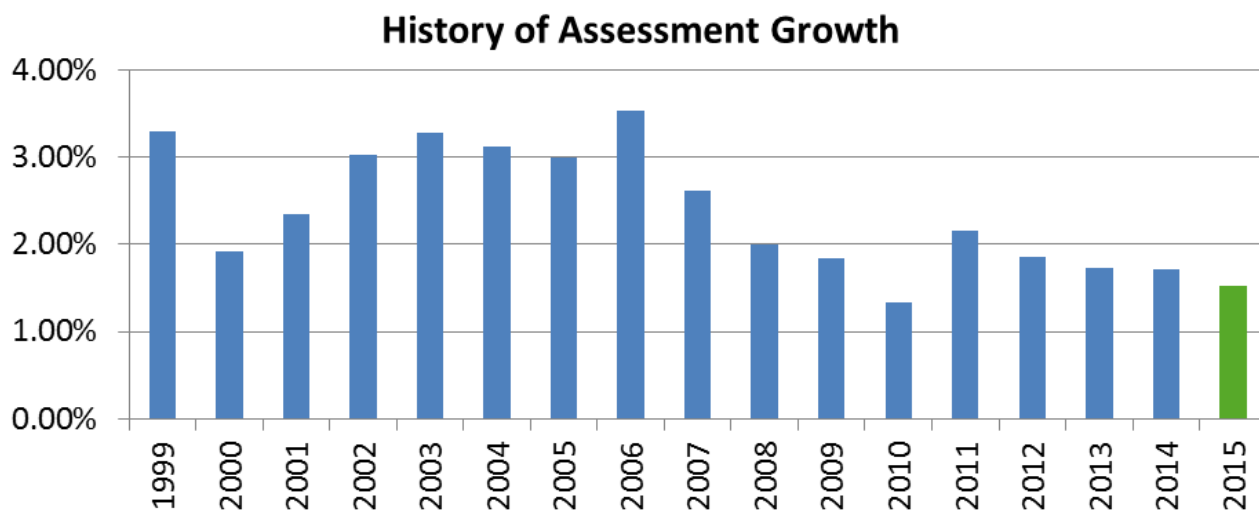
Total expenditure on fuel in 2014 is estimated at \$13.4 million. The Region’s 2014 budget was based on a fuel price of \$1.08/L. Due to the volatility in fuel prices over the second half of 2014, the base budget for 2015 was developed assuming the same cost per litre as in 2014 (i.e. \$1.08/L). In response to the dramatic reduction in oil prices, staff will provide Budget Committee with an updated fuel budget recommendation at its meeting on February 11, 2015.

4.8. In-year 2014 Budget Changes Approved by Council

A number of changes to funding and service levels were approved by Council over the course of 2014, and these are listed in Appendix A. All in-year operating changes were funded by federal, provincial and third party grants, or a reallocation of operating budgets. Reserves and temporary reallocation of operating funds provided funding for identified changes to the capital plan. These budget amendments have been incorporated as required into the 2015 base budget.

4.9. Assessment Growth

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



Additional details with respect to assessment growth can be found in the Assessment Growth Budget Information Paper.

4.10. Base Budget Reductions

On an annual basis, staff reviews operating budgets in an effort to identify efficiencies and budget reductions which do not affect service levels. This year’s review has resulted in base budget reductions of \$1.9 million. The table below identifies the extent of base budget reductions over the last 5 years:

Base Budget Review Reductions (\$millions)					
2011	2012	2013	2014	2015	Total
\$2.4	\$2.1	\$1.9	\$2.5	\$1.9	\$10.8

4.11. Associated Agencies

Appendix B provides a summary of the status of the budgets for Associated Agencies. Additional details are provided in the information papers included in today’s agenda.

5. Budget Issue Papers

A separate package of budget issue papers (BIPs) has been provided for the Committee’s review. Typically, a BIP must relate to at least one of the following:

- new or amended legislation and regulations;
- significant health and safety issues;
- long term financial sustainability;
- increasing demands for service; and
- In-year requests from Council on specific issues.

The Region’s Corporate Leadership Team (CLT) has reviewed the requests and Appendix C provides a summary of their recommendations. The tax levy impact of these recommended BIPs is \$1.6 million or 0.36%.

Status Of Preliminary 2015 Tax Supported Operating Budget (excluding Police)	Tax rate % impact
Tax impact of current Regional programs	1.77%
Recommended Budget Issues	0.36%
Total tax impact of Regional programs including recommended service enhancements	2.13%

6. Renew Reorganization

During 2014, the Chief Administrative Officer undertook a review of the organization's structure. The purpose of this review was to evaluate and identify the organizational structure that best met the community's evolving needs and ensured the most efficient and effective delivery of services as possible. As a result of the reorganization, the number of departments was reduced from seven to six, the tax levy was reduced by \$440,000 and staff complement was decreased by 1.0 FTE.

For the most part, the restructuring of budgets to reflect the new organizational structure was accomplished through 2014 budget and staff complement restatements to maintain comparability across budget years. In a small number of instances, (e.g. restructuring of area-rated services, repurposing of resources across departmental boundaries) budget transfers in 2015 have been made in order to leave the stated 2014 levies at the approved amount.

7. Staff Complement

During the preparation of the 2015 budget, staff undertook an extensive review of staff complement reporting practices with a view to finding a clear, consistent and complete presentation of staff complement. The result is that budgeted complement figures are now categorized as permanent or temporary, with the number and type of staff budgetary recoveries identified. Some restating of 2014 staff complement has been implemented, and the staff complement continuity can be found in Appendix D. Complement figures have been restated to include temporary staff in all service areas in order to better reflect the staffing resources associated with budgeted amounts. As a result of the base budget review and the corporate reorganization, a total of 9.9 FTEs have been identified as reductions in 2015.

8. 2015-2024 Tax Supported Capital Plan

The Region of Waterloo's Ten Year Capital program sets out planned investments in infrastructure, facilities, equipment, vehicles and related studies, along with the proposed sources of financing for such investments. Recognizing the challenges facing the Region in the 2015 budget, staff undertook a detailed review of capital programs with all departments in May and June. This process included reviewing the need, scope, cost and timing of projects. Typically new projects are identified and added to the latter years of the forecast. Budget amounts are refined annually as the project moves forward in the planning horizon. Once the project reaches the current year (i.e. year one) of the Capital Program it is approved and can then proceed.

Sources of financing for the Capital Program include grants and subsidies from other levels of government, third party recoveries, development charges, property taxes and user rates (in the form of current year allocations and contributions from reserves), and

long term borrowing. It is important to note that issuing debentures to finance capital projects impacts future operating budgets in the form of debt servicing costs.

Major works that are planned to be undertaken in 2015 include:

- ION rapid transit construction
- Various road expansion and rehabilitation projects
- Building Lifecycle work at Regional Administration buildings
- Housing facilities lifecycle work
- Voice Radio system replacement
- Grand River Transit bus replacements

The 2015 Capital Budget will also include the completion of various projects started in 2014 including renovations at 20 Weber Street in Kitchener (former County Courthouse), the Phillipsburg EMS Station, adapted bus rapid transit and new cell construction at the Waterloo Landfill Site. The 10 year tax supported capital program reflects a total investment in capital assets in the range of \$2.3 billion, of which approximately \$634 million is in 2015.

9. Budget Schedule

Future budget meetings are scheduled as shown in Appendix E.

Corporate Strategic Plan:

The 2015-2018 Corporate Strategic Plan is under development with an initial Council Strategic Planning session scheduled for late March 2015. In the interim, the 2015 budget is reflective of the 2011-2014 Corporate Strategic Plan, which seeks to maintain programs and services while moving towards a more sustainable community framework.

Financial Implications:

A 1% change in the tax rate results in a \$17.87 annual change to the average residential property owner, based on a residential property assessed at \$291,500 in 2014. A 1% tax rate increase generates an additional \$4.4 million in tax revenue.

Other Department Consultations/Concurrence:

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

Attachments:

Appendix A – 2014 Operating Budget Amendments Approved by Council

Appendix B – Status of Associated Agencies' budgets

Appendix C – Summary of Recommended Budget Issue Papers

Appendix D – Budget Staff Complement Summary

Appendix E – 2015 Budget Schedule

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

Craig Dyer, Commissioner of Corporate Services/Chief Financial Officer

Approved By: Mike Murray, Chief Administrative Officer

Appendix A – 2014 Budget Amendments Approved by Council

Approval Date	Description	Expenditure Change	Funding Source
Operating Budget			
26-Feb	Youth Employment Services	\$450,000	Provincial Grant
9-April	Homelessness Partnership Strategy	\$331,354	Federal Grant
9-April	Immigration Partnership Council	\$244,438	Provincial Grant
4-June	Homelessness Individuals and Families Information System Community Coordinator Project	\$18,750	Federal Grant
4-June	Local Immigration Partnership	\$24,150	Private Grant
20-August	Immigration Partnership	\$34,444	Provincial Subsidy
9-September	Children's Planning Table	\$95,097	Private Grant
17-June	Mobility Plus Fleet Repairs (3.0 FTEs)	\$0	Internal budget reallocation within Transit Services
17-October	Implementation of Canada – Ontario Job Grant	\$17,686	Provincial Grant
Capital Budget			
7-May	Fleet Services Program Review	\$200,000	Equipment Reserves
25-June	Regional Service Review	\$500,000	Internal Audit Budget and Capital Levy Reserve Fund
25-June	Revised 2014 Transportation Base and System Expansion Capital Budgets	(\$7.925 million)	Development Charges, Roads Capital Levy Reserve & Roads Rehabilitation Reserve

Appendix B – Status of Associated Agencies' budgets

Associated Agency	2014 Budget	2015 Base Budget	Current Base Budget Status
Waterloo Regional Police Service	\$140.9 m	\$146.0 m	The Police Services Board has requested staff to prepare a 2015 budget with a tax impact in the range of 0.6%
Grand River Conservation Authority	\$5.855 m	\$6.030 m	The base budget includes an increase of 3.0% for the GRCA levy. The entire GRCA levy is funded from the Water and Wastewater budgets with no tax levy impact.
Municipal Property Assessment Corporation	\$6.39 m	\$6.45 m	1% estimated increase included for 2015
Canada's Technology Triangle (CTT)	\$468,000	\$468,000	No increase for 2015
Waterloo Region Tourism & Marketing Corporation	\$300,000	\$300,000	No increase for 2015
Communitech	\$35,000	\$35,000	No increase for 2015
Waterloo Regional Heritage Foundation	\$106,000	\$106,000	No increase for 2015
Region of Waterloo Arts Fund	\$243,000	\$243,000	No increase for 2015

Appendix C – Recommended Budget Issue Papers

**Region of Waterloo
2015 Budget Issue Papers**

DEPT/Division	Description	Annualized Levy Impact (\$000s)	2015 Budget Impact (\$000s)			
			Operating		Capital	
			Levy	Reserves /Other	Levy	Debt
Focus Area 2 - Growth Management & Prosperity Management						
PDL/Economic Development	Start-Up and Transition Funding for the New Waterloo Region Economic Development Corporation (WREDC)	\$432	\$216			
COR /Facilities Management	Facilities Project Management positions	\$0		\$198		
Subtotal Focus Area 2		\$432	\$216	\$198	\$0	\$0
Focus Area 3 - Sustainable Transportation						
TES/Grand River Transit	Implementation of Regional Transportation Master Plan (RTMP): Grand River Transportation Service Expansion (note 1)	\$0		\$797		\$35
TES/Grand River Transit	Implementation of GRT Mobility PLUS Business Plan	\$266	\$90			\$117
Subtotal Focus Area 3		\$266	\$90	\$797	\$0	\$152
Focus Area 4 - Healthy & Inclusive Communities						
PHE/Paramedic Services	Master Plan Review - One Time Funding for Consultant	\$0				\$150
PHE/Paramedic Services	Upgrade a RERU to an Ambulance and Crew as per Master Plan	\$484	\$265			\$225
CSD /Seniors' Services	Homemakers and Nurses Services Coordinator	\$0		\$15		
Subtotal Focus Area 4		\$484	\$265	\$15	\$0	\$375
Focus Area 5 - Service Excellence						
CSD/Seniors' Services	Sunnyside Home Resident Care	\$374	\$187			
COR/Information Technology Services	Mobile Solutions Support	\$0		\$105		
COR/Information Technology Services	Corporate IT Solutions Administration and Support	\$113	\$69			
PDL/Council & Admin Services	Graphic Designer Position	\$0		\$23		
PDL/Provincial Offences Act (POA)	Provincial Offences Court (POC) position	\$0		\$69		
Corporate Financial	Capital Financing	\$750	\$750			
Subtotal Focus Area 5		\$1,237	\$1,006	\$197	\$0	\$0
Total		\$2,419	\$1,577	\$1,207	\$0	\$527

note 1 - included in the base budget is an urban 1.5% levy increase to fund the RTMP reserve

Legend:

- COR Corporate Services
- CSD Community Services
- PDL Planning, Development and Legislative Services
- PHE Public Health and Emergency Services
- TES Transportation and Environmental Services

Appendix D – Staff Complement Summary

**Region of Waterloo
Staff Complement Summary (FTEs)**

	Permanent	Temporary	Total
Staff complement reported in the 2014 Budget Book			2,738.4
Classified as follows →	2,699.2	39.2	2,738.4
Restatements (budgeted dollars included in base in all cases):			
• FTE equivalent of budgeted backfill	28.2	-	28.2
• FTE equivalent of budgeted students	0.4	13.0	13.4
• Temporary FTEs not previously included		62.0	62.0
• Permanent FTEs not previously included	2.3		2.3
Restated 2014 Budgeted Complement	2,730.1	114.2	2,844.3
In year changes approved by Council			
Mobility Plus mechanics	3.0		3.0
Final 2014 Budgeted Staff Complement	2,733.1	114.2	2,847.3
2015 Staff Complement Reductions			
• Public Health position elimination & reduction to match funding	(2.5)		(2.5)
• Rapid Transit Project Office vacant positions		(2.4)	(2.4)
• Housing Services reduction to reflect funding		(0.1)	(0.1)
• Seniors' Services maintenance position	(0.5)		(0.5)
• Service First Call Centre temporary positions		(3.0)	(3.0)
• Commissioner of Corporate Resources	(1.0)		(1.0)
• POA - Temp clerk contract expiration		(0.4)	(0.4)
Subtotal of 2015 Base Budget Reductions	(4.0)	(5.9)	(9.9)
2015 Preliminary Budget	2,729.1	108.3	2,837.4

Source: Docs 1659876

Appendix E – 2015 Budget Schedule

PURPOSE OF THE BUDGET SESSION	DATE and TIME
2015 Budget Process and Timetable	August 12, 2014
Budget Overview Session - Municipal Budgeting overview - Region of Waterloo budget process - Approval of 2015 Budget Process schedule	December 16, 2014 1:00 pm – 4:00 pm
Detailed Budget Review – Day One Presentations - User Rate Operating Budget and Capital Program - Tax Supported Operating Budget and Capital Program	January 21, 2015 12:00 - 5:00 pm
Public Input Session #1	January 21, 2015 6:00 pm
Detailed Budget Review – Day Two Presentations from Waterloo Regional Police Service and Grand River Conservation Authority Approval of User Rate Operating budgets and Capital programs Updated Tax Supported Operating Budget and Capital Program	February 11, 2015 12:00 pm - 5:00 pm
Public Input Session #2	February 11, 2015 6:00 pm
Approval of 2015 Tax Supported Operating Budget and Capital Program Approval of 2015 User Fees and Charges	March 4, 2015 3:00 – 6:00 pm
Note: All Budget Committee meetings are webcast at www.regionofwaterloo.ca	

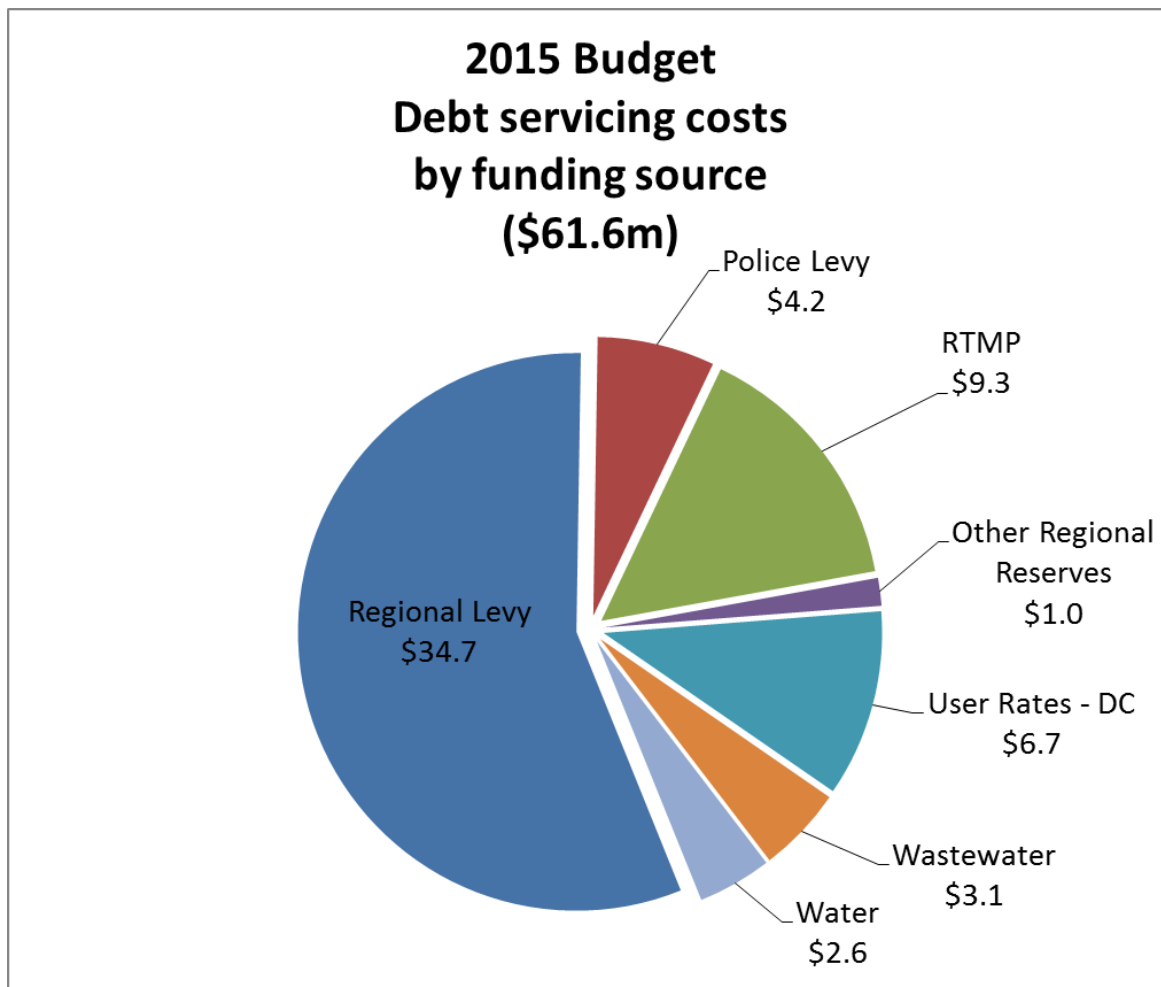
2015 BUDGET

2015 BUDGET INFORMATION

INFORMATION: RESPONSES TO COUNCILLOR REQUESTS

1. Debt Servicing costs by funding source

The 2015 budget includes provisions for debt servicing costs arising from the financing of capital projects through debenture issues. The sources of funding for debt servicing expenditures are reserve and reserve funds, user rates, development charges and the property tax levy. The following chart depicts the funding sources for debt servicing provisions in 2015 operating budgets.



Of the \$61.6 million in debt servicing costs in the 2015 budget, \$43.6 is principal repayments and sinking fund contributions and \$18.0 million is interest charges.

2. Provincial Review of Development Charges System

In October 2013, the Province announced a review of “Development Charges in Ontario.” The stated purpose of the review is to ensure that Ontario’s development charges (DC) system is “predictable, transparent, cost-effective and responsive to the changing needs of communities.”

Regional staff participated in discussions with provincial staff at a session hosted by the Region in November 2013 and also through the Regional and Single Tier Treasurers Group. The Region’s response to the Province’s consultation document was made via report F-14-004 through which Regional Council approved the following recommendations on January 15, 2014:

“That Report F-14-004 be forwarded to the Province of Ontario as Waterloo Regional Council’s response to the Ministry of Municipal Affairs and Housing’s consultation on the Development Charges System in Ontario;

“and That the Province be requested to make changes to the “Development Charges Act, 1997,” to support the Region’s transition to higher order light rail transit system by:

- Allowing the use of a 10-year forward looking level of service as the baseline for calculating development charges for transit; and
- Eliminating the 10% mandatory discount on development charges to pay for transit infrastructure;

“and That the Province be requested to make changes to the “Development Charges Act, 1997,” consistent with the principle that “growth pays for growth,” including the following:

- Include all services funded by a municipality;
- Remove the 10% discount for all services; and
- Replace the 10 year average historic service level limits with a service level that is forward looking.”

Under the current DC legislation, all services have a limit on recovery through the prescribed prior 10-year average historical service level cap. Consequently, the Region of Waterloo is not able to collect development charges for the Light Rail Transit (LRT) project as the new LRT service will exceed the average historic service level for transit services. In addition, services such as Transit, Airport, Police and Paramedic Services have an additional limit on recovery through the 10% deduction on soft services. With amendments to the DC Act to remove the 10% discount and the 10 year historical service levels, it is estimated that up to \$70 million in development charges could be collected to support the construction costs of the LRT that are currently planned to be funded from the existing tax base in the amount of \$253 million.

2015 BUDGET

2015 BUDGET INFORMATION

INFORMATION: PROVINCIAL UPLOADING

Background

In 2007, the Province announced the upload of the Ontario Disability Support Program (ODSP) administration, benefits and support payments over 2008-2011 as a first step in the Provincial-Municipal Fiscal and Service Delivery Review (PMFSDR). These costs had been downloaded to the Region by the Province in 1998. This reversal was in recognition that the costs of income redistribution programs, such as Ontario Works (OW) and ODSP are more appropriately funded by provincial revenues than by municipal property taxes. The annual savings to the Region relative to the 2007 Budget totaled \$22.8 million, once fully implemented in 2011.

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

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

The OW upload savings are estimated at \$12.1 million when fully phased in.

The final PMSDR report also recommended the upload of Court Security costs. The Court Security upload, which began in 2012, is also phased and scheduled to end in 2018. The initial upload amounts were \$0.56 million per year. In the fall of 2014, the Province provided updated amounts for 2015 and 2016 which included a retro amount in 2015 and results in an average of \$0.7 million per year. This upload is estimated to total \$4.7 million when fully phased in.

Below is the projected impact of the ODSP, OW and the Court Security upload along with the OW Administration funding for the Region of Waterloo. In 2011, the Province implemented a new funding approach to support Ontario Works Administration. While not part of the original uploading projection, it has been included in the uploading calculation.

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

* Updated amounts for 2015 to 2018

Previous Budget Decisions

This section sets out how the Region has treated the annual budget savings resulting from the upload.

- The 2008 net savings from the upload of the Ontario Drug Benefit Program (an ODSP benefit) were applied to the operating budget to reduce the property tax levy.
- In 2009, Council established a Long Term Budget Strategy Working Group to develop a strategy to deal with future savings. The Working Group recommended that the Regional Museum and the Green Bin Program have first call on the future savings as both of these programs were being implemented and would incur costs in 2009. In addition, the Working Group recommended that a provision for Arts and Culture funding of \$500,000 be established beginning in 2009, phased-in over two years. The total commitment for all three programs was \$13.6 million, \$3.21 million of which was required for 2009. As the savings from uploading in 2009 were only \$710,000, there was a shortfall of \$2.5 million between the program requirements and savings available. Regional Council directed that in 2009, the \$2.5 million shortfall be funded from the Tax Stabilization Reserve Fund (TSRF) and that savings from future years be used to fund these programs on a permanent basis.

- In 2010, \$2.5 million of the \$9 million in total savings was used to permanently fund the 2009 programs that were funded by the TSRF. In addition, there were additional costs totaling \$3.3 million for these programs. The balance of the savings, \$3.2 million, was used to reduce property taxes and offset new budget issues.
- In 2011, \$13.3 million in savings was used to reduce property taxes, fund new issues and the Regional Transportation Master Plan.
- Beginning in 2012, in keeping with Regional Council's decision of June 15, 2011, all upload savings resulting from Ontario Works have been dedicated to funding the Region's share of the Rapid Transit project.
- Court Security upload savings have been reflected in the Waterloo Regional Police Services operating budget as that is where these costs occur.

2015 Budget

Beginning in January 2015, the cost sharing ratio for Ontario Works will change to 91.4% provincial 8.6% municipal. The net upload savings of \$1.7 million has been incorporated into the 2015 Base Budget.

A revenue increase of \$1.1 million for uploaded Court Security costs is included in the 2015 Police Services Operating Budget.

2015 BUDGET

2015 BUDGET INFORMATION

INFORMATION: FEES & CHARGES BY-LAW

Background

Section 391 of the *Municipal Act* permits municipalities to establish and maintain a list of services subject to fees or charges. By-law Number 14-002, a By-law to Establish Fees and Charges for the Regional Municipality of Waterloo, has been adopted to fulfill this requirement. This by-law is reviewed annually to incorporate new or revised fees adopted by Regional Council.

2015 Budget

As part of the 2015 budget process, all service areas have 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 2015, including Transit Services (approval of specific Transit fare increases has typically occurred later in the spring, as described below). Fee increases identified in the appendix have been used in the preparation of the 2015 Preliminary Operating Budget, with one notable exception: Community Planning fee increases have been excluded from the base budget due to the substantive changes being proposed for those fees. Further information on Community Planning fees is provided in the Community Planning section below.

1. Grand River Transit Fares

The proposed 2015 Transit Services base budget includes the estimated impact of a fare increase to be implemented effective July 1, 2015 as set out in the approved Regional Transportation Master plan. On average, the proposed fare increase is 3%. In the past, proposed fare increases were introduced through a separate notification period later in the spring for Council approval in advance of a July 1 effective date. Since the 2015 budget cycle is delayed due to the election, proposed Transit Services fare increases have been included in the general update to the Fees and Charges by-law to consolidate and streamline the approval process.

2. Community Planning Fees

Planning, Development and Legislative Services has undertaken a comprehensive review of fees currently charged for applications and submissions, and proposes both increases to certain existing fees as well as the introduction of new fees. The

review included a comparison with other regional municipalities and consultation with the Region's area municipalities and other stakeholders.

New fees are being proposed for applications and submissions that are reviewed by Regional staff as outlined in Appendix A. Proposed new fees and increases to existing fees would result in an overall salary cost recovery of approximately 17% compared to the current 14%. It is also being proposed that fees no longer be applied to applications initiated by area municipalities. Typically, there are very few applications of this type and, at times, these types of applications may be of common interest.

Regional staff has circulated the proposed fees to area municipalities and stakeholders, including planning consultants and the Waterloo Region Homebuilders Association. Regional staff also met with the Waterloo Region Homebuilders Association Liaison Committee to discuss the proposed fees and this group has been notified of the opportunities for public input during the 2015 budget process.

If approved by Regional Council, Planning fee increases would take effect March 5, 2015 following budget approval and the budget impact of fee changes being proposed would be to reduce the property tax levy by \$120,000 (this is currently **not** reflected in the 2015 base budget).

3. Other service areas

Other service areas are proposing changes to fees and charges as follows:

- Airport: landing fees, parking fees, facility lease rates and other operating fees
- Cultural sites: certain admission fees
- Library: overdue charges
- Transportation services: removal of charges related to WiFi devices on traffic poles
- Waste Management: tipping and minimum fees (additional information is provided in a separate information paper included on today's agenda)
- Seniors' Services: preferred accommodation as set by the Ministry of Health and Long Term Care, refinement of program cancellation charges and cost recovery of amenities charges
- Children's Services: child care fees at Regionally owned child care centres

- Public Health: file searches, emergency dental services, vaccinations and TB skin tests
- Paramedic Services: cost recovery of special event coverage and requested reports

The estimated incremental revenue in 2015 by division is outlined in the table below:

Division	Incremental 2015 revenue (\$000s)	Included in base budget (Y/N)
Airport	\$78	Y
Community Planning	\$120	N
Cultural Sites	\$22	Y
Library	\$0	Y
Transportation	\$0	Y
Transit Services	\$450	Y
Waste Management	\$50	Y
Seniors' Services	\$0	Y
Children's Services	\$9	Y
Public Health	\$32	Y
Paramedic Services	\$0	Y
Total	\$761	

For areas where the incremental revenues are indicated as \$0, it is anticipated that the increases will either result in negligible increases on total revenues or are designed to recover cost increases.

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.

As user rates for Water and Wastewater are approved by separate by-laws, they are not included in this schedule.

A resolution to repeal the current Fees and Charges By-law and pass a new Fees and Charges By-law will be included along with the General Budget Resolutions for Budget Committee on March 4, 2015.