

Region of Waterloo

Corporate Services

Corporate Finance

To: Strategic Planning and Budget Committee

Meeting Date: December 11, 2024

Report Title: Final 2025 Plan, 2025 Operating Budget and 2025-2034 Capital Program.

1. Recommendation

That the Region of Waterloo take the following action with respect to the 2025 operating budget and 2025-2034 capital program as set out in COR-CFN-24-029 dated December 11, 2024:

- a. Increase 2025 operating budget funding for Housing Services by \$1,708,636;
- b. Decrease 2025 operating budget user fee revenues for Transit Services by \$2,028,550;
- c. Adjust the 2025 operating budget for Children's Services to reflect reduced expenditures and offsetting funding of \$322,207 (no levy impact); and
- d. Amend the 2025 Capital Budget and 2026-2034 Capital Forecast as set out in Appendix B.

2. Purpose / Issue:

To approve the Region's 2025 Plan, the 2025 operating budget, property tax levy and the 2025-2034 Capital Program for direct regional services; and to approve the 2025 operating budget, property tax levy, and capital 2025-2034 Capital Program for the Waterloo Regional Police Service. The main 2025 Plan and Budget motion and draft motions for the Police Services Budget are set out in the meeting agenda.

3. Strategic Plan:

The annual plan and budget process advances the Resilient and Future Ready Organization strategic priority area by working together to identify and invest in the delivery of essential services that support the community and our future fiscal resilience. Investments and actions identified in the 2025 plan and budget support progress in all four strategic priority areas of the Corporate Strategic Plan, Growing with Care: 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.
- Proposed 2025 initiatives to maintain critical services and service expansions focused on top community need are summarized in Appendix A. Highlights of these include: accelerating affordable housing and implementing the Plan to End Chronic Homelessness, growing childcare across the region, investing in programs and infrastructure to support the community's growing water and wastewater needs, expansions to transit service to address new ridership patterns, modernizing and improving service experience for residents, and more.
- Recent funding announcements have been made impacting funding for homelessness programs and Children's Services. Staff recommend adjustments to the 2025 operating budget to align with these funding announcements.
- Staff have reviewed major revenue assumptions based on recent trends and are recommending decreasing transit fare revenue by \$2,028,550 for 2025.
- Through report RSC-SPR-24-001, Options to Achieve the 2025 Budget Guideline, staff provided information on the list of 2025 budget reduction options for Strategic Planning and Budget Committee's final budget day. In total, the financial impact associated with the reduction options would amount to a 2025 net levy reduction of \$5.2 million which translates into a property tax impact of 1.0%.
- The current preliminary 2025 property tax levy for regional services (excluding police) including approved amendments, service expansions moved by the Strategic Planning and Budget Committee to final budget day, staff proposed budget amendments and potential reduction options is \$582.2 million, representing a 10.45% increase to the Region's portion of the tax bill (excluding police). The impact per \$100,000 of residential assessment is approximately \$52 annually, which translates to approximately \$184 for the average household.
- The preliminary operating budget proposes a wholesale water rate increase of 4.9%, wholesale wastewater rate increase of 5.9%, retail water distribution rate increase of 3.9% and retail wastewater collection rate increase of 3.9%, effective January 1, 2025. Additionally an increase of \$1.00 to the monthly service charge for retail water distribution and retail wastewater collection is also proposed.
- The 2025 budget proposes certain changes to various user fees and charges as outlined in Report COR-CFN-24-028 on this agenda.
- On November 13, 2024 the Police Services Board (PSB) approved the 2025

Waterloo Regional Police Service (WRPS) budget with a property tax levy of \$252,468,301, which represents a 10.52% levy increase over 2024 and results in a change in property taxes for Police Services of 8.56% net of assessment growth.

- The total preliminary 2025 operating budget expenditure for Regional and Police Services, including amendments, proposed service expansion, staff recommended budget adjustments and potential reduction options, is \$1.694 billion, and includes a 2025 property tax levy requirement of \$834.7 million, representing an increase of \$88.5 million from 2024. The current 2025 property tax impact for Regional and Police Services is 9.87%, taking into account assessment growth of 1.81%.
- The 2025-2034 capital program for Regional and Police Services proposes investments of approximately \$7.2 billion over ten years, with \$682 million planned in 2025.

5. Background:

- 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 (IPSOS Resident survey, presented to Committee on October 30; Report RSC-24-001, dated November 27; public input sessions held on November 6 and 27).
 - Further input about proposed options to achieve the budget guideline outlined in report RSC-SPR-24-001 was gathered from approximately 40 residents through a third public input session on December 3rd and the EngageWR platform and from nearly 1,200 residents through a survey conducted by GRT (as summarized in Appendix E).
- Over recent years, Council set in motion a series of impactful strategic decisions and service expansions to achieve progress toward its Growing with Care strategic plan. Continuing this critical work in a measured and sustainable way is central to creating the 2025 Plan and budget that continues to deliver essential services to residents.

- The proposed 2025 initiatives to maintain critical services and service expansions focused on top community need are summarized in Appendix A. Highlights are summarized below in each Growing with Care priority area.

Resilient and Future Ready Organization:

- Strengthening partnerships and investments from other levels of government.
- Enhancing employees' access to data, tools, and technology needed to deliver human-centred services.
- Fostering safe and inclusive communities by embedding Reconciliation, Equity, Diversity and Inclusion into the organization and the services provided.
- Ensuring the security and continuity of Regional services by enhancing cyber security and emergency preparedness.
- Investing in employees' growth, development, health and wellbeing.

Equitable Services and Opportunities:

- Growing childcare spaces across the region.
- Improving road safety through traffic calming, municipal speed cameras, and safety designs at roundabouts.
- Enhancing health and wellbeing through public health programs and services for children and families, and supporting community and health system partners.
- Investing in innovative, accessible and culturally safe models of services through the community, safety, and wellbeing plan Investing in innovative, accessible and culturally safe models of services through the community, safety, and wellbeing plan.
- Collaborating with Indigenous partners on providing culturally safe services and spaces, including Indigenous led childcare.
- Supporting health system partners in creating alternative destination options for paramedic patients to ensure more timely access to care.

Homes for All:

- Continuing to meet targets to grow and incentivize affordable housing across the region.
- Expanding services and supports offered through the Region's housing services.
- Collaborating with community on ending chronic homelessness.
- Expanding innovative and equitable approaches to employment services.
- Generating economic growth in the community through the Region of Waterloo Airport.
- Increasing the supply of Region-owned land to support the growth of affordable housing and employment.

Climate Aligned Growth:

- Increasing the Region's use of sustainable energy sources and energy conservation practices to reduce greenhouse gas emissions Increase the Region's use of sustainable energy sources and energy conservation practices to reduce greenhouse gas emissions.

- Improving the climate resiliency of the Region's assets and infrastructure through adaptation and mitigation strategies.
- Exploring innovative waste diversion and circular economy programs.
- Expanding active and public transportation networks to support sustainable transit choices within the region.
- Making public transportation practical and easy by advancing ION rapid transit, Kitchener Central Transit Hub, and more.
- Investing in programs and infrastructure to support the community's growing water and wastewater needs.

Direct Regional Services Budget.

The 2025 preliminary base operating budget (excluding Police Services), amended for direction provided by Council, includes a property tax levy requirement of \$575.7 million, representing an increase of \$57.9 million from 2024. The property tax impact of Regional Services (excluding Police Services) is 9.22% taking into account assessment growth of 1.81%.

Service expansions moved forward by the Strategic Planning and Budget Committee to final budget day have a 2025 property tax levy impact of \$11.4 million. The property tax levy change, inclusive of proposed service expansions, is \$72.1 million, which, taken with the other pressures, corresponds to a property tax impact of 11.38%.

As a result of recent funding announcements and transit ridership data, staff are recommending the following changes to the 2025 preliminary tax supported operating budget:

- **Housing Services** – As a result of recent funding announcements, staff are proposing to increase funding relating to homelessness in the 2025 base operating budget by \$1,708,636.
- **Children's Services** – The Region was recently provided with confirmation of 2025 funding for Children's Services which is \$322,207 lower than estimated through the preliminary 2025 operating budget. Staff are recommending to adjust the funding included in the 2025 operating budget to align with the funding announcement and reduce operating expenditures by the same amount, resulting in no levy impact.
- **Transit Services** – Revenue is forecasted to be lower than originally projected due to recently updated college enrolment projections for 2025. Staff have revised their estimates for Transit fare revenue in 2025 and as a result, staff are recommending that the 2025 operating budget be amended with a reduction in Transit fare revenue of \$2,028,550.

Through report RSC-SPR-24-001, Options to Achieve the 2025 Budget Guideline, staff provided a list of 2025 budget reduction options for Strategic Planning and Budget Committee's final budget day. In total, the financial impact associated with the reduction options would amount to a 2025 net levy reduction of \$5.2 million which translates into a

property tax impact of 1.0%. The annualized savings associated with these reduction options total \$7.8 million.

The 2025 Regional operating budget continuity (excluding Waterloo Regional Police Service) inclusive of the Library budget outlined below and assessment growth of 1.81% is summarized in the following table:

Regional budget position	Expenditure	Revenue	Tax Levy	Change in Property Taxes
2025 preliminary base operating budget (Oct. 30, 2024)	\$1,399,986,897	\$824,098,431	\$575,888,466	9.24%
Council Directed Amendments:				
Library Committee (Nov. 26), Utilize Library Services Reserve Funding to reduce tax impact	-	100,000	(100,000)	
PDL-GDS-24-020 (Nov. 27), Bill 23 operating budget decrease	(131,666)	-	(131,666)	
PDL-LEG-24-026 (Oct. 23), Facilities operating and debt servicing cost increases due to property acquisitions	129,000	-	129,000	
HRD-TOR-24-002 (Nov. 27), Benefit adjustments decrease	(37,750)	-	(37,750)	
2025 amended base operating budget	\$1,399,946,481	\$824,198,431	\$575,748,050	9.22%
Proposed service expansions moved forward by Budget Committee to final budget day	21,639,057	10,255,140	11,383,917	2.16%
2025 operating budget with expansions	\$1,421,043,038	\$833,911,071	\$587,131,967	11.38%
Proposed amendments:				
Housing Services funding increase	-	1,708,636	(1,708,636)	(0.32%)
Children's Services program (no levy impact)	(322,207)	(322,207)	-	-
Transit Services user fee revenue decrease	-	(2,028,550)	2,028,550	0.38%
2025 operating budget with expansions and proposed amendments	\$1,420,720,831	\$833,268,950	\$587,451,881	11.44%
Reduction Options	(5,512,566)	(309,498)	(5,203,068)	(0.99%)
Preliminary 2025 Tax Levy change	\$1,415,208,265	\$832,959,452	\$582,248,813	10.45%

The current preliminary 2025 property tax levy for regional services (excluding police) including approved amendments, service expansions moved by the Strategic Planning

and Budget Committee to final budget day, staff proposed budget amendments and potential reduction options is \$582.2 million, representing a 10.45% increase to the Region's portion of the tax bill (excluding police).

The impact of a 10.45% tax increase per \$100,000 of residential assessment is approximately \$52, which translates to approximately \$184 for the average household valued at \$354,500 (CVA valuation date being held at January 1, 2016).

The operating budget proposes a wholesale water rate increase of 4.9%, wholesale wastewater rate increase of 5.9%, retail water distribution rate increase of 3.9% and retail wastewater collection rate increase of 3.9%, effective January 1, 2025. Additionally an increase of \$1.00 to the monthly service charge for retail water distribution and retail wastewater collection are also proposed. User fee changes are also proposed for public transit, waste management and airport, with minor changes planned in other program areas. All proposed changes to user fees and charges are outlined in report COR-CFN-24-028 on this agenda.

Budget increases fall into four categories:

- 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.
- Annualization of 2024 decisions – including annualization of service expansions and removal of one-time funding approved on a temporary basis.
- 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.
- Proposed 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.

The 2025 capital budget includes projects that will be in progress but not completed at the end of 2024 as well as projects intended to commence during the year. Funding for the capital program is comprised of grants/subsidies, property taxes, user rates and development charges. Regional Council annually approves the capital budget for the current year and approves the following nine (9) years as a forecast. During the budget development process, staff reviewed the need, timing, scope and cost of capital works and adjusted project expenditure profiles to reflect the status of existing projects, planned activity in 2025 and resource capacity, as well as to moderate debt requirements. The 2025-2034 Capital Plan has been impacted by significant cost escalation. Capital project expenditure budgets have been adjusted to reflect higher costs resulting from inflation. As capital costs increase, the need for funding from regional reserves and from long-term borrowing increases correspondingly.

Since the preliminary budget was provided to the Strategic Planning & Budget

Committee on October 30th, staff have identified several amendments as a result of changes in legislation, project approvals from upper levels of government as well as amendments resulting from funding announcements. Proposed amendments to the 2025 Capital Budget and 2026-2034 Capital Forecast as set out in Appendix B.

The Region's proposed 2025-2034 capital program, excluding Police Services, proposes investments of approximately \$6.8 billion over ten years, with \$653 million planned in 2025.

Figures in \$ thousands	2025	2026-2034 Forecast	2025-2034 Total
Expenditure:			
Preliminary capital plan (Oct. 30, 2024)	\$657,447	\$6,115,175	\$6,772,622
Proposed capital program amendments (Dec. 11, 2024)	(4,453)	5,333	881
Total Expenditure	\$652,995	\$6,120,508	\$6,773,503
Funding & Financing:			
Grants & Subsidies	\$127,383	\$1,842,401	\$1,969,784
Development Charge Reserve Funds	158,523	823,735	982,258
Development Charge Debentures	3,955	451,195	455,150
Reserves & Reserve Funds	251,470	1,789,794	2,041,265
Contributions from Operating	70	270	340
Property Tax Debentures	111,593	1,213,113	1,324,707
Total Funding & Financing	\$652,995	\$6,120,508	\$6,773,503

Region of Waterloo Library Budget.

On November 26, 2024 the Region of Waterloo Library Committee approved the recommendations outlined in COR-CFN-24-025, 2025 Region of Waterloo Library Budget with Resolutions, as follows:

That the Library Committee take the following action with respect to the 2025 Region of Waterloo Library Budget (RWL) as set out in Report COR-CFN-24-025 dated November 26, 2024:

1. Approve the 2025 RWL Operating Budget with a net expenditure of \$3,599,351 and a net property tax levy of \$3,182,053: and
2. Approve the 2025 RWL Library Capital Budget and 2025-2033 Capital Forecast as appended,
3. Refer the 2025 RWL Budget to the Region of Waterloo's Strategic Planning

and Budget Committee for consideration, and

That the Region of Waterloo Library Services Reserve be reduced by \$100,000.

The 2025 budget for the Region of Waterloo Library (RWL) with a total tax levy of \$3,182,053 represents an increase of \$185,557 (6.2%) from 2024. A summary of the 2025 Region of Waterloo Library Budget is provided in the following table:

	2024 Approved Budget	Recommended 2025 Budget	\$ Change	% Change
Expenditure	\$3,528,378	\$3,695,551	\$167,173	4.7%
Revenue	\$531,882	\$513,498	\$18,384	(3.5%)
Property Tax Requirement	\$2,996,496	\$3,182,053	\$185,557	6.2%

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

Waterloo Regional Police Services Budget.

On November 13, 2024 the Police Services Board (PSB) approved the 2025 Waterloo Regional Police Service (WRPS) budget with a property tax levy of \$252,468,301, which represents a 10.52% levy increase over 2024 and results in a change in property taxes for Police Services of 8.56% net of assessment growth.

	2024 WRPS Operating Budget	2025 WRPS Operating Budget
Expenditure	\$252,409,148	\$278,467,629
Revenue	\$23,980,651	\$25,999,328
Property Tax Requirement	\$228,428,497	\$252,468,301
Year over year levy increase	\$14,368,231	\$24,039,804
Year over year % levy increase	6.71%	10.52%
Change in property taxes for Police Services	4.43%	8.56%

The Police Services 2025-2034 capital program proposes investments of approximately \$426.2 million across the ten years of the program, with \$29.1 million in 2025.

Figures in \$ thousands	2025	2026-2034 Forecast	2025-2034 Total
Total Expenditure	\$29,113	\$397,077	\$426,190
Funding & Financing:			

Grants & Subsidies	2,033	9,539	11,572
Development Charge Reserve Funds	1,939	8,714	10,653
Development Charge Debentures	2,546	136,831	139,377
Property Tax Reserves & Reserve Funds	17,280	105,874	123,154
Contributions from Operating	-	322	322
Property Tax Debentures	5,315	135,797	141,112
Total Funding & Financing	\$29,113	\$397,077	\$426,190

6. Area Municipality Communication and Public/Stakeholder Engagement:

The Region undertakes regular community and stakeholder engagement throughout the year. The results of these engagements and the needs expressed by community through them are reflected in the proposed 2025 Plan and Budget. Input from the community has included: IPSOS Resident survey, presented to Committee on October 30; Summary of engagement results (Report RSC-24-001, dated November 27); and three public input sessions (held on November 6, 27, and December 3).

7. Financial Implications:

The current preliminary 2025 property tax levy for regional services (excluding police) including approved amendments, service expansions moved by the Strategic Planning and Budget Committee to final budget day, staff proposed budget amendments and potential reduction options is \$582.2 million, representing a 10.45% increase to the Region's portion of the tax bill (excluding police). The impact per \$100,000 of residential assessment is approximately \$52, which translates to approximately \$184 for the average household.

The proposed 2025 property tax levy for the Waterloo Regional Police Service (WRPS) is \$252.5 million, representing a 8.56% increase to the WRPS portion of the tax bill. The impact per \$100,000 of residential assessment is approximately \$19 annually, which translates to approximately \$67 for the average household.

Property Tax Levy

	Region	Police	Total
2024 approved	\$517,801,596	\$228,428,497	\$746,230,093
2025 current	\$582,248,813	\$252,468,301	\$834,717,114
\$ change	\$64,447,217	\$24,039,804	\$88,487,021
% change	12.45%	10.52%	11.86%

Average Regional Taxes per \$100,000 Residential CVA

	Region	Police	Total
2024	\$498	\$220	\$718
2025	\$550	\$239	\$789
\$ change	\$52	\$19	\$71
% change in property taxes	10.45%	8.56%	9.87%

The proposed 2025 operating budget as it stands results in a 9.87% increase to the overall Regional tax bill. The impact per \$100,000 of residential assessment is approximately \$71 annually, which translates to approximately \$251 for the average household for the year. A 1% tax rate increase generates an additional \$7.6 million in tax revenue on the total Regional tax bill.

Summaries of the Region of Waterloo's 2025 operating budget and 2025-2034 capital plan with funding and financing sources are included in Appendix D.

It is noted that the actual regional tax impact differs across the area municipalities in the Region. While the tax levy requirement for most Regional services is levied in a uniform manner across the seven area municipalities, the tax levy requirement for public transit and library are "area-rated" to specific municipalities, as described in Appendix C.

8. Conclusion / Next Steps:

Staff will prepare 2025 tax policy recommendations and associated by-laws to establish 2025 regional tax rates in April.

9. Attachments:

Appendix A: Proposed 2025 Annual Business Plan Initiatives

Appendix B: Recommended 2025 Capital Budget and 2026-2034 Capital Forecast Amendments

Appendix C: Funding of Regional Services from Property Taxes

Appendix D: 2025 Operating Budget and 2025-2034 Capital Plan Summary Tables

Appendix E: Summary of Engagement on Options to Achieve 2025 Budget Guideline

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