

**Regional Municipality of Waterloo
Administration and Finance Committee
Agenda**



Date: Tuesday, June 7, 2022
Regular Session: 9:00 a.m.
Closed Session: 3:00 p.m.
Location: Meeting to be held electronically
150 Frederick Street, Kitchener, Ontario

Should you require an alternative format please contact the Regional Clerk at Tel.: 519-575-4400,
TTY: 519-575-4605, or regionalclerk@regionofwaterloo.ca

Pages

1. **Call to Order**
2. **Land Acknowledgement**
3. **Declarations of Pecuniary Interest under the “Municipal Conflict of Interest Act”**
4. **Presentations**
5. **Delegations**
 - 5.1. **Tova Davidson, Executive Director, Sustainable Waterloo Region**
Update and 2021 Year-end Report
6. **Consent Agenda Items**

Items on the Consent Agenda can be approved in one motion of Committee to save time. Prior to the motion being voted on, any member of Committee may request that one or more of the items be removed from the Consent Agenda and voted on separately.
7. **Request to Remove Items from Consent Agenda**
8. **Motion to Approve Items or Receive for Information**

Recommended Motion:
That the Consent Agenda items be received for information and approved.

 - 8.1. **Strategic Focus – Responsive and Engaging Public Service**
 - 8.1.1. **COR-TRY-22-54, 2022 Fall Debenture Issues - Council**
Delegation By-Law
Recommended Motion:
That the Regional Municipality of Waterloo approve A By-law to Delegate Authority to the Outgoing Council to Pass By-law(s) to authorize the issue of Debentures for Capital Works of The Regional Municipality of Waterloo and of its Lower-tier

Municipalities, as set out in report COR-TRY-22-54 dated June 7, 2022.

8.1.2. COR-TRY-22-55, Consolidated Investment Policy -
Housekeeping Updates

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Recommended Motion:

That the Regional Municipality of Waterloo approve the following housekeeping updates to the Region's Consolidated Investment Policy effective July 1, 2022 as outlined in report COR-TRY-22-55 dated June 7, 2022:

- a. Increase the maximum investment holdings in Schedule I banks from 50% to 60% of the invested portfolio and increase the amount to be held in any single Schedule I Bank from 12% to 15%;
- b. Increase the maximum investment holdings in eligible municipalities (excluding the Region of Waterloo) from 35% to 50% of the invested portfolio;
- c. Increase the maximum investment holdings in provinces or territories (excluding Ontario, British Columbia and Alberta) from 40% to 50% of the invested portfolio;
- d. Increase the length of short term holdings from less than 1 year to less than 2 years and medium term from greater than 1 year to greater than 2 years but less than five years; and
- e. Remove short-term holdings from portfolio diversification limits.

9. Regular Agenda Items

9.1. Strategic Focus – Responsive and Engaging Public Service

9.1.1. COR-TRY-22-56, Purchasing By-Law Award Limits and
Housekeeping Amendments

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Recommended Motion:

As set out in attached report COR-TRY-22-45 dated May 10, 2022:

That the Regional Municipality of Waterloo amend by-law 16-032, A By-law to provide for the Procurement of Goods and Services, effective May 27, 2022 as set out in report COR-TRY-22-45 dated May 10, 2022.

9.1.2. COR-CFN-22-17, Preliminary 2022 Financial Position Estimate
For Information.

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9.1.3. CAO-SPL-22-04/COR-CFN-22-18, 2023 Plan and Budget Overview & Timetable

Recommended Motion:

That the Regional Municipality of Waterloo take the following action with respect to the 2023 Plan and Budget as set out in report CAO-SPL-22-04/COR-CFN-22-18 dated June 7, 2022:

- a. Endorse the 2023 Plan and Budget principles as set out in Appendix A;
- b. Approve the 2023 Plan and Budget review timetable as set out in Appendix B; and
- c. Forward a copy of Report CAO-SPL-22-04/COR-CFN-22-18 to the Waterloo Region Police Services Board and to the Area Municipalities in Waterloo Region.

10. Information/Correspondence

11. Other Business

12. Next Meeting- August 9, 2022

13. Adjourn

Recommended Motion:

That the meeting adjourn at __:__ a.m./p.m.

Region of Waterloo**Corporate Services****Treasury Services**

To: Chair Helen Jowett and Members of the Administration & Finance Committee

Meeting Date: June 7, 2022

Report Title: 2022 Fall Debenture Issue - Council Delegation By-law

1. Recommendation:

That the Regional Municipality of Waterloo approve A By-law to Delegate Authority to the Outgoing Council to Pass By-law(s) to authorize the issue of Debentures for Capital Works of The Regional Municipality of Waterloo and of its Lower-tier Municipalities, as set out in report COR-TRY-22-54 dated June 7, 2022.

Purpose / Issue:

To delegate authority to the outgoing Council to approve the necessary debenture by-laws prior to the closing of the planned fall 2022 debenture issue.

2. Strategic Plan:

The Region's capital financing program, excellent credit rating, prudent use of debenture financing and monitoring of its debt capacity aligns with the Corporate Strategic Plan objective to ensure the Region provides value for money and long term financial sustainability under Focus Area 5 - Responsive and Engaging Public Service.

3. Key Considerations:

- a) In an election year, Council's actions relating to financial liabilities are restricted under Section 275 of the Municipal Act between Nomination day (August 19th) and the inauguration of the new Council (November 15th). To ensure that the existing Council can approve the debenture by-laws regardless of the status of the election, a by-law to delegate authority to the outgoing Council to pass by-laws to authorize the issue of debentures is proposed to be included on the June 22, 2022 Regional Council agenda.
- b) The delegation is made in accordance with Section 275 (6) of the Municipal Act, which states, "Nothing in this section prevents any person or body exercising any authority of a municipality that is delegated to the person or body prior to nomination day for the election of the new council." The passing

of a delegation by-law is a best practice supported by the Region's external counsel whose opinion is required to market a debenture issue. A similar procedure was followed during the previous election periods in 2003, 2006, 2010, 2014 and 2018.

- c) Staff is currently planning a fall 2022 debenture issue. Regional projects to be included in the issue will have received Regional Council approval as part of the 2022 or prior years' capital budgets. The amounts to be debentured this fall will very likely include financing requests from some of the lower-tier municipalities in the Region.
- d) The approval of this By-law allows the Chief Financial Officer to secure long-term financing that meets the needs of the Region and its participating lower-tier municipalities, while taking into account market conditions to obtain the best possible rates, term and structure for all participants.

4. Background:

Section 401 of the "Municipal Act, 2001" provides that a municipality may incur debt for municipal purposes and that an upper-tier municipality may issue debentures for or in relation to the debt incurred in respect of capital works for its own purposes and for the purposes of its area municipalities. Regional Council must approve debenture financing for each capital project before debentures can be issued. This typically occurs through the annual budget approval process and/or project tender awards.

Region of Waterloo By-law 22-017, A By-law of The Regional Municipality of Waterloo to Provide for its Financial Management and to Repeal By-law 05-008, as amended and to Repeal By-law 95-020, authorizes the Regional Treasurer/Chief Financial Officer to proceed with a debenture issue that best meets the requirements of the Region and report the results of the issue to Regional Council at its next scheduled meeting.

By-laws covering the administrative protocols to complete the debenture issue (debenture by-laws) are passed by Regional Council following the Chief Financial Officer's report on the debenture issue.

5. Area Municipality Communication and Public/Stakeholder Engagement:

Staff have communicated timelines and documentation requirements for the planned fall 2022 issue to the lower-tier treasurers. Staff will work with those municipalities wishing to participate in the issue, and will seek advice from fiscal agents with respect to market conditions on an ongoing basis.

6. Financial Implications:

Nil.

7. Conclusion / Next Steps:

Subject to Committee approval, the following by-law will be presented to Council for approval on June 22, 2022:

A By-law to Delegate Authority to the Outgoing Council to Pass By-law(s) to authorize the issue of Debentures for Capital Works of The Regional Municipality of Waterloo and of its Lower-tier Municipalities

8. Attachments / Links:

[Appendix A](#): A By-law to Delegate Authority to the Outgoing Council to Pass By-law(s) to authorize the issue of Debentures for Capital Works of The Regional Municipality of Waterloo and of its Lower-tier Municipalities.

Prepared By: Lori McDonald, Financial Analyst

Tricia Alpaugh, Manager, Treasury Services

Reviewed By: Cathy Deschamps, Director, Treasury Services/Deputy Treasurer

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

By-Law Number 22-0##

of

The Regional Municipality of Waterloo

A By-law to Delegate Authority to the Outgoing Council to Pass By-law(s) to authorize the issue of Debentures for Capital Works of The Regional Municipality of Waterloo and of its Lower-tier Municipalities

Whereas section 5 of the "Municipal Act, 2001", as amended, (the "Act") provides that a municipal power shall be exercised by by-law unless the municipality is specifically authorized to do otherwise;

And Whereas subsection 401 (1) of the Act provides that a municipality may incur a debt for municipal purposes, whether by borrowing money or in any other way, and may issue debentures and prescribed financial instruments and enter into prescribed financial agreements for or in relation to the debt;

And Whereas paragraph 6 of subsection 270 (1) of the Act provides that a municipality shall adopt and maintain a policy in respect of the delegation of its powers and duties and The Regional Municipality of Waterloo has adopted and is maintaining such a policy;

And Whereas subsections 275 (1) and 275 (5) of the Act provide that the council of an upper-tier municipality shall not take any action described in subsection 275 (3) of the Act after the first day during the election for a new council on which it can be determined that one of the following applies to the new council that will take office following the election:

1. If the new council will have the same number of members as the outgoing council, the new council will include less than three-quarters of the members of the outgoing council.
2. If the new council will have more members than the outgoing council, the new council will include less than three-quarters of the members of the outgoing council or, if the new council will include at least three-quarters of the members of the outgoing council, three-quarters of the members of the outgoing council will not constitute, at a minimum, a majority of the members of the new council.
3. If the new council will have fewer members than the outgoing council, less than three-quarters of the members of the new council will

have been members of the outgoing council or, if at least three-quarters of the members of the new council will have been members of the outgoing council, three-quarters of the members of the new council will not constitute, at a minimum, a majority of the members of the outgoing council.

And Whereas subsection 275 (2) provides that if a determination under subsection 275 (1) of the Act is made,

(a) after the nomination day but before the voting day, the determination shall be based on the nominations to the new council that have been certified and any acclamations made to the new council; or

(b) after the voting day, the determination shall be based on the declaration of the results of the election including declarations of election by acclamation.

And Whereas in summary, it is only when it becomes mathematically impossible for three-quarters of the members of the outgoing council to be re-elected will the council be subject to the limitations contained in subsection 275 (3) of the Act and this may occur as early as the nomination day, or as late as the announcement of the results after the voting day;

And Whereas subsections 275 (3) and 275 (5) of the Act provide that the actions referred to in subsection 275 (1) of the Act are,

(a) the appointment or removal from office of any officer of the upper-tier municipality;

(b) the hiring or dismissal of any employee of the upper-tier municipality;

(c) the disposition of any real or personal property of the upper-tier municipality which has a value exceeding \$50,000 at the time of disposal; and

(d) making any expenditures or incurring any other liability which exceeds \$50,000.

And Whereas subsection 275 (4) of the Act provides that clauses 275 (3) (c) and 275 (3) (d) do not apply if the disposition or liability was included in the most recent budget adopted by the council before the nomination day in the election;

And Whereas subsection 275 (6) of the Act provides that nothing in section 275 prevents any person or body from exercising any authority of a municipality that

is delegated to the person or body prior to the nomination day for the election of the new council;

And Whereas the council of The Regional Municipality of Waterloo (the "Council") has authorized various capital works of The Regional Municipality of Waterloo (the "Upper-tier Municipality") and the issue of debentures therefor and the issue of debentures for various capital works of its lower-tier municipalities (individually a "Capital Work", collectively the "Capital Works") and the Upper-tier Municipality may, in the future, wish to issue debentures for the Capital Works during the period of time from the nomination day on August 19, 2022 until November 14, 2022, in light of the fact that the new term of Council commences on November 15, 2022 (the "Period");

And Whereas there is concern that a determination may be made under subsections 275 (1) and 275 (5) of the Act that it is mathematically impossible for three-quarters of the members of the outgoing Council to be re-elected in which case the Council shall not take any action described in subsection 275 (3) of the Act after the first day during the election for a new Council unless the Council has delegated authority in accordance with subsection 275 (6) of the Act;

And Whereas the Regional Treasurer may determine that it is advantageous to secure long-term financing for one or more Capital Works before or during the Period and to enter into one or more agreements with a purchaser or purchasers, before or during the Period, for the issue, or the sale and issue of debentures, during the Period upon such terms and conditions, including price or prices, as the Regional Treasurer deems expedient. In this connection the Regional Treasurer may approve related offering documents.

The Council of The Regional Municipality of Waterloo enacts as follows:

1. That in the event that a determination is made under subsections 275 (1) and 275 (5) of the Act based on which the Council is prohibited from taking any action described in subsection 275 (3) of the Act at any time during the Period, the outgoing Council is hereby authorized to pass a by-law or by-laws, as the case may be, to authorize long-term borrowing through one or more issues of debentures in respect of any one or more of the Capital Works and the outgoing Council is hereby authorized during the Period to pass any by-laws to authorize one or more issues of debentures provided that such by-law(s) and the debentures issued thereunder ("Debentures") shall be in compliance with the terms and conditions set out in the agreement(s) that the Regional Treasurer enters into and any approved related offering documents in accordance with this

By-law to secure long-term financing for any one or more of the Capital Works.

2. For purposes of fulfilling the obligations of the Upper-tier Municipality in respect of the Debentures, the Upper-tier Municipality shall, in accordance with the Act, provide for raising in each year as part of the general Upper-tier levy, the amounts of principal and interest payable in each year under the Debentures, to the extent that the amounts have not been provided for by any other available source including other taxes or fees or charges imposed on persons or property by a by-law of any municipality.

3. That in the event that a determination is made under subsections 275 (1) and 275 (5) of the Act based on which the Council is prohibited from taking any action described in subsection 275 (3) of the Act at any time during the Period, any one or more of the Regional Chair and the Regional Treasurer are hereby authorized to cause the Debentures to be issued, the Clerk and the Regional Treasurer are hereby individually or jointly authorized to generally do all things and to execute all other documents and papers in the name of the Upper-tier Municipality in order to carry out the issuance of the Debentures, and the Regional Treasurer is authorized to affix the Upper-tier Municipality's municipal seal to any such documents and papers.

4. That for greater certainty, the Council hereby delegates to the outgoing Council authority to pass any by-laws during the Period deemed to be necessary or appropriate in connection with the issuance of Debentures in respect of any one or more of the Capital Works in accordance with this By-law and the Act.

5. That is By-law takes effect on the date of passing.

By-law law read a first, second and third time and finally passed in the Council Chamber in the Regional Municipality of Waterloo this day of , A.D., 2022.

Deputy Regional Clerk

Regional Chair

Region of Waterloo**Corporate Services****Treasury Services**

To: Chair Helen Jowett and Members of the Administration & Finance Committee

Meeting Date: June 7, 2022

Report Title: Consolidated Investment Policy – Housekeeping Updates

1. Recommendation:

That the Regional Municipality of Waterloo approve the following housekeeping updates to the Region's Consolidated Investment Policy effective July 1, 2022 as outlined in report COR-TRY-22-55 dated June 7, 2022:

- a) Increase the maximum investment holdings in Schedule I banks from 50% to 60% of the invested portfolio and increase the amount to be held in any single Schedule I Bank from 12% to 15%;
- b) Increase the maximum investment holdings in eligible municipalities (excluding the Region of Waterloo) from 35% to 50% of the invested portfolio;
- c) Increase the maximum investment holdings in provinces or territories (excluding Ontario, British Columbia and Alberta) from 40% to 50% of the invested portfolio;
- d) Increase the length of short term holdings from less than 1 year to less than 2 years and medium term from greater than 1 year to greater than 2 years but less than five years; and
- e) Remove short-term holdings from portfolio diversification limits.

2. Purpose / Issue:

To seek housekeeping amendments to the Region's Consolidated Investment Policy to assist staff with investing activities in current market conditions.

3. Strategic Plan:

This policy supports the Corporate Strategic Plan's Responsive and Engaging Public Service Focus Area Strategic Objective 5.4: Ensure the Region provides value for money and long term financial sustainability.

4. Key Considerations:

- a) Historically low interest rates over the last decade have made it difficult to achieve yields to meet sinking fund obligations and to provide interest earnings for reserve and reserve funds to support the Region's capital program. The recent rise in interest rates creates an opportunity to invest reserves and reserve funds to improve yield with minimal risk impact.
- b) The proposed housekeeping updates to the Consolidated Investment Policy will provide more opportunities and greater choice of investment options to support the Region's long-term financial sustainability in a time of increasing inflationary pressures and significant capital asset renewal funding requirements.
- c) Increasing the short-term investment window to 2 years and removing the portfolio diversification limits will allow staff to maximize interest earned on cash holdings while timing the deposit and withdrawal of the funds as required for capital and operational requirements. Due to the fluctuations in the Region's cash inflows and outflows, a significant portion of the overall General Investment portfolio is comprised of cash and cash equivalents. Additional flexibility will allow for increased interest earnings without impacting security risk or liquidity.
- d) Signing authority text will be removed from this policy as the delegation of signing authority related to the Region's investment portfolio has been provided for in By-law 22-018 - A By-Law to Authorize and Govern the Delegation of Signing Authority (Item 39 in the table to the By-law).

5. Background:

Municipal investing activities are governed by Section 418 of the "Municipal Act," Ontario Regulation 438/97 and the Region's Consolidated Investment Policy. The Municipal Act and Ontario Regulations govern municipal investment powers and establish the investments that any municipality can hold and minimum credit ratings for some of those investments.

The Region's Consolidated Investment Policy establishes the investment policy objectives and the amounts to be invested in the allowable securities. The Investment Policy Objectives are as follows, in priority order:

General Portfolio Policy Objectives

1. Security/Minimization of Credit Risk
2. Maintenance of Liquidity
3. Rate of Return

Sinking Fund Portfolio Policy Objectives

1. Security/Minimization of Credit Risk
2. Rate of Return
3. Maintenance of Liquidity

The policy objectives for the General Portfolio preserve invested principal while maintaining marketability through a balance of short, medium and long-term maturities to meet operating and capital funding requirements. The policy objectives for the Sinking Fund ensure the sufficient availability of funds upon maturity of sinking fund debt. Liquidity is a lesser concern for the Sinking Fund, which is very structured as to when funds are required.

Legislation and regulations establish minimum credit ratings and terms for some investments. Both the General and the Sinking Fund portfolios currently have the same eligible investments, minimum credit ratings and requirements for diversification.

The eligible investments, minimum credit ratings and requirements for diversification are the same for both the General and the Sinking Fund portfolios. The proposed changes affect the two portfolios differently, as the portfolios have different objectives and timelines. For example, municipal debentures are often purchased for a term of 10 or less years, have greater yields than provincial debentures and semi-annual interest payments making these fit well for future cash inflows and the general portfolio. Provincial debentures often have longer terms and are purchased at a deep discount (with no interest payments) making them a good fit for the sinking fund. The current portfolio limits and holdings are included in the appendices.

The Region's Consolidated Investment Portfolio was most recently revised in 2019 (COR-TRY-19-123), which was preceded by housekeeping updates in 2018 (COR-TRY-18-65) and 2017 (COR-TRY-17-62).

6. Area Municipality Communication and Public/Stakeholder Engagement:

None.

7. Financial Implications:

It is expected that the changes will provide further opportunities to achieve higher yields on the overall portfolios.

8. Conclusion / Next Steps:

None.

9. Attachments / Links:

[Appendix A](#): Summary of Current Region of Waterloo Consolidated Investment Policy and Proposed Changes

[Appendix B](#): General Investment Portfolio as at April 30, 2022

[Appendix C](#): Sinking Fund Portfolio as at April 30, 2022

Prepared By: **Lori McDonald**, Financial Analyst

Tricia Alpaugh, Manager, Treasury Services

Reviewed By: **Cathy Deschamps**, Director, Treasury Services/Deputy Treasurer

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

Appendix A – Summary of Current Consolidated Investment Policy and Proposed Changes (only sections with Changes are included – See Appendix D for full policy)

Current Consolidated Investment Policy	Proposed changes, additions, and deletions
<p><u>Investment Portfolio Diversification</u></p> <p>To balance the investment objectives of the portfolios, the investments are spread over a time horizon of short (less than 1 year), medium (greater than 1 year but less than 5 years), and long-term (greater than 5 years) as appropriate.</p>	<p>To balance the investment objectives of the portfolios, the investments are spread over a time horizon of short (less than 4 year 2 years), medium (greater than 4 year 2 years but less than 5 years), and long-term (greater than 5 years) as appropriate.</p>
<p>The percentage restrictions below apply at the time an investment is made. At specific times throughout the year, the portfolio limitations may be exceeded as a result of cash flow requirements and resultant portfolio value. Investments are spread over a number of eligible institutions subject to the following maximum percentages:</p>	<p>No change</p>
<p>1. Limited to 50% of invested Portfolio:</p> <ul style="list-style-type: none"> a) ONE Funds Money Market & Bond Funds - General Portfolio only b) Government of Canada c) Province of Ontario d) Regional Municipality of Waterloo 	<p>No change</p>
<p>2. Limited to 50% of invested Portfolio:</p> <ul style="list-style-type: none"> a) Schedule I banks, with no more than 12% of the portfolio in any single bank 	<p>2. Limited to 50% 60% of invested Portfolio:</p> <ul style="list-style-type: none"> a) Schedule I banks, with no more than 12% 15% of the portfolio in any single bank
<p>3. Limited to 35% of invested Portfolio:</p> <ul style="list-style-type: none"> a) Eligible Municipalities, other than the Region of Waterloo, with no more than 10% of the portfolio in any single municipality 	<p>3. Limited to 35% 50% of invested Portfolio:</p> <ul style="list-style-type: none"> a) Eligible Municipalities, other than the Region of Waterloo, with no more than 10% of the portfolio in any single municipality

Current Consolidated Investment Policy	Proposed changes, additions, and deletions
<p>4. Limited to 25% of invested Portfolio:</p> <ul style="list-style-type: none"> a) Province of British Columbia b) Province of Alberta 	No change
<p>5. Limited to 40% of invested Portfolio:</p> <ul style="list-style-type: none"> a) All other provinces or territories, other than Ontario, British Columbia and Alberta, with no more than 15% of the portfolio in any single province or territory 	<p>5. Limited to 40% 50% of invested Portfolio:</p> <ul style="list-style-type: none"> a) All other provinces or territories, other than Ontario, British Columbia and Alberta, with no more than 15% of the portfolio in any single province or territory
<p>6. Limited to 10% of invested Portfolio:</p> <ul style="list-style-type: none"> a) Schedule II Banks and eligible trust companies, with no more than 5% of the portfolio in a single institution; b) Credit Unions subject to the "Credit Union and Caisses Populaires Act 1994" with no more than 5% of the portfolio in any single Credit Union c) Investments in eligible School Boards, Universities, Colleges and Public Hospitals with no more than 5% in any single eligible School Board, University, College or Public Hospital. 	No change
<p>7. Limited to 10% of the invested General Portfolio and 20% of the invested Sinking Fund Portfolio:</p> <ul style="list-style-type: none"> a) Eligible corporate bonds with a term not to exceed five years with no more than 5% in any single corporation; b) Eligible corporate bonds with a term greater than five year through the ONE Funds Universe Corporate Bond Fund c) ONE Fund Equity Fund 	No change

Current Consolidated Investment Policy	Proposed changes, additions, and deletions
<p><u>General Portfolio Exception</u></p> <p>Short-term holdings (less than 1 year) at the bank used by the Region for operational purposes and short term holdings in the ONE Funds High Interest Savings Accounts (HISA) are excluded from the 50% limits noted in #1 and #2 above.</p>	<p>Short term holdings (less than 1 year) at the bank used by the Region for operational purposes and short term holdings in the ONE Funds High Interest Savings Accounts (HISA) are excluded from the 50% limits noted in #1 and #2 above.</p> <p>Short-term holdings less than 2 years are excluded from the limits noted in #1-6.</p>
<p>The Region's cash flow requirements necessitate a portion of the portfolio to be held as cash to meet operating and capital requirements.</p>	<p>No change</p>
<p><u>Signing Authority</u></p> <p>General Portfolio and Sinking Fund investments made by the Region are settled by Electronic Funds Transfer (EFT). Investment Transaction Tickets and payment requisitions are completed, verified and authorized by Treasury staff. Investment transactions authorized by the Manager of Treasury Services are approved by the Director, Treasury Services/Deputy Treasurer. Investment transactions authorized by the Director, Treasury Services/Deputy Treasurer are approved by the Commissioner Corporate Services / Chief Financial Officer.</p> <p>The following positions have been appointed and authorized to invest and withdraw funds in the ONE - The Public Sector Group of Funds through an electronic bank transfer facility:</p> <p>Commissioner Corporate Services / Chief Financial Officer Director, Treasury Services / Deputy Treasurer Manager of Treasury Services</p>	<p>Deleted</p>

Appendix B – General Investment Portfolio as at April 30, 2022

Investment Policy Category	Portfolio Amount	%	Maximum Per Issuer	Maximum Per Category
Provincials				
Ontario	\$ 7,872,862	3%	50%	50%
Alberta	\$ 12,275,381	5%	25%	25%
Other Provincials				
Manitoba	\$ 11,082,973	5%	15%	
New Brunswick	3,012,722	1%	15%	
Newfoundland	11,270,627	5%	15%	
Saskatchewan	2,003,881	1%	15%	
Total Other Provincials	\$ 27,370,203	12%		40%
Schedule I Banks				
CIBC	24,312,713	10%	12%	
Bank of Nova Scotia	9,202,573	4%	12%	
Bank of Montreal	21,086,270	9%	12%	
Royal Bank	18,209,484	8%	12%	
National Bank	12,000,000	5%	12%	
Laurentian Bank	15,000,000	6%	12%	
Total Schedule I Banks	\$ 99,811,040	43%		50%
Municipal				
Region of Waterloo	\$ 7,333,257	3%	50%	50%
Other Municipalities				
Region of Niagara	\$ 19,642,995	8%	10%	
Region of Peel	2,998,208	1%	10%	
City of Toronto	3,985,786	2%	10%	
Region of York	3,992,898	2%	10%	
City of Ottawa	2,589,623	1%	10%	
City of Guelph	5,523,545	2%	10%	
BC Mun Finance Authority	5,447,586	2%	10%	
City of Vancouver	1,991,188	1%	10%	
City of Montreal	3,010,665	1%	10%	
Quebec City	5,084,644	2%	10%	
County of Wellington	6,980,153	3%	10%	
Total Other Municipalities	\$ 61,247,289	26%		35%
Total Bond Investments	\$ 215,910,032	93%		
Investment Funds				
ONE Money Market Portfolio	\$ 803,972	0%	50%	
ONE Government Bond Portfolio	14,708,873	6%	50%	
ONE Canadian Equity Portfolio	529,642	0.2%	10%	
Total Investment Funds	\$ 16,042,488	7%		
Total Investment Portfolio	\$ 231,952,520	100%		
General Bank Funds (Other)	-			
General Bank Funds	204,394,713			
High Interest Savings Account	98,188			
Short Term Cash Management Instruments	20,000,000			
Cash and Cash Equivalents	\$ 224,492,900			
Total Portfolio	\$ 456,445,420			

Appendix C – Sinking Fund Portfolio as at April 30, 2022

Investment Policy Category	Portfolio Amount	%	Maximum Per Issuer	Maximum Per Category
Provincial				
Ontario	\$ 15,566,250	31%	50%	50%
Other Provincials				
Manitoba	\$ 6,283,019	13%	15%	
Newfoundland	4,988,147	10%	15%	
New Brunswick	3,360,656	7%	15%	
Quebec	3,255,095	7%	15%	
Nova Scotia Power (Provincially Backed)	\$ 1,688,918	3%	15%	
Total Other Provincials	\$ 19,575,835	39%		40%
Schedule I Banks				
CIBC	\$ 6,153,322	12%	12%	
Bank of Montreal	5,638,605	11%	12%	
Total Schedule I Banks	\$ 11,791,927	24%		50%
Total Bond Investments	\$ 46,934,012	94%		
INVESTMENT FUNDS				
One Equity Fund Investments	\$ 2,750,872	6%		
Total Investment Portfolio	\$ 49,684,884			
Cash and Cash Equivalents	2,019,992			
Total Portfolio	\$ 51,704,877			

Region of Waterloo

Corporate Services

Treasury Services (Procurement)

To: Chair Helen Jowett and Members of the Administration and Finance Committee

Meeting Date: June 7, 2022

Report Title: Purchasing By-law Award Limits and Housekeeping Amendments

1. Recommendation:

As set out in attached report COR-TRY-22-45 dated May 10, 2022:

That the Regional Municipality of Waterloo amend by-law 16-032, A By-law to provide for the Procurement of Goods and Services, effective May 27, 2022 as set out in report COR-TRY-22-45 dated May 10, 2022.

2. Purpose / Issue:

The Committee requested additional information with respect to proposed changes to award authority limits under the Region's procurement by-law as set out in COR-TRY-22-45 dated May 10, 2022 (attached as [Appendix A](#)).

3. Strategic Plan:

The by-law supports the Corporate Strategic Plan's Responsive and Engaging Public Service Focus Area Strategic Objective 5.4: Ensure the Region provides value for money and long term financial sustainability.

4. Key Considerations:

- a) Decision making accountability is retained by Council through various stages of the approval process:
 - Appendix B outlines Council's accountability and responsibility with respect to review and approval of strategic planning documents, master plans and business plans, and capital and operating budgets. Such accountability is not impacted the recommendations set out in the report.
 - Regional Council has the authority and accountability to determine service levels and approve associated budgets; by-laws such as the Purchasing By-law provide staff the authority & accountability to operationalize these

decisions without additional approvals if they fall below certain thresholds and are within the approved budget.

- Council retains approval authority for bids that are over budget and in excess of \$10m.
- The practice of quarterly reporting to Council of bids awarded by staff is considered a best practice and will be maintained.
- The proposed process is generally analogous to delegated authority to issue debentures i.e. once capital projects and debt financing are approved in the capital budget, staff proceed and report the results to Council.

b) To put the proposed \$10m limit into context, below is a summary table of comparator municipalities. Many mid-sized and large municipalities have delegated award authority to staff when projects are within budget and (generally) where the low bidder is being recommended, with no \$ limit enforced.

Municipalities with no \$ limit for staff approvals if within budget	Regions: Durham, Halton, Peel, York Cities: Barrie, Brampton, Brantford, Cambridge, Guelph, Hamilton, Kingston, Mississauga, Ottawa, Sudbury, Toronto, Vaughn
Regions with a \$ limit for staff approvals if within budget	Niagara Region (\$5m) Waterloo Region (recommended - \$10m)
Municipalities in Waterloo Region with a \$ limit for staff approvals if within budget	Kitchener (\$750k - under review) Waterloo (\$600k for non construction, \$1 million for construction) North Dumfries (\$100k) Wellesley (\$50k) Wilmot (\$100k) Woolwich (\$75k)

c) The increased limit also reflects the reality that the public tendering of a project by the Region signals its intent to proceed with the work, and in general, barring a significant budget variance, the Region has little choice but to award to the low compliant bidder. Staff are of the view that a \$10 million limit for the Region is appropriate given the magnitude of the Region's budget, services and projects. Council can at any time direct a particular bid award to be brought to Council for approval.

5. Background:

The existing and predecessor purchasing by-laws have always operated under the principles of ensuring that all goods and services are acquired on a competitive, fair and open basis in a manner that is efficient and accountable. Due to the utilization of these principles, very few challenges to the Purchasing By-law have been initiated in the past. The same principles apply to the proposed by-law. The utilization of the CAO award process can reduce the award time by up to 4 weeks, allowing for projects to begin earlier and ensuring the uninterrupted delivery of regional services. The time savings can be critical when trying to take advantage of the construction season or comply with very tight deadlines.

The intent of the proposed by-law amendments are as follows:

- to ensure an efficient and transparent award process;
- to better reflect the scope and magnitude of the Region's operations and budget;
- to ensure the timely start and completion of capital works and the uninterrupted delivery of regional services; and
- to reduce the number of routine awards that require Council approval, particularly where there is sufficient budget capacity for projects already approved by Council in the annual budget.

6. Area Municipality Communication and Public/Stakeholder Engagement:

Nil

7. Financial Implications:

Nil.

8. Conclusion / Next Steps:

As set out in attached report COR-TRY-22-45 dated May 10, 2022

9. Attachments / Links:

[Appendix A](#): COR-TRY-22-45, Purchasing By-law Award Limits and Housekeeping Amendments dated May 10, 2022

[Appendix B](#): Council Authority and Accountability

Prepared and Approved by: **Craig Dyer**, Commissioner, Corporate Services/Chief Financial Officer

Region of Waterloo

Corporate Services

Treasury Services (Procurement)

To: Chair Helen Jowett and Members of the Administration and Finance Committee

Meeting Date: May 10, 2022

Report Title: Purchasing By-law Award Limits and Housekeeping Amendments

1. Recommendation:

That the Regional Municipality of Waterloo amend by-law 16-032, A By-law to provide for the Procurement of Goods and Services, effective May 27, 2022 as set out in report COR-TRY-22-45 dated May 10, 2022.

2. Purpose / Issue:

To facilitate the timely award of regional contracts in the most efficient, effective and transparent manner by setting appropriate award authority limits and reporting requirements in the Region's Purchasing By-law.

3. Strategic Plan:

The by-law supports the Corporate Strategic Plan's Responsive and Engaging Public Service Focus Area Strategic Objective 5.4: Ensure the Region provides value for money and long term financial sustainability.

4. Key Considerations:

- a) The current Regional Purchasing By-law ("the By-law") came into effect in 2016. The By-law and administrative procedures operate under the principles of providing a fair, open and competitive process. The By-law sets out the terms and conditions under which tenders and requests for proposals (RFP) are awarded by Regional Council and by staff, along with the periodic accountability reporting to Council of bids awarded by staff.
- b) Staff recommend updating the staff bid award limits to ensure an efficient and transparent award process and to reduce the number of routine awards that require Council approval. The recommendations are reflective of the scope and magnitude of the Region's operations and budget, and a desire to award contracts on a timely basis to ensure the timely start and completion of capital

works and the uninterrupted delivery of regional services.

- c) The recommended staff award thresholds are set out in Appendix A. The primary intent of the proposed changes is to expedite the award of tenders and RFPs where there is sufficient budget capacity (operating and/or capital). This will be achieved by delegating more routine awards to staff for bids (tenders and RFPs) that are within the Council-approved budget, therefore reducing the time to prepare reports and scheduling of reports for Committee and/or Council. In addition, staff recommend aligning the previously lower award threshold for Consulting RFP's with the threshold for all other RFPs.
- d) Council will retain award authority in circumstances where there is insufficient budget and where bids exceed \$10 million excluding applicable taxes. The practice of quarterly reporting to Council of bids awarded by staff is considered a best practice and will be maintained. Procurement staff prepares approximately 200 Committee, Council and CAO award reports per year. The proposed changes improve efficiency and effectiveness and align with current practices and procedures.
- e) In addition to the revised award authority thresholds, there are a small number of proposed housekeeping amendments to streamline the procurement process including removing security for construction contracts as this is now largely governed by the Construction Act, removing the requirement for advertising bid calls in a newspaper on the basis that posting on the Region's website is sufficient, and allowing sole source acquisitions in order to deal with labour disruptions / strikes.

5. Background:

Section 270 of the Municipal Act, 2001 requires that municipalities adopt and maintain policies with respect to the procurement of goods and services. The content of the policies is at the discretion of municipalities. The policies upon which this by-law is based reflect standard and best practices within the municipal sphere and are in accordance with case law principles applicable to the procurement process and the Municipal Act.

The volume and complexity of purchasing activities continues to increase, as does the value of capital projects and regional services set out in the annual Council-approved budget. It is essential that purchasing processes continue to be efficient and effective in order to meet these growing demands. Consequently, the proposed changes focus on improving the efficiency and effectiveness of the purchasing processes.

The existing and predecessor purchasing by-laws have always operated under the principles of ensuring that all goods and services are acquired on a competitive, fair and open basis in a manner that is efficient and accountable. Due to the utilization of these

principles, very few challenges to the Purchasing By-law have been initiated in the past. The same principles apply to the proposed by-law. The proposed amendments to the by-law focus on efficiency and effectiveness which will assist in meeting the increasing service demands in Procurement. The following is a list of provisions in the current by-law intended to maintain the integrity of the procurement process for the Region:

- (a) Specified bids must be advertised on the Region's website to ensure that all potential bidders have knowledge of the bid;
- (b) The amount of the bid cannot be split into smaller amounts in order to avoid the specified procurement process;
- (c) All bids must be opened by the Chief Purchasing Officer and two Regional employees in the presence of the public to ensure that no bids are tampered with; (note: this is no longer a practice for tenders which are received electronically, but remains in place for Requests for Proposal)
- (d) Chief Purchasing Officer is governed by provisions in the by-law that deal with conflicts of interest;
- (e) Chief Purchasing Officer must consult with the Regional Solicitor and Commissioner, Corporate Services/Chief Financial Officer under prescribed circumstances; and
- (f) The Commissioner, Corporate Services/Chief Financial Officer must investigate any complaint that the Region failed to abide by the provisions of the by-law that are significant in nature and report to Council.

With the increased demand on Procurement resources, it is essential to monitor bid submissions to ensure fairness within evaluation criteria, compliance with the Purchasing By-law and adherence to the common law principles of procurement and contract law.

The utilization of the CAO award process can reduce the award time by up to 4 weeks. This process allows for major projects to begin that much earlier. The time savings can be critical when trying to take advantage of the construction season or comply with very tight deadlines. It is estimated that an additional 50 awards would be approved by the CAO on an annual basis, and it is estimated that the CPO would approve approximately 50 awards on an annual basis.

6. Area Municipality Communication and Public/Stakeholder Engagement:

A review of procurement by-law award thresholds at comparator upper-tier municipalities and at the cities within Waterloo Region is included in Appendix B.

7. Financial Implications:

Nil.

8. Conclusion / Next Steps:

Subject to Council approval, the following by-law would be presented to Council for 3921007

approval on May 25, 2022:

A By-law to Amend by-law 16-032, being a By-law to provide for the Procurement of Goods and Services.

9. Attachments / Links:

[Appendix A](#) – Summary of Current Purchasing By-law Award Criteria and Proposed Changes

[Appendix B](#) – Municipal Comparison on Purchasing Tendering Policies

Prepared By: Lisa Evans, Manager, Procurement/Chief Purchasing Officer

Reviewed by: Cathy Deschamps, Director, Treasury Services/Deputy Treasurer

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

APPENDIX A

Summary of Current Purchasing By-law Award Criteria and Proposed Changes

(\$ amounts exclude all applicable taxes)

Current by-law	Proposed changes, additions and deletions
CPO or authorized employee may acquire goods or services in his or her own authority up to \$25,000.	No change
CPO may approve quotations for goods and services valued at \$25,001 - \$150,000, where reasonably possible three written quotations have been obtained.	No change
Tenders CAO may award tenders between \$150,001 and \$1,000,000 if the following criteria are met: a minimum of three compliant bids are received, award to the lowest bidder, and the bid amount is within budget.	CPO may award tenders between \$150,001 and not exceeding \$1,000,000 if the following criteria are met: a minimum of three compliant bids are received, award to the lowest bidder, and the bid amount is within budget, and Council approval is not required as a condition of receipt of funding from 3rd party or senior government funding providers. CAO award: same conditions as above, for tenders in excess of \$1 million and not exceeding \$10 million
Otherwise, Council approval is required.	No changes
A quarterly summary report summarizing CAO awards is provided to Regional Council.	No changes

Current by-law	Proposed changes, additions and deletions
<p>Request for Proposals (RFPs)</p> <p>CAO may award RFPs between \$150,001 and \$1,000,000 if the following criteria are met: the proposal is compliant, it best meets the criteria as established, at least three compliant proposals are submitted, and price is within budget.</p>	<p>CPO may award RFPs between \$150,001 and not exceeding \$1,000,000 if the following criteria are met: the proposal is compliant, it best meets the criteria as established, at least three compliant proposals are submitted, and price is within budget, and Council approval is not required as a condition of receipt of funding from 3rd party or senior government funding providers.</p> <p>CAO award: same conditions as above, for RFPs in excess of \$1 million and not exceeding \$10 million.</p>
Otherwise, Council approval is required.	No change
A quarterly summary report summarizing CAO awards is provided to Regional Council.	No change
<p>Request for Consulting Proposals</p> <p>CAO may award consultant proposals between \$150,001 and \$500,000 if the following criteria are met: the proposal is compliant, it best meets the criteria as established, and the price is within budget.</p> <p>Otherwise, Council approval is required.</p> <p>A quarterly summary report summarizing CAO awards is provided to Regional Council.</p>	<p>Deleted</p> <p>Consultant proposals to be treated in the same manner as other Request for Proposals as set out above.</p>
<p>Emergencies</p> <p>CPO can acquire goods and services through a sole source negotiation in the event of an emergency as defined in the By-law. CPO must report to Council for any acquisition over \$150,000 with an explanation of the emergency and the needs for the goods and services.</p>	<p>CPO can acquire goods and services through a sole source negotiation in the event of an emergency as defined in the By-law. CPO must report to Council for any acquisition over \$500,000 with an explanation of the emergency and the needs for the goods and services.</p>

Current by-law	Proposed changes, additions and deletions
<p>Sole Source Acquisition</p> <p>CPO can acquire goods and services through a sole source negotiation in prescribed circumstance such as when only one known source of supply. CPO must submit acquisition to Council for approval if over \$150,000.</p>	<p>CPO can acquire goods and services through a sole source negotiation in prescribed circumstance such as when only one known source of supply exists. The CPO can award sole source acquisitions not exceeding \$500,000 and the CAO can award sole source acquisitions not exceeding \$2,000,000, otherwise Council approval is required.</p>
<p>Contract Extensions</p> <p>CAO may authorize the disbursement of additional funds provided that the additional funds are available within the program budget and are required to complete works that are necessary as part of the original contract. Additional funds shall not exceed the greater of \$100,000 or 10% of the original contract value.</p>	<p>Additional funds shall not exceed the greater of \$250,000 or 10% of the original contract value.</p> <p>CPO may authorize disbursement of additional funds provided that the additional funds are necessary as a result of a legislative change.</p>
<p>Surplus Goods</p> <p>CPO can declare goods owned by the Region to be surplus and can dispose of the surplus goods. Estimated value does not exceed \$150,000.</p>	<p>No change</p>
<p>Signing Authority</p> <p>CPO can sign a contract or other document required for the acquisition of goods and services or for the disposal of goods with a value not exceeding \$1,000,000, otherwise signed by the Regional Chair and the Clerk .</p>	<p>CPO can sign a contract or other document required for the acquisition of goods and services or for the disposal of goods with a value not exceeding \$10,000,000, otherwise signed by the Regional Chair and the Clerk.</p>

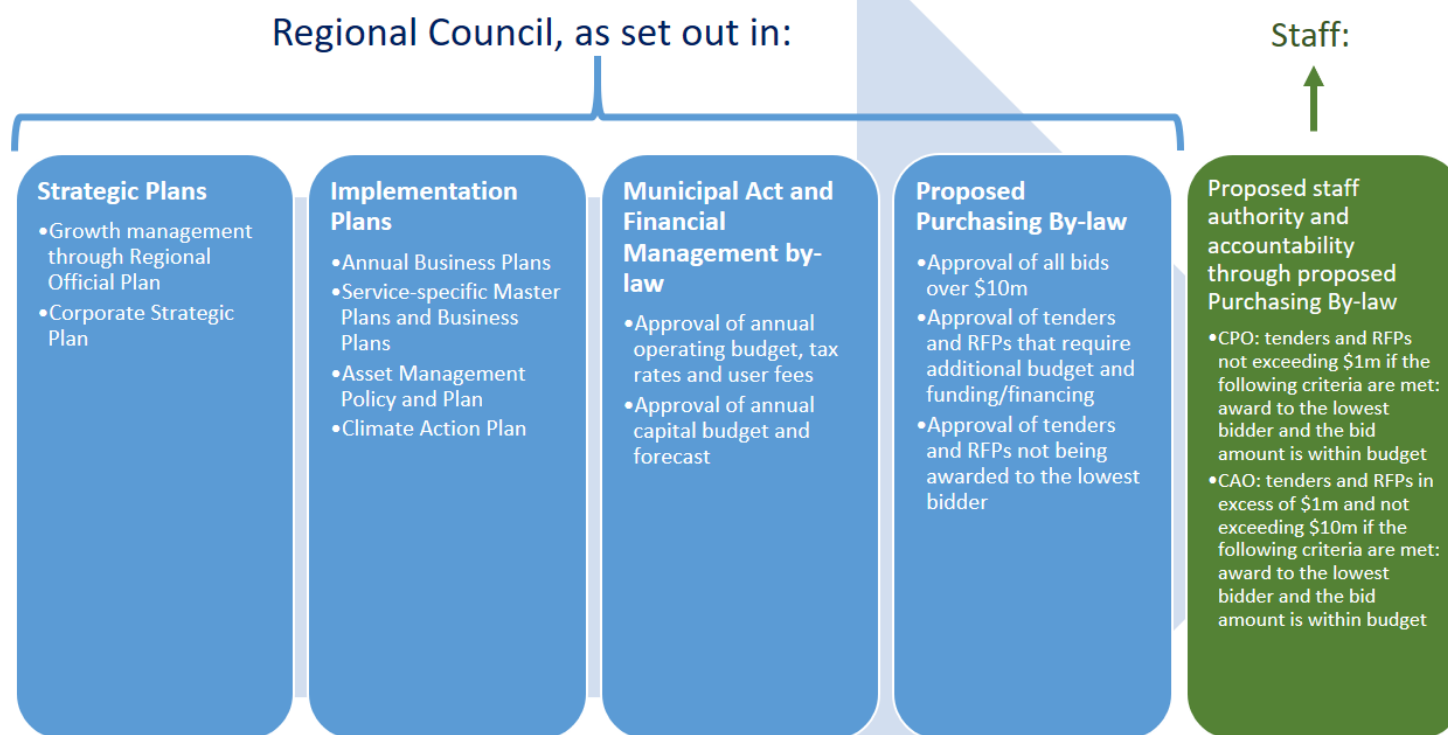
Appendix B – Municipal Comparison on Purchasing Tendering Policies

Description	Region of Waterloo Current	City of Cambridge	City of Kitchener	City of Waterloo	City of Hamilton	Region of Durham	Region of Halton	Region of Niagara	Region of Peel	Region of York	Region of Waterloo Proposed
Request for Tender	<\$150K CPO Up to \$1M CAO (min. 3 bids, within budget, awarded to lowest compliant bidder >\$1M Council	All Bids awarded by Purchasing Manager unless over budget, then Council approval is needed	\$25K-\$750K award made by Director Procurement Over \$750K Council Approval	up to \$200K Director Procurement, \$200K - \$600K CAO except for construction CAO can award up to \$1M for construction	if approved in the budget & over \$100K, GM & City Manager If not approved in the budget, <\$100K GM, <\$250K City Manager; >250K Council	up to \$999K Director Procurement Over \$999K CFO	CAO for all \$ values provided 3 bids rec'd and within budget	up to \$100K Director Procurement, \$100K-\$250K Dept. Director, \$250K - \$1M Dept. Commissioner, \$1M-\$5M CAO, over \$5M Council	up to \$500K Director Procurement Over \$500K - CFO	up to \$500K Dept. Commissioner \$501K and above CAO approval	CPO: up to \$1.0M if within budget, award to lowest bidder CAO award: > \$1.0M and <=\$10M Council: Over \$10M or over budget
Request for Proposals	<\$150K CPO Up to \$1M CAO (min. 3 bids, within budget, awarded to highest score >\$1M Council	Same as above	Same as above	\$200K - \$600K CAO, Over \$600K Council	Same as above	Same as above	CAO up to \$1M, Over \$1M Council	Same as above	Same as above	Same as above	Same as above

Description	Region of Waterloo Current	City of Cambridge	City of Kitchener	City of Waterloo	City of Hamilton	Region of Durham	Region of Halton	Region of Niagara	Region of Peel	Region of York	Region of Waterloo Proposed
Consultant Selections	<\$150K CPO, \$151K - \$500K CAO if 3 proposals rec'd, within budget, awarded to highest score >\$501K Council	Same as above	Up to \$100K Director Procurement Over \$100K Council	Same as RFP	Same as above	Same as above	Up to \$150K Director Procurement \$150K-\$500K CAO, Over \$500K Council	Same as above	same as above	Same as above	Same as above

Appendix B: Council Authority and Accountability

Corporate Governance: Authority & Accountability



Generally speaking, **Regional Council** has the authority & accountability to **determine service levels and approve associated budgets**; by-laws such as the Purchasing By-law provide **staff** the authority & accountability to **operationalize these decisions** without additional approvals if they fall below certain thresholds and are within the approved budget.

Region of Waterloo

Corporate Services

Corporate Finance

To: Chair Helen Jowett and Members of the Administration & Finance Committee

Meeting Date: June 7, 2022

Report Title: Preliminary 2022 Financial Position Estimate

1. Recommendation:

For information.

2. Purpose / Issue:

To update Committee members on 2022 operating budget variances and a preliminary estimate of the Region's 2022 financial position.

3. Strategic Plan:

The budget and financial reporting processes enable Council to achieve its Corporate Strategic Plan objectives by allocating appropriate resources to each focus area, adjusting where required to new opportunities and community need.

4. Key Considerations:

a) 2022 Year End Projection

Based on year-to-date financial results and projections to year-end, the Region is projecting a 2022 Tax Supported Operating Budget shortfall in the range of \$4-\$6 million. Preliminary estimates for user rates indicate projected surpluses for both water and wastewater primarily driven by increased revenue.

b) Cost inflation and unbudgeted costs

The most significant impacts contributing to the projected year-end shortfall are escalating fuel prices and cost inflation. A fuel budget variance of approximately \$7.5 - \$9.0 million is anticipated as described in report COR-CFN-22-16 dated May 25, 2022, predominantly relating to Grand River Transit, and to a lesser extent in Paramedic Services, Waste Management, Transportation and other services.

The impact of rising costs (inflation in Canada is at a 31-year high) is being seen in the indexing of existing service contracts and pricing of new service contracts. In

almost all cases actual inflation is exceeding budget estimates developed last fall. Expenditure is expected to exceed the budget for items including contract renewals including janitorial services, waste management collection and winter maintenance contracts.

Unbudgeted costs are currently being incurred for homelessness encampments and employee wellbeing initiatives. Unbudgeted Paramedic Services operating costs may also be incurred, subject to the consideration of service level expansion recommendations report PHE-PSV-22-02 on the June 7, 2022 Community Services agenda.

c) Non-tax revenue

Contributing to the projected year-end shortfall are lower than budgeted non-tax revenues in certain areas. Based on year-to-date results and current trends, non-tax revenue shortfalls are anticipated for Airport user fees (passenger volumes are now estimated at 500,000 for 2022 vs the 782,000 budget estimate), POA fine revenue, and Cultural Services user fees. In each case, a significant component of the shortfall is related to COVID-19 related impacts over the first quarter of 2022. User-fee revenue for Transit Services and Waste Management are currently projected to exceed 2022 budgeted levels.

d) Funding Offsets

The Region has uncommitted funding that can be utilized to offset some of the above-noted variances. Uncommitted provincial gas tax funds from previous years in the amount of \$3.7 million are available to partially offset the GRT-related variance. In addition, unallocated Safe Restart Funding and Provincial COVID-19 Recovery Funding can be used to mitigate some of the non-tax revenue shortfalls.

5. Background:

Previous updates were provided to Committee and Council in the Q1 2022 Plan and Financial Update report (CAO-SPL-22-03/COR-CFN-22-10) dated April 27, 2022 and in the Financial Update on Fuel Prices and Inflation (COR-CFN-22-16) dated May 25, 2022.

The Region's 2022 fuel budget is \$13.7 million based on approximately 12.9 million litres of diesel and gasoline, with budgeted prices of \$1.06/L for diesel and \$1.08/L for gasoline. Year-to-date average 2022 prices are \$1.58/L for diesel and \$1.46/L for gasoline. Fuel prices continue to escalate, with current prices at approximately \$1.95/L for diesel and \$1.81/L for gasoline. It is noted that 2022 fuel budget prices were set last fall when the 2021 year to date average cost of fuel was approximately \$1.07/L for diesel and \$1.14/L for gasoline.

In April, consumer prices in Canada rose by 6.8% year over year, following a 6.7%

increase in March, which was the largest year-over-year increase since January 1991. In Ontario, the Consumer Price Index (CPI) rose by 6.9% in April. A variety of inflation assumptions were used last summer and fall in the development of the 2022 operating budget, when inflation was running at approximately 2.8% (Sept/21 year to date average). At that time, inflation projections for 2022 by major banks and the Bank of Canada were in the range of 2.2% to 3.0%, as outlined in the following table:

Source	2022 Inflation Projection
Bank of Montreal (<i>Canadian Economic Outlook, Oct. 2021</i>)	3.0%
Canadian Imperial Bank of Commerce (<i>Economics Forecast, Sep. 2021</i>)	2.2%
National Bank of Canada (<i>Monthly Economic Monitor, Sep. 2021</i>)	2.8%
Royal Bank of Canada (<i>Economic Forecast Detail–Canada, Sep. 2021</i>)	2.5%
Scotiabank (<i>Global Economics - Forecast Tables, Sep. 2021</i>)	2.5%
TD Bank (<i>Canadian Quarterly Economic Forecast, Sep. 2021</i>)	2.9%
Bank of Canada (<i>Monetary Policy Report, Jul. 2021</i>)	2.4%

6. Area Municipality Communication and Public/Stakeholder Engagement:

Nil.

7. Financial Implications:

Fuel, inflation and non-tax revenue shortfalls are putting significant pressure on the Region's 2022 Tax Supported Operating Budget position. In the context of the Region's overall budget, the projected deficit of \$4-\$6 million represents approximately 1% of the 2022 tax levy for direct regional services (excluding police). Year-end deficits are unusual at the Region and require a source of funding, for which the Region would turn to the Tax Stabilization Reserve. Municipalities in Ontario are prohibited from budgeting for a deficit and cannot issue debt to finance an operating budget deficit. Every municipal fiscal year results in either an operating surplus or deficit, with surpluses allocated in accordance with municipal policy and deficits funded either from reserves or as part of the following year's budget, in accordance with the Municipal Act.

8. Conclusion / Next Steps:

Staff will continue to monitor financial results and mitigation options (e.g. salary "gapping" and filling of vacant positions) and will report back to the Administration and Finance committee as required. Staff will provide Council with a Q2-2022 financial update in August, including a more detailed year-end operating budget projection.

9. Attachments / Links:

Nil.

Prepared By: Christopher Wilson, Manager, Corporate Budgets

Reviewed By: Cheryl Braan, Director, Corporate Finance

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

Region of Waterloo

Corporate Communications & Strategy and Corporate Services

Corporate Strategy & Performance and Corporate Finance

To: Chair Helen Jowett and Members of the Administration & Finance Committee

Meeting Date: June 7, 2022

Report Title: 2023 Plan and Budget Overview & Timetable

1. Recommendation:

That the Regional Municipality of Waterloo take the following action with respect to the 2023 Plan and Budget as set out in report CAO-SPL-22-04/COR-CFN-22-18 dated June 7, 2022:

- a) Endorse the 2023 Plan and Budget principles as set out in Appendix A;
- b) Approve the 2023 Plan and Budget review timetable as set out in Appendix B; and
- c) Forward a copy of Report CAO-SPL-22-04/COR-CFN-22-18 to the Waterloo Region Police Services Board and to the Area Municipalities in Waterloo Region.

2. Purpose / Issue:

To provide a preliminary overview of the 2023 Plan and Budget process, including plan and budget principles, identification of significant budgetary pressures, a preliminary tax supported operating budget projection, and a proposed budget review timeline.

3. Strategic Plan:

The annual budget aligns resources to the organization's strategic vision and numerous initiatives set out in the Corporate Strategic Plan. The annual budget, in part, sets the pace to deliver on the results outlined in the Plan. The organization has made considerable progress toward its priorities and staff are in the process of developing the 2023 Plan and Budget to build on these successes.

4. Key Considerations:

- a) The 2023 Plan and Budget will be guided by the Region's Strategic Plan, and staff recommend the following 2023 Plan and Budget Principles to guide the process, as outlined in Appendix A:

- Build on 2022 approach and successes
 - Strategic plan guides everything we do
 - Investing in critical elements of organizational success; including employee wellbeing; technology innovation to drive efficiencies; supporting staff through change; and building employee recruitment and retention capacity
 - Reviewing service levels to reflect changing needs, and adjust service levels to accommodate fiscal pressures
 - Reviewing provincial and federal responsibilities currently funded in whole or in part by the property tax levy
 - Ensure adequate asset renewal funding to promote long term financial sustainability
 - Avoid approaches that will make future budgets more difficult
- b) It is expected that the 2023 budget will continue investments in key Strategic Priority areas, including:
- The supply and range of affordable housing
 - Protecting the most vulnerable citizens in our community
 - Ensuring equity in policies, planning, services and decision-making
 - Continuing investments in technology that support the modernization of back-office processes to achieve administrative efficiency and improvements
 - Continuing to ensure the Region's full budget is aligned with achieving the strategic vision and the needs of the community
- c) **2023 Budget Preview** - Based on a number of assumptions and projected economic indicators, preliminary projections for the 2023 budget suggest a tax rate increase in the range of 8%-10% for Regional services, resulting in an approximate 5.5%-6.8% overall tax increase. Water and Wastewater rate and budget projections are currently in line with projections for the 2022 budget models. Many of the factors impacting the 2023 budget for Direct Regional Services will also impact the 2023 Police Services budget. Further details on factors impacting the 2023 Regional and Police Budgets are found in the background section.
- d) **2023 Budget Timeline** - The proposed timetable for the 2023 Plan and Budget process is set out in Appendix B. Staff are recommending a two-stream approach, with the User Rate budgets targeted for approval in December 2022 and approval of the Tax Supported budget scheduled for February 2023. Staff acknowledge the need for flexibility with respect to budget schedule and the incoming Council can adjust the timeline as required.

5. Background:

The Region faces a number of opportunities and challenges as it heads into the 2023 Plan and Budget process, which will impact operations and services across the organization. These factors include:

- **Political, Social, and Economic Environment**
 - Population growth outpacing national average
 - Low unemployment
 - Inflation at a 31-year high and fuel price escalation - the cost of living is outpacing wage growth
 - Significant construction cost escalation and rising interest rates
 - Supply chain challenges
 - Improved federal & provincial deficits
 - Elections: provincial (June 2) and municipal (October 24)
 - Continued impact of COVID-19 and secondary impacts e.g. mental health
 - Environmental and climate change
- **Organizational pressures and growth:** Community expectations of the Region continue to evolve, and the Region's 2023 Plan and Budget will be impacted in a number of areas including:
 - Service expansion and growth in areas such as public transit, affordable housing and the emergency shelter system, paramedic services, active transportation and the Airport
 - Capital program additions including the Waterloo Region Housing master plan, Airport expansion works, etc.
 - Additional funding requirements for asset renewal (partly due to inflationary pressures), approved tax increment grants and discretionary development charge exemptions to support economic growth
- **Long term financial sustainability** is built into the strategic plan, and staff continue to monitor and report to Council on certain measures including:
 - The Region continues to experience elevated levels of debt vs. our "triple A-rated" peers, with significant levels of growth-related debt required in the coming years
 - Low (but improving) reserve balances relative to the budget, asset values and debt outstanding

Significant drivers impacting the 2023 Tax Supported operating budget include:

- The price of fuel (see report COR-CFN-22-17 also on this agenda)

- Significant inflationary impacts on various service contracts (waste collection, light rail transit, security, winter maintenance, janitorial, etc.)
- Proposed paramedic services expansion (see report PHE-PSV-22-02 on the June 7, 2022 Community Services Committee agenda)
- Annualization of 2022 service expansions and facility operations (e.g. Northfield Drive Bus Maintenance and Storage Facility, Airport expansion)
- Homeless shelter system costs and provincial funding
- Public transit service expansion
- Capital cost escalation, acceleration and additional investments/projects
- Additional funding requirements for capital asset renewal
- Approved tax increment grants and discretionary development charge exemptions

Significant 2023 budget impacts	Incremental estimate (\$ million)
Master plans implementation and service expansion (Paramedic Services, Transit service levels, Waterloo Region Housing Master Plan)	\$10.5
Fuel, vehicle parts and supplies	\$9.2
Utilities, services, contracts and other inflationary pressures	\$9.1
Compensation and benefits	\$8.6
Capital infrastructure financing (inflation, asset renewal funding, debt servicing)	\$7.2
Annualization of operations and service levels approved through the 2022 budget (Northfield Drive Transit Facility, Airport, Transit service levels, Paramedic Services)	\$6.1

There capital budget is being impacted by capital cost inflation on existing projects and the need to add new projects into the capital program, many of which do not have an identified source of funding and therefore will require debt financing. Staff will review all capital needs during the development of 2023-2032 capital program in order to prioritize projects and present a financially sustainable capital program to Council.

Projected 2023 user rate increases were modeled as part of the 2022 budget process. Staff are working towards developing 2023 operating budgets in line with these projections, as outlined in the following table.

	2022 Budget - approved user rate change	2022 Rate Model - projected 2023 user rate increase
Water supply	2.9%	2.9%
Wastewater treatment	2.9%	3.9%
Water distribution	1.9%	2.4%
Wastewater collection	2.9%	2.9%

Certain pressures previously described will also impact the Waterloo Regional Police Services 2023 operating budget, including escalating fuel prices and inflationary impacts on purchased services and goods. Other significant drivers impacting the 2023 Police Services budget include:

- Annualized operating costs associated with the new Central Division at 200 Frederick Street
- Contractual agreement compensation increases and increasing benefit costs
- Strategic Business Plan objectives including major projects such as Digital Evidence Management System (DEMS), Body-Worn and In-Car Video, Next Generation 911, Communications Centre and Human Resource Information System
- Annualization of 35 staffing additions approved through the 2022 budget (\$4.1M)
- Potential adjustment to the use of contributions from the prior year surplus (\$1.6M included in the approved 2022 operating budget)

6. Area Municipality Communication and Public/Stakeholder Engagement:

Engaging with community is a critical part of the Plan and Budget process. This year is a particularly important window for this work as the Region welcomes a new Council, gathers resident experience baseline data for the Digital Transformation Strategy and begins to set in motion a new Strategic Planning process to update the 2019-2023 plan. Staff are currently scoping a comprehensive community survey and engagement plan that will include resident experience, service levels, value for money and community priorities. Last year staff made improvements to the approach and made several changes to make the opportunities more inclusive. Staff intend to keep building on this momentum to ensure accessible and inclusive opportunities are available. The engagement plan will be designed to ensure community needs and aspirations are heard and reflected in the decision-making process. In addition, staff will continue to engage area municipalities, partners and other stakeholders in the development and completion of the engagement activities.

7. Financial Implications:

The Regional tax levy comprises an average of 55% of the residential property tax bill and 43% of the commercial/industrial tax bill. Total tax supported operating expenditure in 2022 exceeds \$1.1 billion with a Regional property tax levy of \$617 million, of which \$421 million (68%) is for direct Regional Services and \$196 million (32%) is for Police Services. Total budgeted water and wastewater operating revenue in 2022 is \$143 million. A 1% change in total regional taxes in 2023 equates to \$6.3 million, representing an increase of \$22 for a typical residence.

8. Conclusion / Next Steps:

Staff will prepare and present the 2023 Plan and Budget based on the timeline as approved through this report.

9. Attachments / Links:

[Appendix A: Proposed 2023 Plan and Budget Principles](#)

[Appendix B: Proposed 2023 Plan and Budget Process Timetable](#)

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Appendix A: Proposed 2023 Plan and Budget Principles

- Build on 2022 approach and successes
- Strategic plan guides everything we do
- Invest in critical elements of organizational success:
 - Employee wellbeing (not burning staff out)
 - Innovation that lead to greater efficiencies (AI, technology to support innovative service delivery)
 - Organizational development to support staff through change
 - Building our capacity to sustain our competitiveness to attract top talent
- Reviewing service levels to reflect changing needs, and adjust service levels to accommodate fiscal pressures
- Reviewing provincial and federal responsibilities currently funded in whole or in part by the property tax levy
- Ensure adequate asset renewal funding to promote long term financial sustainability
- Avoid approaches that will make future budgets more difficult

Appendix B: Proposed 2023 Plan and Budget Process Timetable

Purpose of the Budget Committee Session	User Rate Budget	Tax Supported Budget
User Rate Operating Budget and Capital Program: <ul style="list-style-type: none"> Detailed Budget Review GRCA presentation 	Nov. 30, 2022	
Tax Supported Operating Budget and Capital Program: Overview		Nov. 30, 2022
Approval of User Rate Budgets	Dec. 14, 2022	
Tax Supported Budget Update: Detailed Budget Review		Dec. 14, 2022
Police Services Budget Presentation		early Jan. 2023
Tax Supported Budget Update: Detailed Budget Review		Jan. 11, 2023
Police Services Board Budget Approval		Jan. 18, 2023
Final Budget Day: <ul style="list-style-type: none"> Approval of 2023 Operating Budgets and Capital Programs for Tax Supported Programs Approval of 2023 User Fees and Charges 		Feb. 8, 2023