

# Regional Municipality of Waterloo

## Strategic Planning and Budget Committee

### Agenda



Date: Wednesday, October 16, 2024  
Regular Session: 9:00 a.m.  
Location: Council Chambers/Electronic

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

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#### Pages

1. Call to Order
2. Land Acknowledgement
3. Declarations of Pecuniary Interest under the “Municipal Conflict of Interest Act”
4. Presentations
  - 4.1 Growing with Care Plan and Budget 2025 3
5. Motion to go into Closed Session  
Recommended Motion:  
That a closed meeting of the Strategic Plan and Budget Committee be held on October 16th immediately following this motion in the Waterloo County Room, in accordance with Section 239 of the “Municipal Act, 2001”, for the purposes of considering the following subject matters:
  1. personal matters about identifiable individuals and labour relations related to potential options to achieve Council's 2025 budget guideline.
6. Motion to Reconvene into Open Session  
Recommended Motion:  
That the Committee reconvene into Open Session.
7. Reports
  - 7.1 CAO--24-006, Setting the Stage for 2025 Plan and Budget 67
8. Communications
9. Motions Where Notice has Been Provided
  - 9.1 Councillor C. James  
Recommended Motion:  
WHEREAS accessibility, collegiality and respect are priorities shared by all of Council; and

WHEREAS Council values the expert advice and analysis from Regional staff, particularly on technical or financial matters; and

WHEREAS Council should have adequate time to deliberate and consider changes to policy and budgeting; and

WHEREAS residents and media deserve adequate time for input, consideration and transparency;

THEREFORE BE IT RESOLVED THAT:

- A motion to amend the final budget will be subject to notice and must be submitted in writing to the Clerk no later than Friday, November 29, 2024;
- All motions to amend the final budget that are received by the Clerk by the deadline will be published in the agenda;
- A motion to amend the final budget can be further amended during the final budget meeting without requiring notice, provided that any amendments are relevant and continue to relate to the same issue which was the subject matter of the original motion to amend the final budget; and
- Any motion to amend the final budget that is not received by the Clerk by the deadline may be introduced at the meeting on December 11, 2024 provided that:
  - it is submitted to the clerk in writing; and
  - the Strategic Plan and Budget Committee, without debate, dispenses with notice on the affirmative vote of at least two-thirds of the members present and voting.

**10. Other Business**

**11. Adjourn**

**Recommended Motion:**

That the meeting adjourn at x:xx x.m.





growing  
with care

# Plan and Budget 2025







# Purpose of the Plan and Budget

1. Achieve strategic and annual business plan objectives
2. Establish service levels for the coming year
3. Approve financial and staff resources to deliver services
4. Determine property tax and user rate revenue requirements
5. Set user rates, fees and charges



# Direction provided by A&F Committee on June 4, 2024

- Regional Council direct staff to return with a budget that has less than an 8 per-cent tax rate increase, prioritizing potential funding reductions in areas that should be funded by higher levels of government
- Regional Council direct staff to compile a comprehensive review of funding provided by the Region to external organizations and conduct analysis on whether it matches a strategic priority area within the Region of Waterloo's Strategic Plan, Growing With Care
- Regional Council direct staff to conduct a priority ranking of funding provided by the Region to external parties under each of the Region of Waterloo's Strategic Plan, Growing With Care pillars; Homes for All, Climate Aligned Growth, Equitable Services and Opportunities, and a Resilient and Future Ready Organization
- That staff provide a review of all services currently baked into the base budget and provide information on what is legislatively mandated for the region to provide
- That staff also report back on areas of overlap between regional and area municipalities services
- Further, that Staff conduct a comprehensive review of the Region's administrative expenses, and what could be done differently operationally



# Strategic Planning and Budget Subcommittee

That the Regional Municipality of Waterloo establishes a sub-committee for the purposes of working with staff to review:

- potential funding reductions in areas that should be funded by higher levels of government;
- funding provided by the Region to external organizations;
- services currently baked into the base budget and services that are legislatively mandated for the region to provide;
- areas of overlap between regional and area municipalities services; and
- the Region's administrative expenses.

And that this sub-committee be directed to conduct this review prior to the first meeting of the Strategic Planning and Budget Committee for the 2025 budget.

And that this sub-committee consist of members of council who have volunteered with the understanding that there may be size restrictions as set out by the Committee Chair.



# 2025 Plan and Budget Approach

**1**

**Use Growing with Care & principles to identify priorities**

**2**

**Present Service Level Adjustment options**

**3**

**<8% Tax increase**



# 2025 Principles

1. Makes significant measurable, impactful difference to Growing with Care outcomes and objectives.
2. Mitigates significant risk that the community or the organization currently faces.
3. Maintains the course, investing first in existing essential service delivery and commitments that support the bold agenda Council have already set.
4. Meets prescribed legislated standards or requirements (accreditation, compliance, or legal).
5. Moves forward time critical items - service level changes, strategic initiatives, capital projects that must be done immediately, meaning they cannot wait a year or more.
6. Makes fiscal sense, is financially sustainable, with an approved business case or equivalent analysis that shows it is affordable for taxpayers today and over the longer term.



# 2025 Plan and Budget

## Annual Business Planning

1. Review Growing with Care objectives, community need and risks
2. Clarify existing service levels and initiatives
3. Review service levels, strategic initiatives and capital projects
  - Service maintenance
  - Essential enhancements
  - Reduction options to meet target guide



# 2025 Plan and Budget

## Council Directed Reviews

1. Administrative Costs
2. Legislated Services
3. External Funding to organizations



# 2025 Budget Committee Review Schedule



Date	Draft agenda
Oct 16	2025 Plan and Budget Overview – Setting the Stage
Oct 30	Detailed budget review (Presentation of the 2025 Preliminary Budget Book)
Oct 31	Detailed review carry over (if required)
Nov 6	Detailed reviews continue: public input meeting #1
Nov 7	Detailed reviews carry over (if required)
Nov 20	Police Services Budget presentation
Nov 27	Operating and Capital Program Review and Follow ups; public input meeting #2
Dec 2	Deadline for submission of Councillor motions
Dec 11	Final Budget Day



# Community Engagement

- The engagement approach for the 2025 Plan and Budget builds on approaches from past years and leverages existing data (e.g. Youth Impact Survey, Immigration Partnership, CSWP).
- Variety of methods used:
  - Robust IPSOS Resident Survey (reached 1000 residents – results October 30 Committee)
  - Focused conversations, community events, general outreach
- Public Input Meetings (November 6 & 27)







# Our Essential Services



# Foundations of our work

These statements capture the heart of who we are, the vision we have for the communities we serve, and how the Region of Waterloo works intentionally to achieve this vision.

## Our Vision

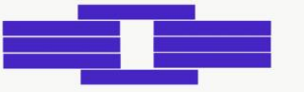
A compassionate community that care of all people, stewards the land for future generations and where everyone has the opportunity to live a good life.

## Our Mission

Providing essential services that support quality of life for each and every person in Waterloo Region.

## Our Core Value

Care for people and the land we share.



Waterloo Region is part of the Dish with One Spoon Wampum.

- We recognize our shared humanity and land
- We only take what we need
- We leave some for others, and
- We keep the dish clean



# Services Residents Rely On



Getting you where you need to go



Providing homes for everyone



Keeping you healthy and safe



Protecting our environment



Supporting you to work



Offering cultural opportunities and experiences



Committing to Reconciliation, Equity, Diversity and Inclusion



# Aligning resources to priorities in 2024

To grow with care, the Region invests in programs, services and infrastructure in a fiscally responsible way.

Homes  
for all

\$472 M

Equitable services  
and opportunities

\$316 M

Climate aligned  
growth

\$851 M

Resilient and future  
ready organization

\$125 M



# 2024 Highlights so far



**Advancing affordable housing**



**Over 25 million riders rely on GRT**



**Advancing Truth and Reconciliation**



**Working smarter, saving money**



# Our Community Context

## Our community is rapidly growing

Population in 2023 = 673,910.  
That's an increase of 28,490 people since 2022.

**28,490**



## We're making progress on reducing greenhouse gas emissions



**3.96M**

Community GHG emissions in 2022 were approx. 3.96 million tonnes of CO<sub>2</sub>e – a decrease of 12% below the 2010 baseline.

## Our community is becoming more diverse

**42,945**

Permanent residents landed in Waterloo Region between 2013 and 2022.



## Housing affordability is challenging



**42,715**

households were spending more than 30% of income on housing in 2021.

## Homelessness impacting those most at need

**28%**

Since 2020, chronic homelessness is increasing at an average growth rate of 28% year over year.



## Unemployment impacting Youth

The unemployment rate for young people (15-24) has remained significantly high at

**18.6%**





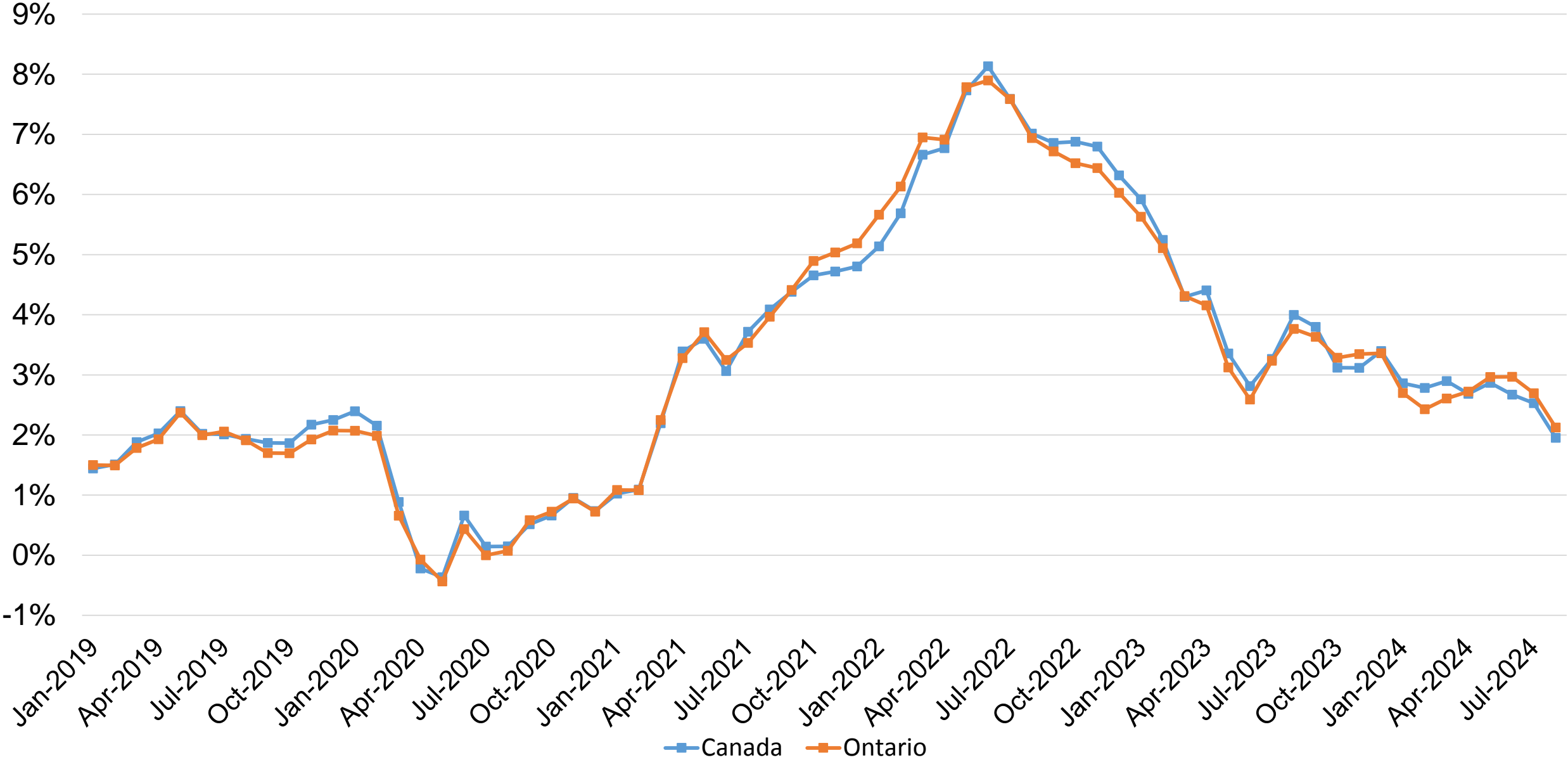


# Economic Indicators



# Inflation

Consumer Price Index (Year-Over-Year)



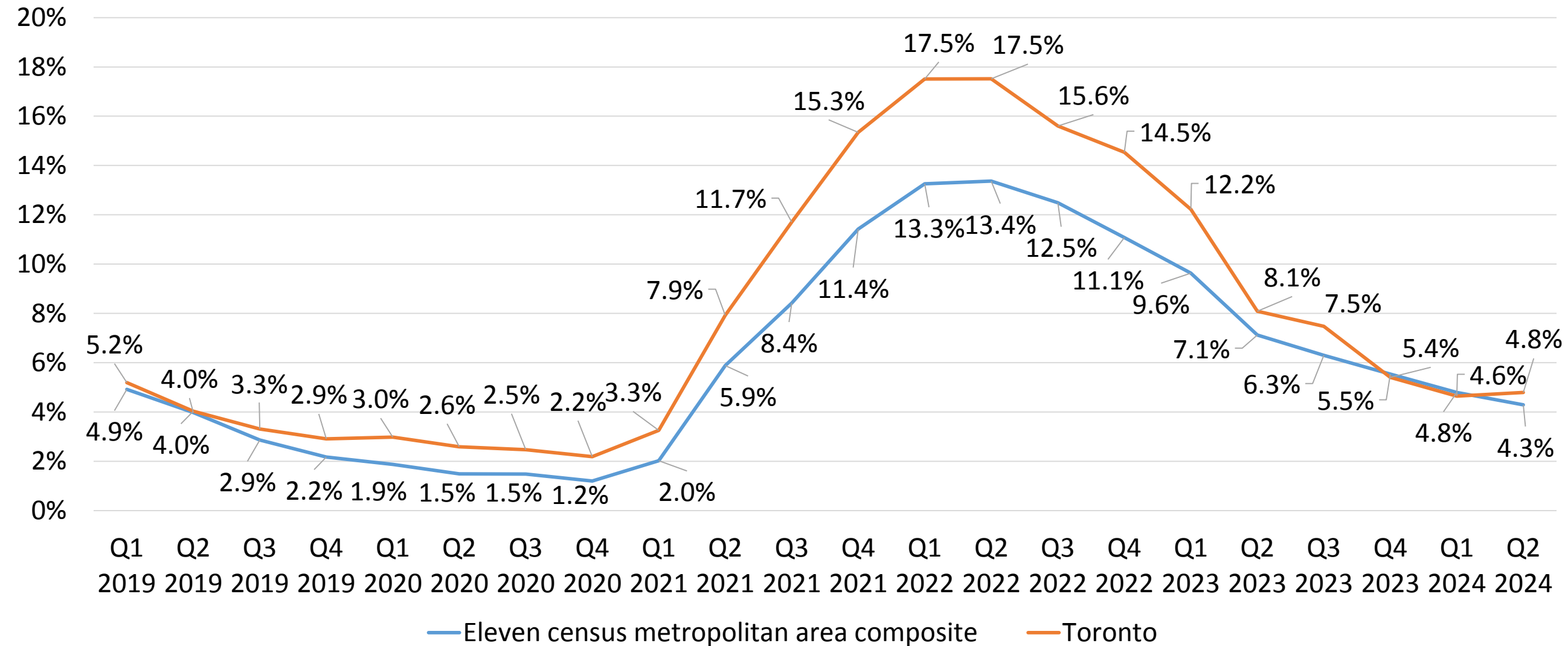
August 2024 CPI: Canada 2.0%, Ontario 2.1%





# Capital Cost Escalation

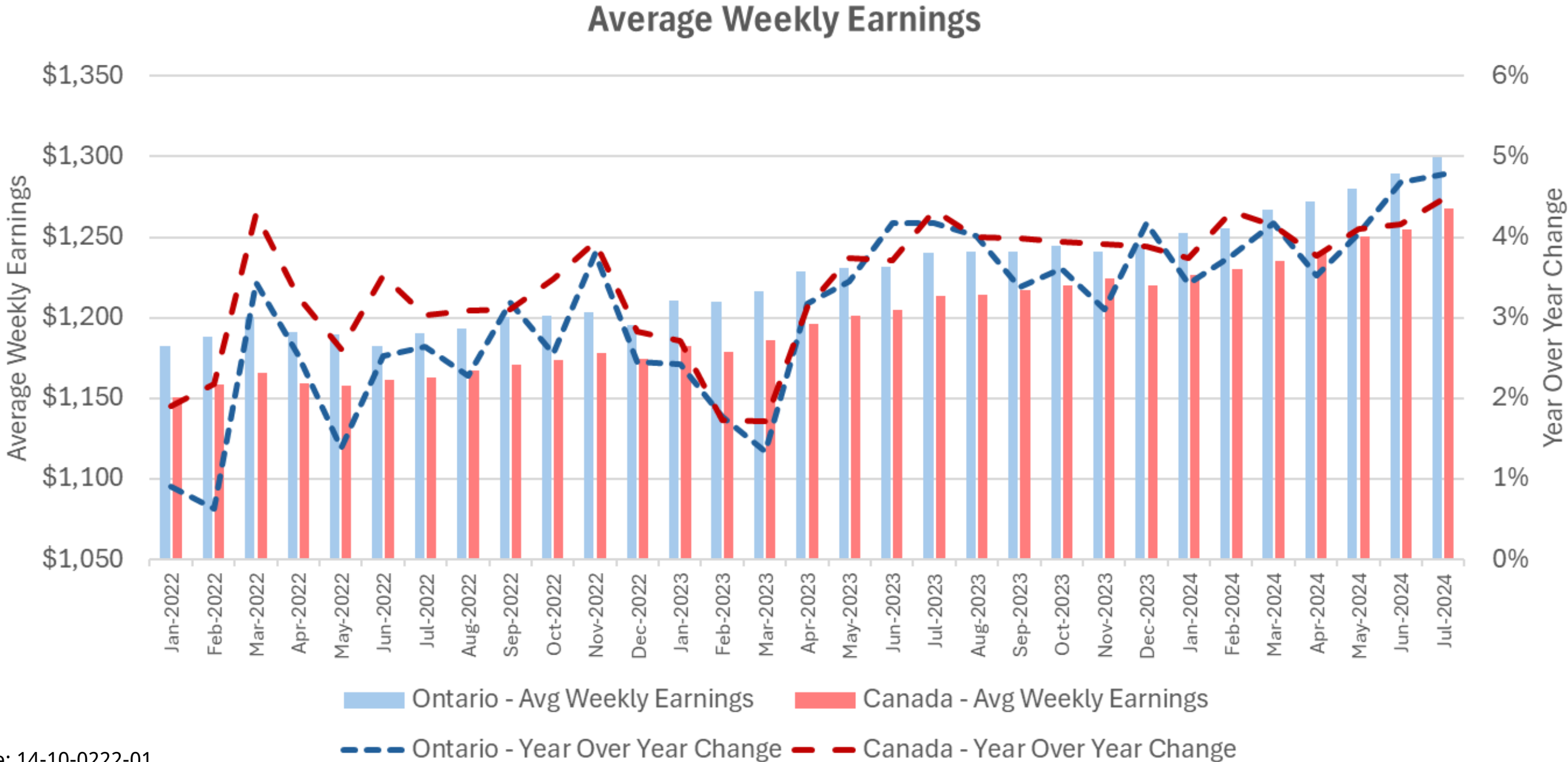
Building construction price index  
Non-residential buildings  
(percentage change to same quarter in previous year)



**Construction Price Index: 4.8% (Toronto, Q2 2024 over Q2 2023)**



# Wage Growth



Statistics Canada Table: 14-10-0222-01  
Average weekly earnings including overtime for all employees



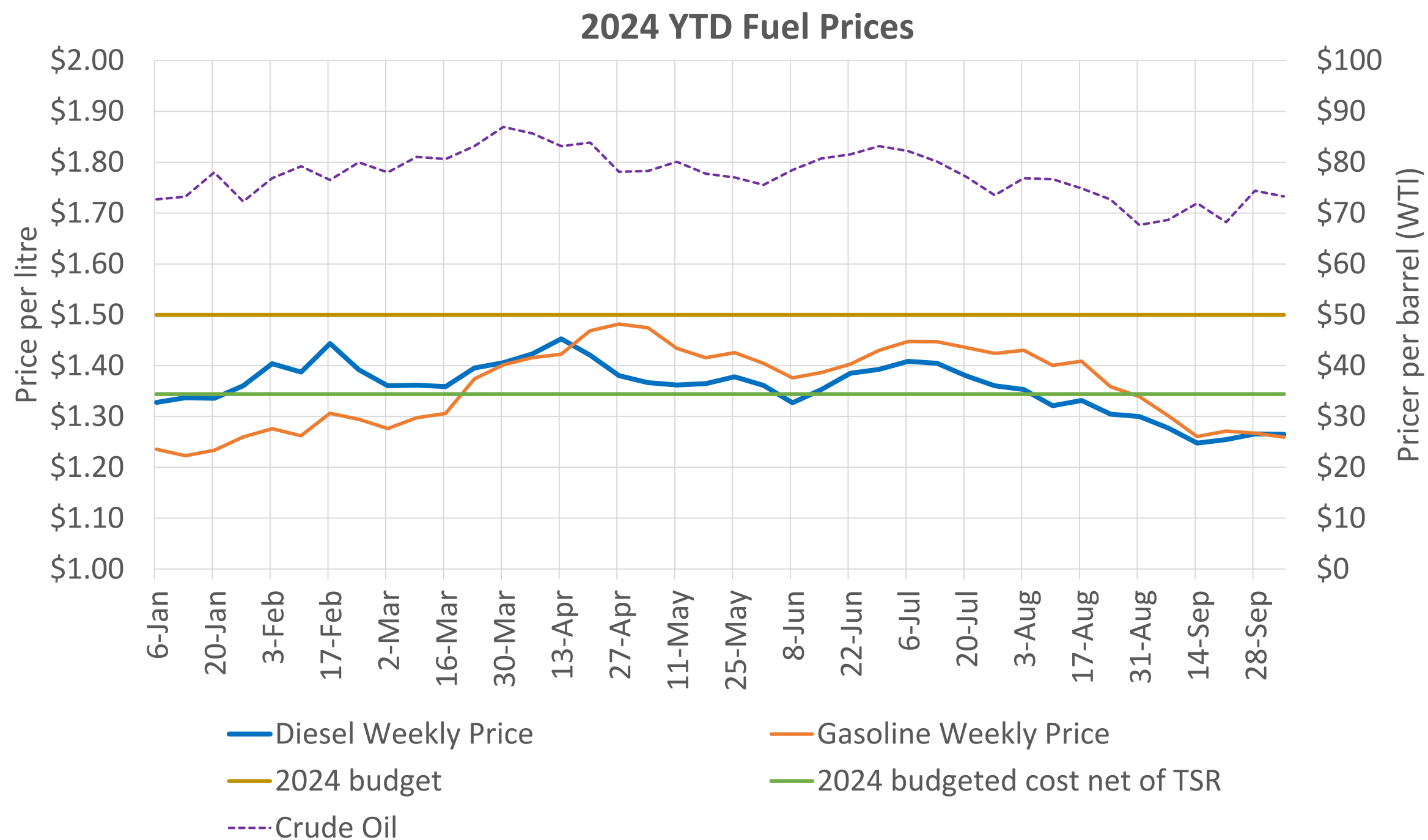
# Government of Canada 10 Year Bond Yield



Government of Canada bond yields, upon which the Region's cost of borrowing is predicated, are currently at 3.2%. Last year at this time they reached their highest level in over 16 years at approximately 4.3%.



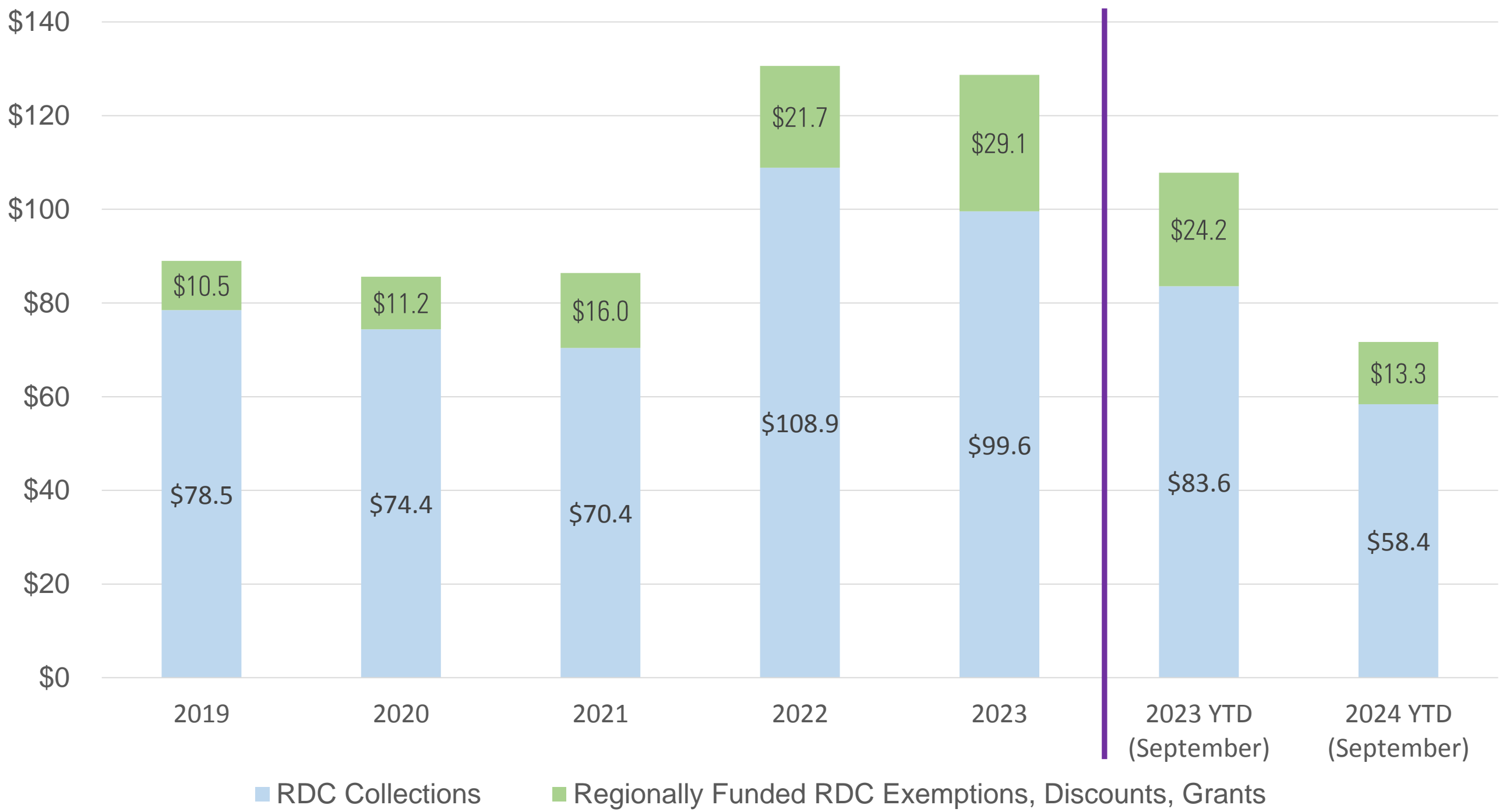
# Fuel Prices



	Diesel	Gasoline
Current Price	\$1.27/L	\$1.26/L
2024 YTD Average Price	\$1.36/L	\$1.36/L
2024 Budgeted Price	\$1.50/L	\$1.50/L
2024 Budgeted Price Net of TSR	\$1.34/L	\$1.34/L

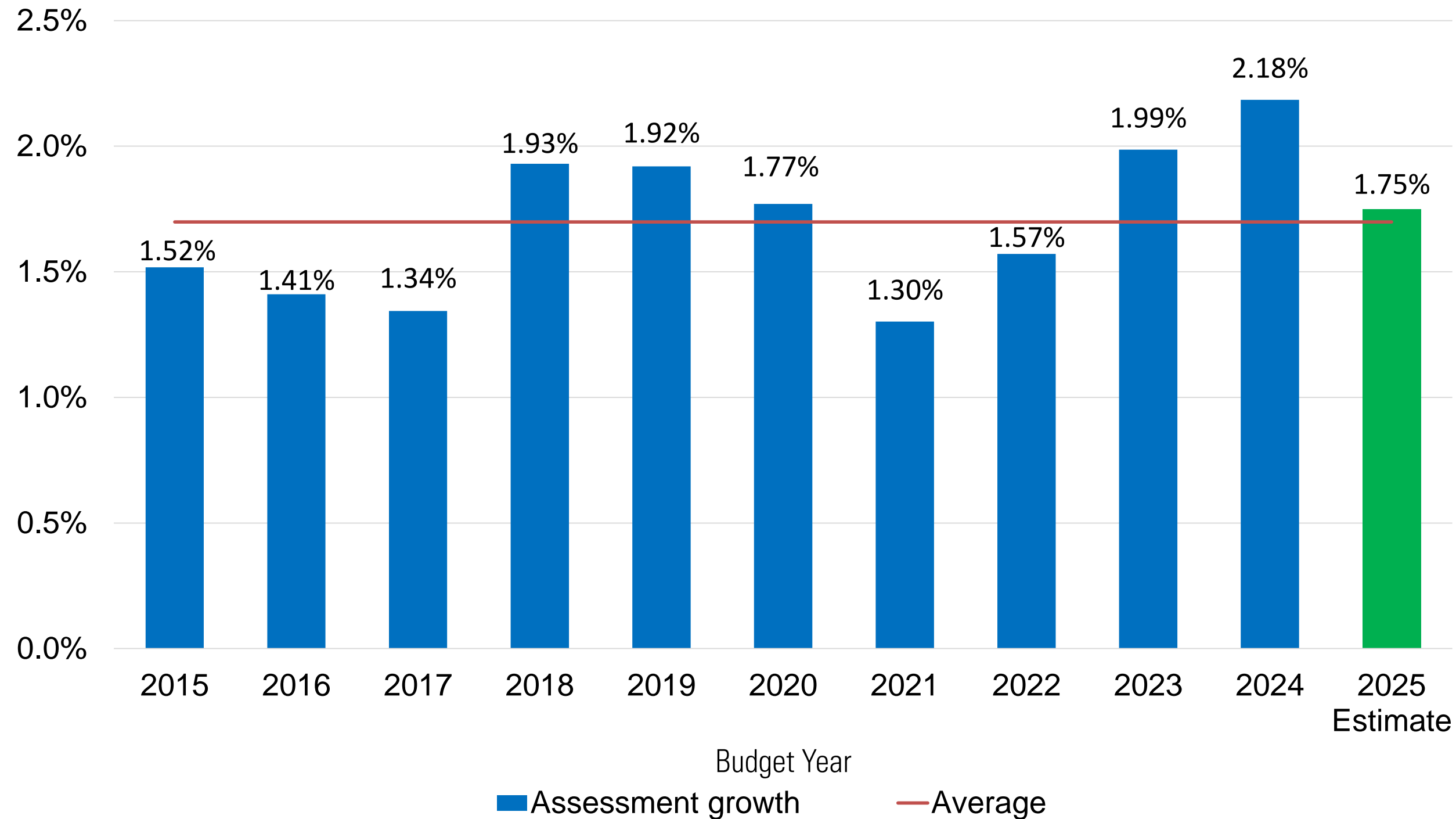


# Regional Development Charge Revenue (\$M)





# Regional Assessment Growth

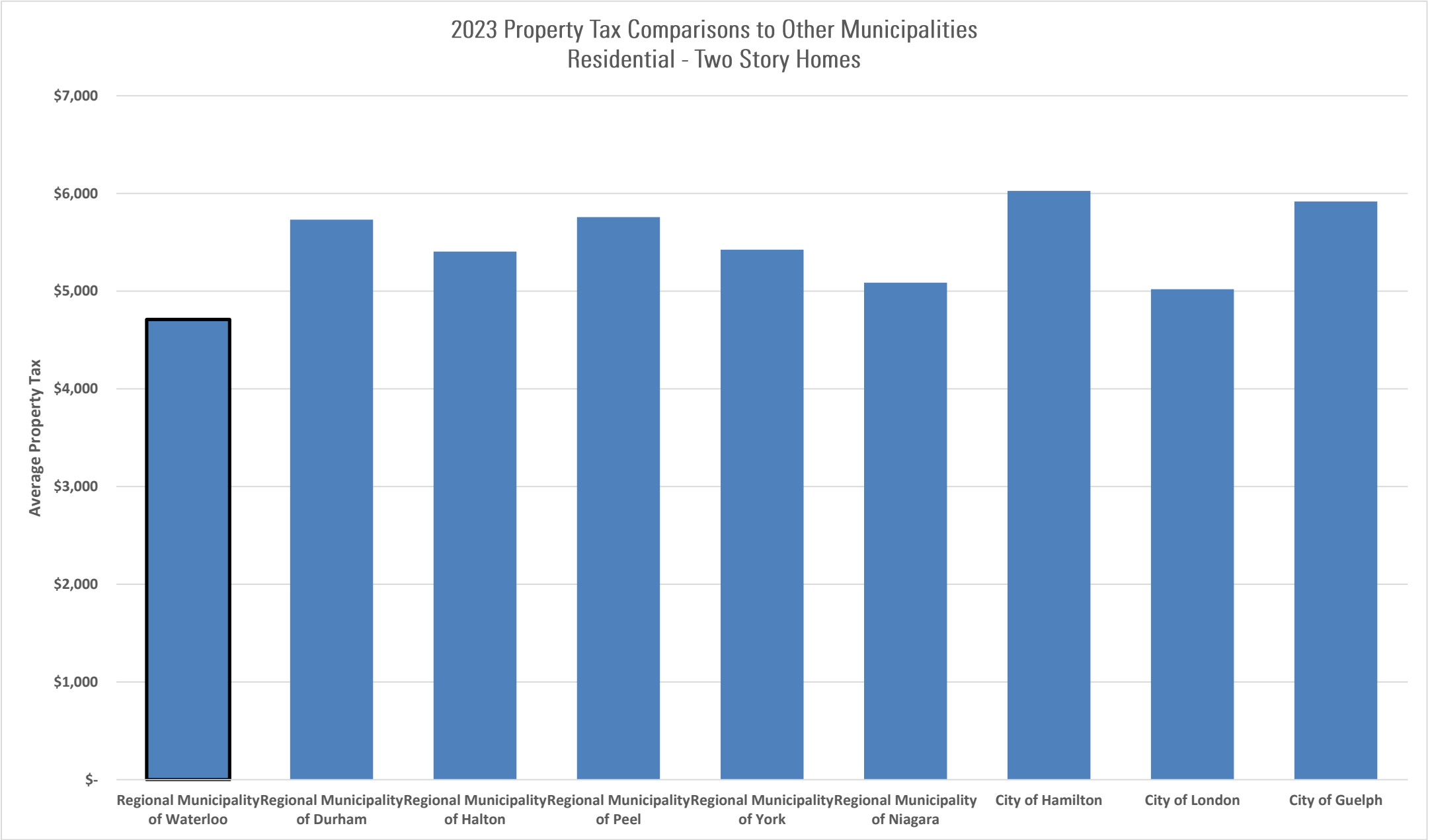




# Regional Tax Comparators

Region/City	Two Storey Home
Regional Municipality of Waterloo	\$ 4,710
Regional Municipality of Durham	5,731
Regional Municipality of Halton	5,404
Regional Municipality of Peel	5,757
Regional Municipality of York	5,423
Regional Municipality of Niagara	5,087
City of Hamilton	6,027
City of London	5,020
City of Guelph	5,917

Data from the 2023 BMA Study  
Municipal tax information provided by BMA Management Consulting Inc.  
*Property taxes reflect total tax bill including regional, local and education taxes*





# Municipal Burden as a % of Household Income

Municipality	Est. Avg. Household Income	Average Residential Taxes	Residential Water/WW Costs 200 m3	Total Municipal Tax Burden	Total Municipal Burden as a % of Household Income	Total Municipal Burden as a % of Household Income Ranking
Cambridge	\$ 114,830	\$ 4,385	\$ 1,245	\$ 5,631	4.9%	mid
Kitchener	\$ 109,633	\$ 3,987	\$ 1,178	\$ 5,165	4.7%	mid
North Dumfries	\$ 155,652	\$ 4,536	\$ 1,400	\$ 5,936	3.8%	low
Waterloo	\$ 131,542	\$ 4,745	\$ 1,014	\$ 5,758	4.4%	low
Wellesley	\$ 150,834	\$ 4,705	\$ 1,400	\$ 6,105	4.0%	low
Wilmot	\$ 139,736	\$ 4,323	\$ 1,278	\$ 5,601	4.0%	low
Woolwich	\$ 144,310	\$ 4,318	\$ 1,326	\$ 5,644	3.9%	low
Total Survey Avg	\$ 121,388	\$ 4,352	\$ 1,292	\$ 5,623	4.8%	
Median	\$ 113,183	\$ 4,185	\$ 1,229	\$ 5,591	4.7%	

Data from the 2023 BMA Study  
Municipal tax information provided by BMA Management Consulting Inc.

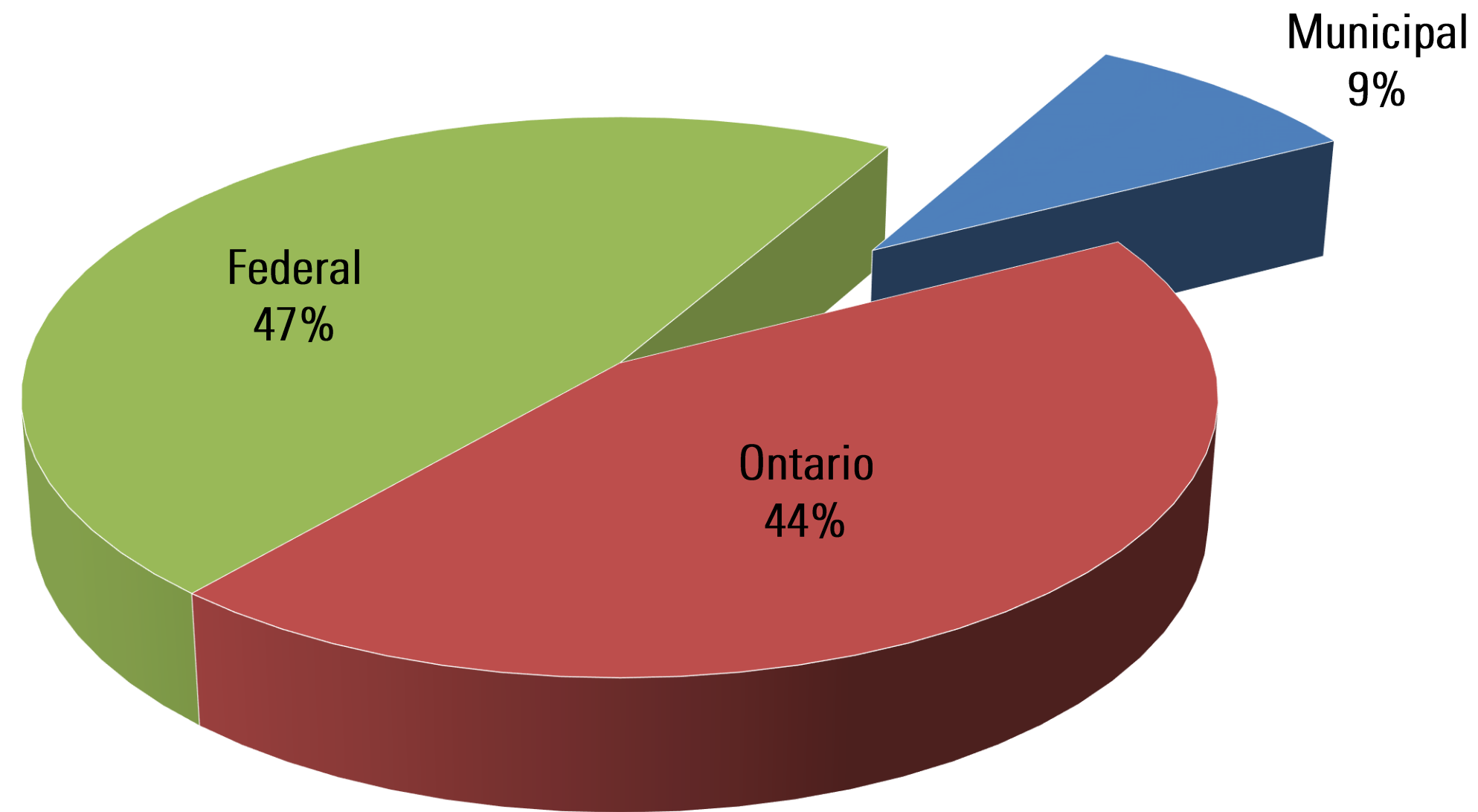




# Introduction to the 2025 Budget

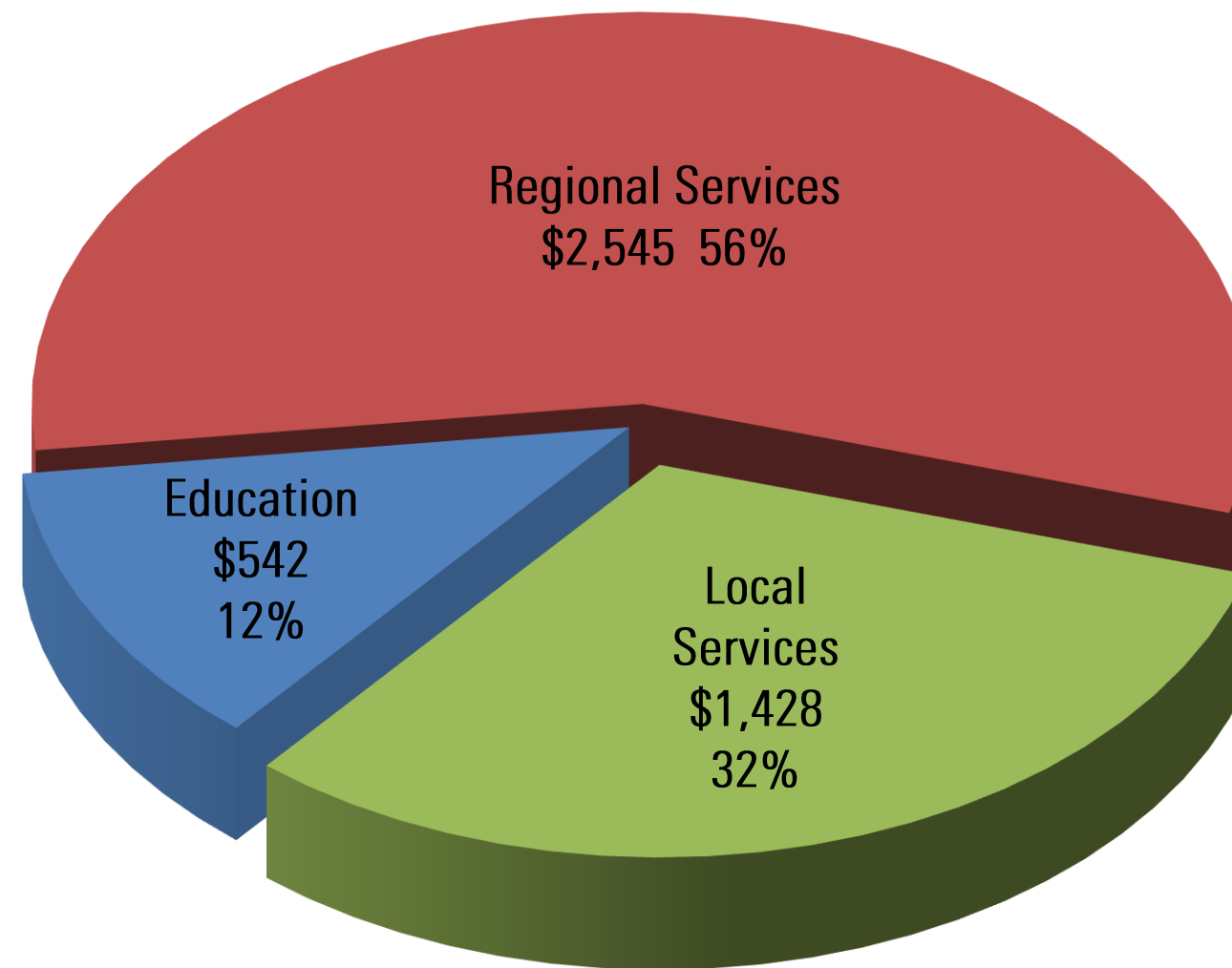


# Government Tax Dollars





# 2024 Average Residential Property Taxes\*



\*Based on an average residential property having a property assessment of \$354,500 as of January 1, 2016



# Reminders about today's content

All budget numbers included in this presentation are considered draft and are subject to change

The Preliminary 2025 Budget will be tabled on October 30

This meeting is about information sharing and overall budget context – no budget decisions are expected today



# Significant 2025 Operating Budget Impacts

Impact of items approved through the 2024 budget (annualization of service expansions and removal of one-time funding)

Impact of approvals subsequent to 2024 budget approval

Impact of base budget assumptions, to keep doing what we are doing (adjustments for inflation, cost escalation, funding changes, user fee revenues)

Impact of new initiatives and service expansion options



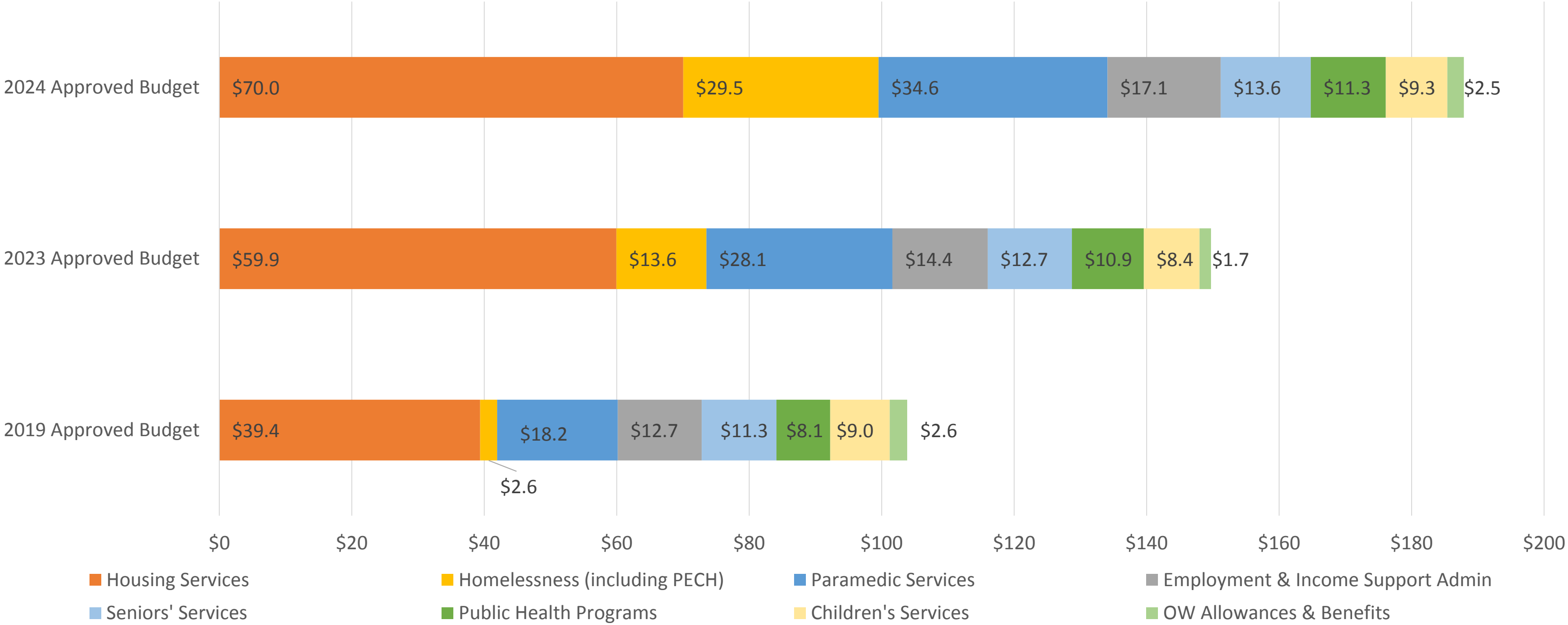
# Draft Major Non-tax Revenue estimates

Budgeted non-tax revenues (\$ millions)	2024 Budget	2025 Draft Budget	Budget Change
Public Transit fares	\$55.0	\$59.8	\$4.8
Wastewater treatment rate revenue	\$84.4	\$89.7	\$5.3
Water supply rate revenue	\$68.0	\$71.7	\$3.7
Housing rent	\$17.4	\$19.6	\$2.2
Waste Management tipping fees	\$10.7	\$10.7	-
POA revenue	\$8.0	\$8.0 base + \$2.1 expansion = \$10.1	\$2.1
Automated Speed Enforcement	\$6.7	\$7.1 base + \$3.3 expansion = \$10.4	\$3.7
Airport operating revenues	\$9.3	\$9.7	\$0.4



# Cost-shared programs

2024 Approved Levy & Reserve Funding = \$188 million  
(2019 Levy & Reserve Funding = \$104 million)







# Introduction to the Capital Program



# Capital Infrastructure

## Existing

- Existing assets need to be maintained, renewed, upgraded and replaced
- Asset Management planning informs required investments
- Historical cost in excess of \$6.0 billion

## New

- Required to serve our growing community
- Regional Official Plan & Master/Business plans inform required investments
- Water supply and wastewater treatment capacity, roads, landfill site cells, housing, facilities, vehicles and equipment

## 10 year capital program

- Investments required to keep existing assets in a state of good repair (asset renewal) and to build or acquire new infrastructure (growth/expansion)
- Funding and financing plan outlines how these works will be paid for



# Capital Financing Principles

- Build operating budget and reserve capacity to finance state-of-good-repair (not debt)
- Focus debt on significant new infrastructure (growth and expansions)
- Mitigate growth related financing risk
- Goal is to maintain credit rating and find a balance between debt and non-debt financing



# Capital asset renewal funding strategy

Use pay-as-you-go funding to keep existing assets in a state of good repair in order to preserve our debt capacity for new and significant infrastructure needed to serve a growing population

The result of the strategy is lower total Regional debt outstanding and a better overall financial position when it comes to credit rating

A higher credit rating lowers the Region's overall cost of borrowing which in turn, keeps debt servicing costs as low as possible in future operating budgets



# Draft 10 year capital program

- Will be provided in detail to Council when the Preliminary Budget is tabled on October 30th
- To be reviewed over the subsequent meetings
- Significant investments in Housing, Public Transit, Roads, Waste Management, Airport, Water and Wastewater
- Need to determine the right balance between asset renewal and growth; and between "pay-as-you go" funding and long term borrowing





# Strategic Plan and Budget Sub Committee



# Strategic Planning and Budget Subcommittee

That the Regional Municipality of Waterloo establishes a sub-committee for the purposes of working with staff to review:

- potential funding reductions in areas that should be funded by higher levels of government;
- funding provided by the Region to external organizations;
- services currently baked into the base budget and services that are legislatively mandated for the region to provide;
- areas of overlap between regional and area municipalities services; and
- the Region's administrative expenses.

And that this sub-committee be directed to conduct this review prior to the first meeting of the Strategic Planning and Budget Committee for the 2025 budget.

And that this sub-committee consist of members of council who have volunteered with the understanding that there may be size restrictions as set out by the Committee Chair



# Sub-Committee Schedule

Date	Draft agenda topics
August 14	Overview of the process, timeline and agenda topics
August 28	Review of funding provided by the Region to external organizations, how each stream fits in the Region's Strategic Plan, and areas of overlap between regional and area municipalities' services.
September 11	Review of: <ul style="list-style-type: none"><li>• Services in the base budget and information on what is legislatively mandated for the Region to provide.</li><li>• The Region's administrative expenses, and what could be done differently operationally including an overview changes underway and benchmarking results.</li></ul>
October 2	Review options, with evaluations against objectives in the Strategic Plan, to achieve a budget that has less than an 8 per-cent tax rate increase, including: <ul style="list-style-type: none"><li>• Potential service adjustment options</li><li>• Review of service expansion requests being proposed for 2025</li></ul>



# Additional Topics Explored

- Debt servicing costs
- In-Year budget allocations/decisions
- Funding history from other levels of government
- Tax Levels against comparator municipalities
- 2019 KPMG recommendations update
- Capital decision making framework





# Aug 28 - Review of funding provided by the Region to external organizations

## Regional Council Direction:

1. Compile a comprehensive review of funding provided by the Region to external organizations and conduct analysis on whether it matches a strategic priority within the Region of Waterloo's Strategic Plan, Growing with Care.
2. Conduct a priority ranking of funding provided to external parties under each of the Region of Waterloo Strategic Plan Growing with Care pillars.
3. That staff report back on areas of overlap.



# Preliminary Review Highlights

## Eight programs governed by 2022 Grants Administration Policy and miscellaneous funds:

- 2024 Allocation \$4,917,701 to approx. 90 organizations— all discretionary
  - Strong alignment to principles and Growing with Care Strategy
  - Robust mechanisms ensure effective and accountable allocation
  - 'Overlap' - areas of commonality however goals, reasons for funding differ
  - Council approves grant recipients in all grant streams except Upstream Fund and the Community Capacity Building Fund where decisions are made by a collaborative panel of community members
- 
- Approximately \$5.5M that is currently set aside for external organizations that we enter into agreements for outside of a formal grant program



# September 11 - Review of legislatively mandated services and administrative costs

## Regional Council Direction

1. Services in the base budget and information on what is legislatively mandated for the Region to provide.
2. That Staff conduct a comprehensive review of the Region's administrative expenses, and what could be done differently operationally.



# Preliminary Review Highlights – Legislatively Mandated

- Early approximations of service categories and their current base budget allocation were determined (still in progress)
- Overall, the Region allocated the majority of its operating budget expenditure to delivering legislated/mandatory services some of which have service level discretion.

## Examples of legislated/mandated services include:

- Children's Services (\$161M)
- Water & Wastewater Services (\$151M)
- Housing Services (\$142M)
- Ontario Works Allowances & Benefits (\$91M)
- Transportation (\$72M)
- Paramedic Services (\$61M)
- Waste Management (\$50M)
- Seniors' Services (\$42M)
- Employment & Income Support Admin (\$30M)



# 2024 Direct Regional Net Operating Budget Expenditure excl. Police Services (\$ millions)

Department	Discretionary	Legislated	Legislated with Service Level Discretion	Program Support	Total Departmental Expenditure
Community Services	21.9	339.2	126.6	0.4	488.2
Transportation Services	216.2	67.6	4.2	4.8	292.7
Engineering & Environmental Services	7.3	153.3	48.1	13.5	222.2
Planning, Development & Legislative Services	28.8	11.7	23.1	0.7	64.2
Public Health & Paramedic Services	5.5	105.5	1.1	-	112.1
Elected Offices	-	1.6	-	-	1.6
Office of The Chief Administrative Officer	2.5	-	1.5	2.2	6.2
Corporate Services	-	-	-	18.9	18.9
Human Resources & Citizen Service	-	4.0	1.8	8.8	14.7
Corporate Financial	-	15.0	-	14.0	29.1
<b>Total Operating Expenditure</b>	<b>\$282.2</b>	<b>\$697.9</b>	<b>\$206.3</b>	<b>\$63.4</b>	<b>\$1,249.8</b>



# Preliminary Review Highlights – Administrative Costs and Efficiencies

- Region is facing an increasingly challenging fiscal framework as it responds to these needs.
- Strategy to proactively manage costs, champion efficiency, while safeguarding the quality of service, growth and achievement of broader impacts towards the goals set out in the Region's Strategic Plan: Growing with Care.
- Over the past five years (2020-2024) the Region has achieved approximately \$41.6 million in efficiency savings and consistently performs well against comparators in administrative cost-related performance indicators.
- MBNCanada 2022 Cost Efficiency Related Performance Indicators Report shows the Region's performance was in the top or middle third of reporting municipalities in 76% (53 out of 70) of measures. 2023 preliminary results suggest comparable performance.



# October 2 – Review Options for a less than 8% tax increase

- Strategic assessment of community needs, service expectations/pressures and risks
- Exploration of three draft scenarios:
  - Base plus expansion opportunities approximately 12%
  - Base budget at 9 – 10%
  - A Less than 8% tax increase



# DRAFT 2025 Tax Supported Operating Budget with Expansions

Regional Property Tax Levy (excl. Police)	\$M	% Levy	June 11 report (COR-CFN- 24-011)
2024 property tax levy	\$517.8		
Draft 2025 base budget property tax levy	\$576.7		
Expansion Requests	\$14.1		
Tax levy change	\$73.0	14.1%	\$76.8 / 14.8%
DRAFT Property tax impact (estimated assessment growth of 1.75%)		12.1%	12.8%



# Strategic and Operational Imperatives (service expansions)

- **Housing Services (\$7.1M):** Plan to End Chronic Homelessness and staff resources
- **Transit Services (\$3.8M):** Core Network Growth, Customer Driven Demand-Response Operational Adjustments, Mobility Plus Services and support staff
- **Paramedic Services (\$0.8M):** Master Plan Expansion and Staffing Relief Rate
- **Transportation (\$0.5M):** Traffic System Management, Operations and Communications resources
- Other requests including Waste Management resources for new cart collection program, support staff (Legal, Finance, ITS, Facilities), Business Continuity Planning resources



# 2025 Tax Supported Operating Budget – Status of DRAFT Base Budget

Regional Property Tax Levy (excl. Police)	\$M	% Levy
2024 property tax levy	\$517.8	
Draft 2025 base budget property tax levy	\$576.7	
Tax levy change	\$58.9	11.4%
DRAFT Preliminary property tax impact (estimated assessment growth of 1.75%)		9.5%



# Significant 2025 Operating Budget Impacts

- Impact of base budget assumptions – to keep doing what we are doing (adjustments for inflation, cost escalation, funding changes, user fee revenues)
- Impact of decisions made through the 2024 approved budget (annualization of service expansions and removal of one-time funding)
- Impact of approvals subsequent to 2024 budget approval



# Impact of base budget assumptions, to keep doing what we are doing

Continued inflationary impacts  
on various service contracts  
(waste collection, light rail  
transit, security, janitorial, etc.)

Cost of living adjustments as  
per collective agreements

Changes in user fee revenues  
relating to volumes and  
proposed changes to rates

Provincial funding adjustments

Additional funding  
requirements for capital asset  
renewal, approved tax  
increment grants and  
discretionary development  
charge exemptions



# Impact of decisions made through the 2024 approved budget

- Annualization of Service Expansions (\$3.5M) including:
  - Paramedic Services Master Plan Implementation
  - Transit Services: Bus Network Service Expansion, Light Trail Transit, UPASS Program, Urban Mobility Plus
- Removal of one-time Tax Stabilization Reserve funding for the Plan to End Chronic Homelessness (\$3.2M)
- Removal of temporary Tax Stabilization Reserve funding associated with fuel price phase-in (\$1.9M)



# Impact of approvals subsequent to 2024 budget approval

- Approval of grant funding in excess of the approved budget (\$0.5M)
- Debt servicing costs for land acquisitions approved in-year (\$3.4M)
- Funding strategy for the waste management collection contract renewal in 2026 (\$7.0M)



# Preliminary 2025 Tax Supported Operating Budget Status

At the June 4th Administrative and Finance Committee meeting, the following direction was provided to staff with regards to development of the 2025 Plan and Budget:

"Regional Council direct staff to return with a budget that has less than an 8 per cent tax rate increase, prioritizing potential funding reductions in areas that should be funded by higher levels of government"

% Change in property taxes*	Incremental reductions required	Cumulative decrease
9.5% (current base budget)		
9.0%	\$2.45M	\$2.45M
➡ 8.0%	\$5.27M	\$7.72M

1% change in property taxes = \$5.3M  
\* Estimated assessment growth of 1.75%

# Meeting the guide in 2025 - potential risks and impact to consider

- Deferring proposed required expansions, reducing and/or eliminating service levels
- Potential service reductions bring risks and impacts to community (varying levels)
- 2025 potential expansion deferrals include:
  - Implementation of the Plan to End Chronic Homelessness
  - Further expansion of Transit beyond annualization of existing expansions
  - Implementations of the Paramedic Services master plan beyond annualization of existing expansions
  - Mitigating cybersecurity breaches through maintenance and update of Region's devices
  - And more



# Draft 2025 Budget Summary

Regional Property Tax Levy (excl. Police Services)	Current		
	\$M	% Levy	% Tax Impact
2024 property tax levy	\$517.8		
Draft 2025 base budget (as of October 16 <sup>th</sup> )	\$576.7		
Subtotal 2025 base budget increase	\$58.9	11.4%	9.5%
Proposed Service Expansions	\$14.1		
Draft 2025 Tax Levy change*	\$73.0	14.1%	12.1%
Assessment growth assumption			1.75%

June 4 report (COR-CFN-24-011) estimated the 2025 preliminary budget with an 14.8% levy increase and 12.8% tax impact assuming assessment growth of 1.75%





Break



# Sub Committee Recommendations

1. Defer all service expansions that will not generate net revenue or offset future costs within 5 years unless they have no impact on the levy.
2. Review and revise cost assumptions in order to take on more risk in terms of costs assumed, including assumptions related to the cost of fuel; and other variable costs.
3. Explore further utilization of the tax stabilization reserve to reduce the property tax burden of one-time expenditures on residents while maintaining fiscal responsibility in the Region
4. Direct staff to immediately action the POA expansion as a 2024 in-year request, to maximize expected revenue in 2025: and
5. That the Strategic Plan and Budget Sub-Committee directs staff to present to the Strategic Plan and Budget Committee a ranked list of options for service reductions, that includes a ranking of low, medium and high risks to the Region.
6. That any Council budget increase requests include projected tax impacts for the next two years.
7. That any new net budget increase requests in year, get deferred to the Strategic Planning and Budget process.
8. That staff identify service expansions with cost sharing components including revenue and/or funding from upper levels of government.

# Sub Committee Recommendations

1. That the Regional Municipality of Waterloo takes the following actions with respect to the Grants Administration Policy:

- Amend the Grants Administration Policy and process so that Council approves the grant streams, and eligibility, and funding available and staff administer the grants, in alignment with other grant processes ex. Upstream Fund
- Review the Grants Administration Policy and Stream in the second year of the term of Council, to allow Council to review eligibility and amend as required, in alignment with the strategic plan
- Any new grants are administered through the creation of a new grant stream, with appropriate policy analysis and community engagement, pending funding approval as part of the Region's Plan and Budget process, in alignment with the strategic plan
- All grant applications require declaring what other municipal grants they are applying for.



# Preview of Next Meeting

**October 30 at 9 a.m.  
Detailed Budget Review**

**Region of Waterloo**  
**Chief Administrative Officer**  
**CAO**

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**To:** Strategic Planning and Budget Committee

**Meeting Date:** October 16, 2024

**Report Title:** 2025 Plan and Budget: Setting the Stage

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**1. Recommendation**

For Information.

**2. Purpose / Issue:**

To provide the Strategic Planning and Budget Committee with an introductory overview and background information to support the 2025 plan and budget process, including information about the Strategic Planning and Budget Sub Committee and their work.

**3. Strategic Plan:**

This report supports the Resilient and Future Ready strategic priority to ensure fiscal accountability and transparency in service delivery as we work toward achieving our goals within the Growing with Care priorities of Homes for All, Climate Aligned Growth, Equitable Services and Opportunities, and Resilient and Future Ready Organization.

**4. Report Highlights:**

- The Region is working diligently to build a 2025 Plan and Budget that keeps pace with unprecedented community growth, responds to complex social, political, and technological challenges, while balancing organizational resilience and affordability for residents.
- The timeline and general approach to the 2025 Plan and Budget process is outlined in Report COR-CFN-24-011, dated June 4, 2024.
- This report provides information to set the stage in preparation for the Strategic Planning and Budget Committee's work to approve the 2025 Plan and Budget by December 11<sup>th</sup>.
- The 2025 plan and budget process responds to current community and budget context and pressures, guided by:
  - Growing with Care Strategic Plan (Report CAO-COM-23-003, dated August 15, 2023) and significant assessment of community need, strategic and operational risks as conducted through the annual business planning process



- Six core principles and Council's direction (Report COR-CFN-24-011, dated June 4, 2024)
- The work and recommendations from the Strategic Planning and Budget Sub-Committee (meetings held on: August 14, August 28, September 11, and October 2)
- Input from the community (results of the IPSOS Resident survey to be presented to the Strategic Planning and Budget Committee on October 30<sup>th</sup>)
- Staff are in the process of finalizing the 2025 operating budget and 2025-2034 capital program which will be presented to the Strategic Planning and Budget Committee on October 30, with detailed reviews following.
- Staff have worked with the Plan and Budget Sub Committee to explore options to meet the less than 8% tax increase guideline. Staff continue to work through the details of those options, assessing the potential risks and liabilities of delaying implementation of critical service enhancements, identifying options for service reductions or options for service elimination.
- One primary strategy to alleviate budget pressures is the Region's program of efficiency and continuous improvement. Over the past five years this focus has resulted in efficiency savings of \$41.6M and the organization continues to perform well against comparators as part of the MBNCanada benchmarking group on administrative cost related indicators.
- Although fiscal and economic pressures present a challenging context to grow services, it is still imperative that staff continue to assess and identify areas of strategic and operational opportunity and need so that Council can make informed decisions during the Plan and Budget process.
- Based on preliminary results, the 2025 operating budget projects options for Council to consider between a less than 8% tax increase (reducing service) to approximately a 12% increase (expanding service).
- The main drivers of the 2025 budget increase relate to inflation and cost escalation, adjustments to revenues and funding, annualization of 2024 service expansions, removal of temporary funding, impacts of in-year approvals and continued service expansions. The base budget also includes organizational efficiencies which have no impact on service levels.
- Based on Council's direction to identify options for a tax rate increase of less than 8%, staff have identified alternative scenarios to achieve the guideline, which include deferrals of service expansions and potential service reductions and eliminations.
- Council's decisions on how much and where to invest will determine initiatives in 2025 that will make the most impact on the delivery of essential services to a growing community, while continuing to respond to global and local challenges.



## 5. Background:

- This report is to set the stage as the Strategic Planning and Budget Committee begins the 2025 process by providing an overview of the following:
  - i. Overall approach and timeline
  - ii. 2025 plan and budget context
  - iii. Sub-committee's work
  - iv. Risks and opportunities to consider for 2025
  - v. Community engagement

### I. Overall approach and timeline

- The 2025 Plan and Budget approach, context, and timeline was presented to Council on June 4, 2024 (CAO-CFN-24-011). The Committee's first meeting begins on October 16<sup>th</sup>, with anticipated final approval on December 11<sup>th</sup>, 2024.
- 2025 will be Councils' second year of implementing the Growing with Care Strategic Plan. The Plan provides a shared vision for the community as it navigates unprecedented population growth.
- The annual plan and budget process allows Council to identify and allocate investments across each of the four integrated priority areas, balancing the need to maintain existing essential service delivery, with affordability for residents and service growth.
- Over the past year, significant advancements have been made. Report COR-CFN-24-013, dated August 13, 2024 provides the latest summary. A few highlights include:
  - **Investment in Homes for all:** Investments were made in new housing developments, research, and collaborations to support affordable homes and upstream solutions that improve housing for people living in the region. A couple of examples included: adding 257 Waterloo Region Housing units by advancing construction at 420 Kingscourt and 82 Wilson and awarding the architect for Courtland-Shelley; purchase of a permanent shelter at 84 Frederick.
  - **Investment in Climate aligned growth:** The Region supported sustainable community growth and a healthy environment where communities can thrive by making public and active transportation practical and easy, reducing Regional greenhouse gas emissions and energy consumption, and protecting and sustaining our natural resources. Key initiatives included increasing GRT service levels, and progressing Stage 2 ION.
  - **Investment in Equitable services and opportunities:** The Region invested in programs, community engagement, and new partnerships to provide equitable, accessible services that support the social determinants of health, safety, and complete communities as we grow. Twenty-five T+C Calls to Action are being furthered by current Growing with Care Initiatives. The

Region has also been working with Area Municipalities to develop a strategic plan that identifies and prioritizes actions to advance reconciliation collectively.

- **Investment in a Resilient and future ready organization:** The Region used data, technology, and new approaches to improve services and ensure the Region of Waterloo is a great place to work where everyone is valued, feels they belong and has the supports and tools they need to transform services. An example is working with partners to prepare the alternative destination program, which will enable paramedics who respond to 911 calls to bring eligible mental health and addictions patients to a community clinic instead of taking them to the Emergency Department. Additionally, the Region is strengthening cybersecurity defenses by deploying next level technology such as Multi Factor Authentication.
- While much has been achieved, as Council prepares for 2025, there is a need to assess the current context and determine scale and pace of change.

## II. 2025 Plan and Budget Context

- The Region of Waterloo is the fastest growing community in Canada, with population growth rates at historical highs.
- The main drivers of the 2025 budget relate to inflation and cost escalation, adjustments to revenues and funding, annualization of 2024 service expansions, removal of temporary funding, impacts of in-year approvals and continued service expansions.
- Through report COR-CFN-24-011, dated June 4, 2024, staff provided a preliminary preview of the 2025 tax supported operating budget projecting a tax increase in the range of 12-13% for Regional Services (excluding Police).
- In response to the June 4, 2024 preliminary review, Administration and Finance Committee provided the following direction to staff:
  - Regional Council direct staff to return with a budget that has less than an 8 per-cent tax rate increase, prioritizing potential funding reductions in areas that should be funded by higher levels of government
  - Regional Council direct staff to compile a comprehensive review of funding provided by the Region to external organizations and conduct analysis on whether it matches a strategic priority area within the Region of Waterloo's Strategic Plan, Growing With Care
  - Regional Council direct staff to conduct a priority ranking of funding provided by the Region to external parties under each of the Region of Waterloo's Strategic Plan, Growing With Care pillars; Homes for All, Climate Aligned Growth, Equitable Services and Opportunities, and a Resilient and Future Ready Organization



- That staff provide a review of all services currently baked into the base budget and provide information on what is legislatively mandated for the region to provide
- That staff also report back on areas of overlap between regional and area municipalities services
- Further, that Staff conduct a comprehensive review of the Region's administrative expenses, and what could be done differently operationally
- The June 4, 2024 report (COR-CFN-24-011) also included six principles that were created to guide robust decision making in 2025. They aim to ensure that all 2025 Plan and Budget decisions prioritize investment in service levels, strategic initiatives, and capital program decisions that together:
  - Make a significant measurable, impactful difference to Growing with Care outcomes and objectives.
  - Mitigate a significant risk that the community or the organization currently faces.
  - Maintains the course, investing first in existing essential service delivery and commitments that support the bold agenda Council has already set.
  - Meets prescribed legislated standards or requirements (accreditation, compliance, or legal).
  - Moves forward time critical items – service level changes, strategic initiatives, capital projects - that must be done immediately and are time critical, meaning it cannot wait a year or more.
  - Makes fiscal sense, is financially sustainable, with an approved business case or equivalent analysis that shows it is affordable for taxpayers today and over the longer term
- The current draft operating budget position was elaborated through a careful prioritization of all proposed expansions, based on the principles above. Projected budget increases fall into four categories:
  1. Base budget adjustments – adjustments for inflation and cost escalation as well as revenue and subsidy adjustments and debt servicing costs for capital projects and additional funding requirements for capital asset renewal, approved tax increment grants and discretionary development charge exemptions.
  2. Annualization of 2024 decisions – including annualization of service expansions and removal of one-time funding approved on a temporary basis.
  3. Post-2024 budget approval – approval of grant funding in excess of the approved budget, debt servicing costs for land acquisitions approved in-year and the funding strategy for the waste management collection contract renewal in 2026.

4. Anticipated service expansions – continuation of master and business plan investments in areas such as transit, paramedic services and further implementation of the Plan to End Chronic Homelessness.

Based on preliminary results, the 2025 operating budget projects options for Council to consider between a less than 8% tax increase (reducing service) to approximately a 12% increase (expanding service), taking into account an estimated 1.75% assessment growth.

The option to achieve the less than 8% tax increase guideline includes deferrals of service expansions and potential service reductions and eliminations.

### **III. Sub-committee's work and recommendations**

- Council provided direction at the June 4<sup>th</sup> Administration and Finance Committee, to establish a sub-committee for the purposes of working with staff to review:
  - potential funding reductions in areas that should be funded by higher levels of government;
  - funding provided by the Region to external organizations;
  - services currently baked into the base budget and services that are legislatively mandated for the region to provide;
  - areas of overlap between regional and area municipalities services; and
  - the Region's administrative expenses.

And that this sub-committee be directed to conduct this review prior to the first meeting of the Strategic Planning and Budget Committee for the 2025 budget.

And that this sub-committee consist of members of council who have volunteered with the understanding that there may be size restrictions as set out by the Committee Chair.

- Four Strategic Planning and Budget Sub-committee meetings were held between August 28<sup>th</sup> and October 2<sup>nd</sup>, resulting in a series of recommendations to be brought forward to the Strategic Planning and Budget Committee for consideration.

### **IV. Risks and Opportunities to Consider for 2025**

- Residents and businesses continue to face extraordinary costs of living and doing business.
- At the June 4, 2024 Strategic Planning and Budget Committee meeting, Regional Council directed staff to return with a budget that has less than an 8 per-cent tax rate increase, prioritizing potential funding reductions in areas that should be funded by higher levels of government.
- Although fiscal and economic pressures present a challenging context to grow services, it is still imperative that staff continue to assess and identify



areas of strategic and operational opportunity and need so that Council can make informed decisions during the Plan and Budget process.

- Reaching the less than 8% tax guideline involves deferring proposed required expansions and reducing and/or eliminating service levels.
- These choices bring varying levels of risks and impacts to community which will be explored during the plan and budget process:

## **V. Community Engagement**

- The engagement approach for the 2025 Plan and Budget builds on approaches from past years and leverages existing data (e.g., Youth Impact, Immigration Partnership, CSWP).
- A variety of methods are being used, including:
  - Robust IPSOS Resident Survey, reaching 1,000 residents
  - Focused conversations
  - Community events
  - General outreach
- Results from community engagement, in particular, the IPSOS Resident Survey will be brought to Strategic Planning and Budget Committee on October 30, 2024.
- Additionally, two public input meetings (November 6 & 27) will provide other opportunities to hear from the community.

## **6. Communication and Engagement with Area Municipalities and the Public**

### **Area Municipalities:**

Staff continue to work with their Area Municipal colleagues in identifying needs and priorities across the Region. Through a table of strategy professionals, staff continue to share data and insights to better understand needs, risks, and pressures in service delivery for all residents.

### **Public:**

The Region has completed robust engagement with communities across Waterloo Region to inform the Growing with Care strategic plan and many of the initiatives outlined in the draft 2025 Plan and Budget. Budget-specific engagement is underway and will be presented to the Plan and Budget Committee on October 30<sup>th</sup>.

## **7. Financial Implications:**

The Regional tax levy comprises an average of 57% of the residential property tax bill and 45% of the commercial/industrial tax bill. Total tax supported operating expenditure in 2024 exceeds \$1.3 billion with a Regional property tax levy of \$746 million, of which \$518 million (69%) is for direct Regional Services and \$228 million (31%) is for Police

Services. A 1% change in total regional taxes (including Police) in 2025 equates to \$7.6 million, representing an increase of \$25 annually for a typical residence.

Based on preliminary results, the 2025 operating budget projects options for Council to consider between a less than 8% tax increase (reducing service) to approximately a 12% increase (expanding service) taking into account an estimated 1.75% assessment growth. A 1% change in the regional portion of the tax bill (excluding Police) in 2025 equates to \$5.3 million.

Based on Council's direction to identify options for a tax rate increase of less than 8%, staff have identified scenarios to achieve the guideline, which include deferrals of service expansions and potential service reductions and eliminations.

Staff are in the process of finalizing the 2025 operating budget and 2025-2034 capital program, including proposed service expansions and options to achieve the budget guideline, and will present preliminary budgets to the Strategic Planning and Budget Committee later in October.

#### **8. Conclusion / Next Steps:**

Staff are in the process of finalizing the 2025 operating budget and 2025-2034 capital program which will be presented to the Strategic Planning and Budget Committee on October 30, with detailed reviews following.

#### **9. Attachments:**

Nil

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**Approved By:** Connie MacDonald, Chief Communications and Strategy Officer

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