



## **Regional Municipality of Waterloo**

### **Budget Committee**

#### **Minutes**

Wednesday, January 21, 2015

12:37 p.m.

Regional Council Chambers

150 Frederick Street, 2<sup>nd</sup> Floor, Kitchener

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Present were: Chair S. Strickland, L. Armstrong, D. Craig, S. Foxton, T. Galloway, D. Jaworsky, H. Jowett, K. Kiefer, K. Redman, J. Mitchell, J. Nowak, K. Seiling, S. Shantz, B. Vrbanovic and W. Wettlaufer

Members absent: G. Lorentz

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

Moved by S. Foxton

Seconded by K. Redman

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

Carried

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

Moved by K. Redman

Seconded by S. Shantz

That the meeting reconvene into Open Session at 12:37 p.m.

1790626

Carried

### **Declarations of Pecuniary Interest Under “The Municipal Conflict Of Interest Act”**

None declared.

### **Opening Remarks**

Chair Sean Strickland provided comments about the opening position of the 2015 budget, stating that the proposed tax levy is 2.83%, including the Waterloo Regional Police Services (WRPS). He noted that he has asked staff for a closer review of the capital budget and he confirmed that this matter will be further discussed at the Budget meeting on February 11, 2015.

D. Craig sought direction from staff on how to seek operational funding for a new museum in Cambridge and direction regarding the timing to bring forward a Notice of Motion related to capital funding for Haven House in Cambridge. S. Strickland suggested that the Notice of Motion come after Council has reviewed and discussed the capital budget and he directed him to follow-up with Finance staff regarding the operating grant options.

Mike Murray, Chief Administrative Officer, provided opening remarks to the Committee. He acknowledged staff for their efforts in preparing the 2015 budget. He stated that the most significant factor influencing the 2015 budget is infrastructure – building new to service growth and the maintenance of existing infrastructure. In closing, he summarized the base budget reductions over the past several years.

### **Presentation: Budget Update**

COR-FSD-15-01 - 2015 Budget Update

Craig Dyer, Chief Financial Officer, provided introductory remarks on the 2015 budget process; the report was received for information. He gave a presentation to the Committee on the 2015 Budget, including:

- Purpose of the budget
- Overview of the user rate and property tax budgets
- Budget cycle
- Budget Information; the 2015 Budget Appendix will be available on the Region’s website
- New budget book format
- Budget terminology
- Economic conditions

In response to Committee questions about the rate models used for reserves, in general, and the long-term models for water and wastewater reserves, C. Dyer advised that he's satisfied with the current models but is concerned about the overall level of reserves. He clarified that the funds allocated to reserves annually should be greater, especially at a time when interest rates are low. He stated that due to conservatively established estimates, the model for water and wastewater reserves is sustainable for the next ten years.

In response to Committee questions about Ontario Works caseload trending and the impact on the Tax Rate Stabilization Reserve Fund, Douglas Bartholomew-Saunders, Commissioner, Community Services, stated that there was no trend of reduced caseload either provincially or within the Region. C. Dyer added that the Tax Rate Stabilization Reserve Fund is sufficient to meet the caseload demand given that the provincial cost-sharing formula is scheduled to gradually reduce the Region's cost.

S. Strickland noted that staff are preparing a report for the next Budget Committee meeting with details about all reserves and reserve funds, as well as information about current interest rates.

C. Dyer provided a summary of the 2015 Tax Supported Budget, stating that the net Regional impact will be a base budget increase of 1.77%, not including the WRPS budget. He summarized the major 2015 budget impacts, including:

- Regional Transportation Master Plan (RTMP)
- Capital Financing
- Provincial Upload Savings
- POA and Red Light Camera Revenues

Thomas Schmidt, Commissioner, Transportation and Environmental Services, responded to Committee questions regarding the out-of-service red light cameras and elaborated on the technical issues with the in-road infrastructure.

In response to a Committee question about court security upload, C. Dyer advised that the upload won't fully cover the costs. T. Galloway, Chair of the Police Services Board, added that the Province has adjusted the funding formula and that court security costs have increased as a result of the opening of the new courthouse.

C. Dyer continued summarizing major 2015 budget impacts, including:

- In-year Budget Changes; the adjustments made by Council post-2014 budget approval are listed in Appendix A and have been taken into account in the 2015 base budget

- Base Budget Adjustments; \$1.9M savings in 2014 to be reflected in the 2015 base budget
- Crude Oil prices; the average price in 2014 was greater than budgeted; the 2015 base budget will remain same as in 2014
- 2015 Budget Continuity; RTMP, capital financing and staff compensation

In response to Committee questions about crude oil prices, C. Dyer stated that the Region is currently paying 88 cents/litre for diesel. He advised that staff will prepare a recommendation for the February Budget Committee meeting regarding price adjustments. He responded to suggestions that the Region consider risk management options, such as a fuel reserve fund, by noting that staff are reviewing several options, including a reserve fund. The Committee discussed the potential long-term impact on future budgets.

C. Dyer provided an overview of the 2015 Budget Information Papers, as follows:

- Assessment Growth
- Responses to Councillor Requests
- Closure of Rural Transfer Stations – closures effective Mar 31, 2015
- Curbside Waste Collection Policy Considerations
- Waste Management Fees – increased fees are being proposed
- Fees & Charges By-law – timelines and process overview; clarification that Waste Management fees are not included in the base budget
- Status of Waterloo Regional Police Service Budget – presentation planned for February 11, 2015 Budget meeting
- Provincial Uploading
- Budgeting for Regional Facilities
- Service First Call Centre
- Status of Associated Agency Budgets

In response to a Committee question, C. Dyer advised that the source for the assessment growth figures is the Municipal Property Assessment Corporation (MPAC) and that the figures have been confirmed with the area municipalities.

S. Shantz stated that Woolwich Township Council has passed a resolution regarding a proposal for a private operator for the rural transfer station in Woolwich; a copy of the resolution has been sent to the Budget Committee Chair. S. Strickland confirmed receipt and advised that Regional staff is reviewing the matter and will report back at the next Planning and Works Committee meeting.

S. Foxton noted that the Township of North Dumfries is considering a similar option pending the outcome of the Woolwich proposal.

The Committee discussed the timelines for establishing policies related to curbside waste collection and green bin access for multi-residential unit residents. Jon Arsenault, Director, Waste Management, stated that new policies need to be finalized by mid-2015 to facilitate negotiating a new contract and that renegotiating the current agreement to include multi-residential green bin service would have significant financial implications.

S. Strickland noted that the matters before the Budget Committee are related to the closure of rural transfer stations and Industrial, Commercial and Institutional (ICI) tonnages. He clarified that the consideration of curbside collection policy changes to increase diversion from the landfill sites are not directly part of the budget review.

The Committee discussed the potential impact of significantly increasing ICI fees, whether the Region should be in the business and the net long-term benefit of saving landfill capacity. The Committee also discussed the impact of an increased tipping fee, specifically the incidence of roadside dumping. J. Arsenault stated that there has been little to no impact on roadside dumping based on the data available. The Committee members representing the rural municipalities provided input; some have noted an increase in roadside dumping; others have not. Staff agreed to provide information on this matter back to the Committee.

C. Dyer highlighted that the proposed Fees and Charges for Waste Management are not included in the 2015 Base Budget; if approved, additional revenues from Waste Management fees would be approximately \$50,000.

In response to a Committee query regarding planning user fees, Rob Horne, Commissioner, Planning, Development and Legislative Services, noted that the Region's fees are in line with our municipal comparators and not an impediment to Regional development.

The Committee requested additional information related to the Region's Service First Call Centre call volume data and what services other Call Centres are providing.

C. Dyer summarized the purpose of Preliminary 2015 Budget Issue Papers, noting that all have been recommended by staff and that a motion will be presented at a future Budget Committee meeting. He stated that the impact of the Budget Issue Papers on the 2015 budget would be \$1.6M. Some Issue Papers have no tax levy impact as they are funded from reserves, capital projects, have offsetting expenditure reductions or have offsetting revenue increases.

C. Dyer highlighted the following 2015 Budget Issue papers:

- Public Transit
- Paramedic Services

- Waterloo Region Economic Development Corporation
- Capital Levy Reserve Fund (CLRF)

A request was made by a Committee member for a spreadsheet illustrating what is currently funded by the CLRF and what is being proposed to be funded in 2015.

C. Dyer advised that the Committee will review the 2015-2024 Tax Supported Capital Program at the next Budget meeting. He summarized the projects to be undertaken, including ION Rapid Transit and the Facilities lifecycle work plan. He also noted those projects that were started in 2014 and will be completed in 2015.

In response to a Committee member's request for a listing of the proposed Grand River Transit (GRT) routes proposed for elimination and a concern for increased rates for low-income riders, staff confirmed that additional information will be made available. S. Strickland noted that the Council-approved objective is to recover up to 50% from the fare box and he added that the Region continues to support subsidized fares for low-income individuals through local social service providers.

C. Dyer responded to a Committee inquiry about the Operating Levy impact of Budget Issue Papers, specifically the request for an annualized rate, noting that staff were trying to show the 2015 impact and the commitment for future years. He also responded to Committee questions regarding capital financing, specifically the impact on the 2016 budget if the allocation to the reserve fund was increased to address the RTMP commitments; and, a request for comparative data for the tax supported budget over the last five years.

In response to D. Craig's reminder to staff regarding an update on the south/east boundary roads in Cambridge, T. Schmidt confirmed that staff planned to bring a report back to the next Planning and Works Committee.

The Committee discussed tracking increased development along the central transit corridor, specifically along the ION route. Staff confirmed that the University of Waterloo has undertaken a study and that the results will be available later this year.

In response to a Committee inquiry about the status of allocating an annual increase for the funding for roads, C. Dyer stated that the long-term road strategy has been reviewed and there is no proposal for an increase in the 2015 budget. He added that Council has the opportunity to review the need for roads and other infrastructure over the next year or two.

Dr. Liana Nolan, Commissioner, Public Health and Emergency Services/Medical Officer of Health, responded to a Committee question related to standards for Rural Emergency

Response Units (RERU), indicating that Regional Council determines and sets response times; she added that information will be prepared for the next meeting.

The Committee recessed at 2:40 p.m. and reconvened at 2:55 p.m.

### **Presentation: User Rate Budgets**

C. Dyer stated that the figures for wastewater collection rate should be 5.9%, and not 6.9% as noted in the report; revised copies of pages 65 and 66 of the agenda package were distributed to the Committee with the correct calculations. He advised that approval of the user rates will take place on February 11, 2015 and will be in effect on March 1, 2015. He summarized the proposed rates for water supply, water distribution, wastewater treatment and wastewater collection.

Nancy Kodousek, Director, Water Services, delivered a presentation to the Committee; a copy is appended to the original minutes.

She summarized the responsibilities and mandate of Water Services and provided an overview of the local water supply and water regulations and legislation. She outlined the highlights of the water operating budget and noted the reduction in water demand. She responded to Committee questions regarding the increased energy costs despite lower water demand. She highlighted various program initiatives, including a new hydro study on processes and efficiencies taking place in Cambridge.

In response to a Committee question about utilizing solar energy generation at wastewater facilities, T. Schmidt outlined the current initiatives using solar energy. He also provided an overview of the energy-intensive treatment processes involved.

C. Dyer advised that staff will bring back data about the purchase of electricity related to the operations of the Region's wastewater facilities.

M. Murray clarified that while electricity consumption is going down and water use is going down, electricity gross costs are increasing and growing at a faster rate than consumption.

N. Kodousek continued her presentation highlighting project upgrades under the Water Capital Budget and the trends, issues and initiatives related to the Water Supply.

She provided an overview of the local wastewater treatment programs and regulations and operating and hydro budgets and highlights of the wastewater capital highlights. She gave an overview of the upgrades at the Kitchener and Waterloo wastewater treatment plants and noted the positive impacts on the environment and the accomplishments relating to water quality. She summarized the Household Wholesale Rate increase and the impact of the Household Retail Rate increase.

The Committee discussed co-generation and long-term initiatives for longer-term returns. The Committee requested that information be prepared about past years' rate increases, a cost-benefit analysis for the implemented efficiency measures and a detailed presentation on the rate models. These requests will be addressed at the next Budget Committee meeting.

The Committee noted that any rate increase is being passed along to the area municipalities and data was requested to outline the impact if the proposed rates were decreased by half a percent or 1%; staff will bring forward the data at the next meeting.

C. Dyer concluded his presentation with a summary of 2015 Preliminary Funding for Regional Services, the Tax Supported Budget and the User Rate Budget. He stated that the base position, including budget issue papers and excluding police services, is 2.13%.

A Committee member questioned capital projects related to roads and staff were directed to provide more information about roads rehabilitation and roads expansion at the next Budget Committee meeting.

### **Next Meeting**

February 11, 2015 – 12:00 p.m.

### **Adjourn**

Moved by S. Foxton

Seconded by L. Armstrong

That the meeting adjourn at 3:51 p.m.

Carried

**Committee Chair**, S. Strickland

**Committee Clerk**, S. Natolochny