

2024 Plan and Budget: Setting the Stage

Strategic Planning and Budget
Committee

October 4, 2023



Region of Waterloo

Introduction and Agenda

Strategic Plan,
Principles and
Engagement

Economic
Environment

2024 Budget
Overview

Budget Review
Process and
Timetable

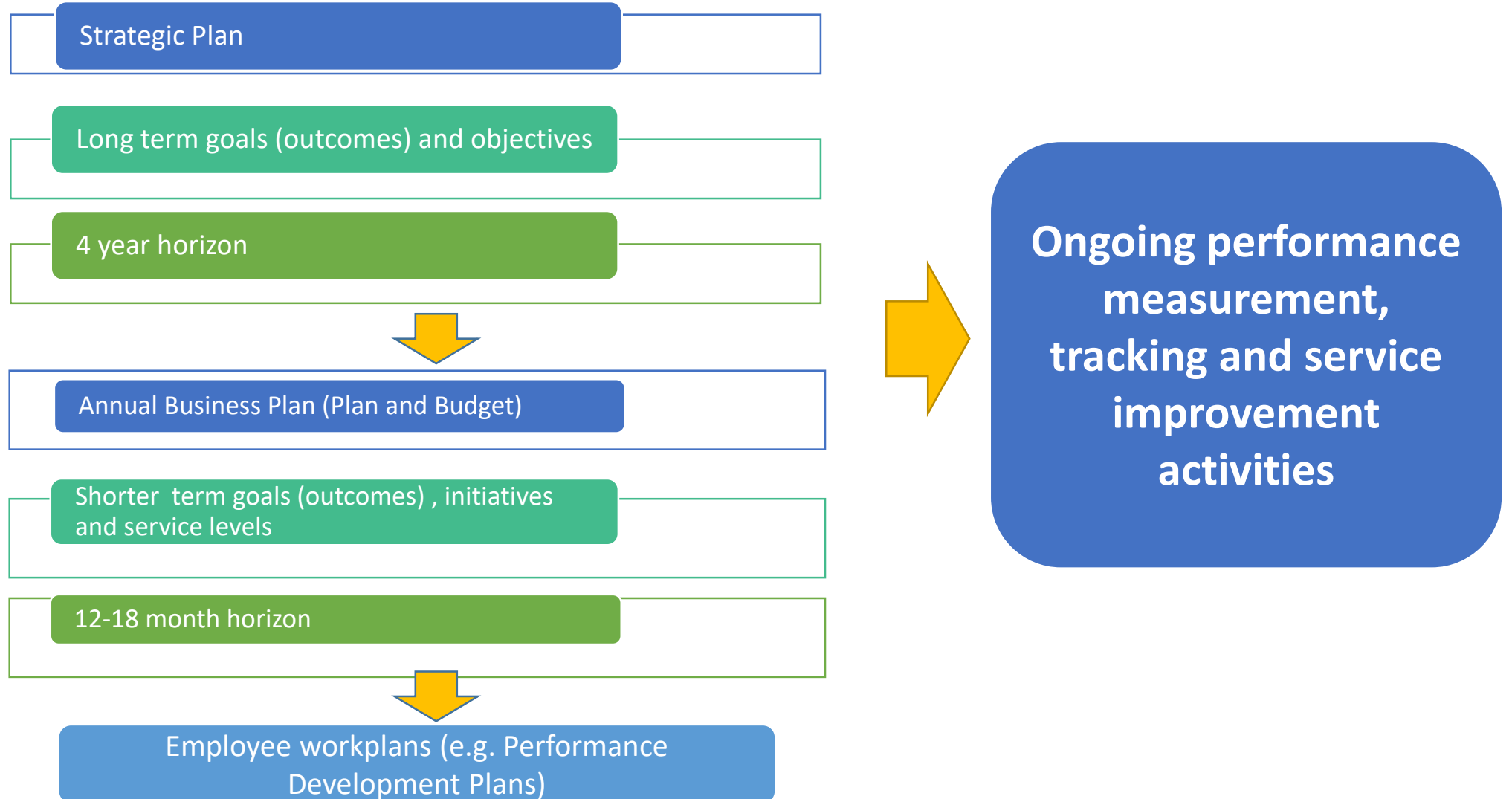
Reminders

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

The Preliminary 2024 Budget will be tabled on October 18

The October 4 meeting is about information sharing and overall budget context – no budget decisions are expected today

How community priorities shape our work - 2024 Plan and Budget Process





Strategic Plan 2023-2027 Priorities and Objectives

HOMES FOR ALL

We will invest in affordable homes and economic opportunity for all that are part of inclusive and environmentally sustainable communities.

- Move quickly to create affordable, accessible, and equitable housing
- Eliminate chronic homelessness and reliance on traditional shelter models
- Invest in upstream solutions to reduce housing and economic precarity
- Unlock Region-owned land that supports community growth



CLIMATE ALIGNED GROWTH

As we grow, we will support a healthy environment where communities can thrive. Through intentional collaboration and creativity, we will support sustainable community growth.

- Use a climate adaptation lens to re-imagine infrastructure, land and services for growth
- Foster car alternative options through complete streets and extended alternative transportation networks
 - Steward our natural environment and shared resources as we grow

EQUITABLE SERVICES AND OPPORTUNITIES

Through collaboration and innovative design, we will provide equitable, accessible services across Waterloo Region that support the social determinants of health, safety and complete communities as we grow.

- Ensure services are inclusive, accessible, culturally safe and appropriate
- Design equitable Regional services that meet local community needs
- Explore new models of service through community collaboration and partnerships



GROWING WITH CARE

RESILIENT AND FUTURE READY ORGANIZATION

The Region of Waterloo is a great place to work, where everyone is valued, feels they belong and where they have the supports and tools they need to do a great job. We will be prepared for the future by providing a safe space for bold ideas and experimentation, based on data and other ways of knowing.

- Foster an empowered, people-centered culture
- Reconcile past injustices to advance our future together
- Explore new service models and partnerships to achieve fiscal resilience and better service

From Planning to Action

- **Council workshop September 19**

- Share emerging draft plan
- Important dialogue and pulse check
- Gain input and advice (areas to dial up, explore more etc.)

- **Influencers of success:**

- Collaboration
- Advocacy, relationships and partnerships with upper levels of government
- Building trust
- Streamlining processes and efficient service delivery
- Innovative thinking
- Greater communication
- Community engagement and consultation
- A new fiscal framework/arrangement
- Clarity on service provision between the Region and Area Municipalities

Continuing the conversation with Community - Engagement Plan (October – December 2023)

Launch and Familiarize:	Tactic	Timeline
<ul style="list-style-type: none"> • Building on the robust engagement conducted for the strategic plan. • Validating what we heard through the strategy and engage community in reviewing the draft priorities for 2024 Plan and Budget • Ensure all geographic areas are reached. • Increasing visibility in areas of the region we don't often spend time 	Provide regular updates to the public <ul style="list-style-type: none"> • Engage Page (Plan and Budget), website, Videos of community talking about the plan, Around the Region. 	Beginning October and beyond
	Gather feedback through a variety of methods <ul style="list-style-type: none"> • Open house events in each municipality • Engage Page survey and updates • Council Public Input Sessions • Social media • Leveraging REDI team conversations/ engagement 	October - November
	Provide community with a direct voice to Council <ul style="list-style-type: none"> • Council Public Input Sessions 	October 18, November 1, November 29
	Continue relationships with key stakeholders <ul style="list-style-type: none"> • Ongoing conversations as needed 	Ongoing

2024 Plan and Budget Principles

To provide guidance to staff when preparing the 2024 Plan & Budget

As Waterloo Region's population grows by 50% in less than 30 years, and with significant growing demand for regional services through 2023 and into 2024, staff will follow the 2024 Plan and Budget approved by Council to meet the demands of a rapidly growing community

Reflecting on community inputs, the strategic plan inputs and discussions, and the recent council survey, the following principles will guide the development of the 2024 Plan and Budget

2024 Plan and Budget Principles

Build on past success and strategic investments

- Strategic plan guides everything we do
- Maintain existing regional services to residents in all parts of the region
- Meet growing resident service demands
- Review provincial and federal responsibilities currently funded in whole or in part by the property tax levy
- Invest 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
- Invest in service modifications and expanded access to address inequities
- Respect taxpayer dollars – investments should deliver intended outcomes
- Avoid decisions that make future budgets more difficult – balance affordability and long-term risk (not sacrificing long-term for short-term tax reductions)

Economic Indicators



Region of Waterloo

What has changed in a year?

2023 was described as...

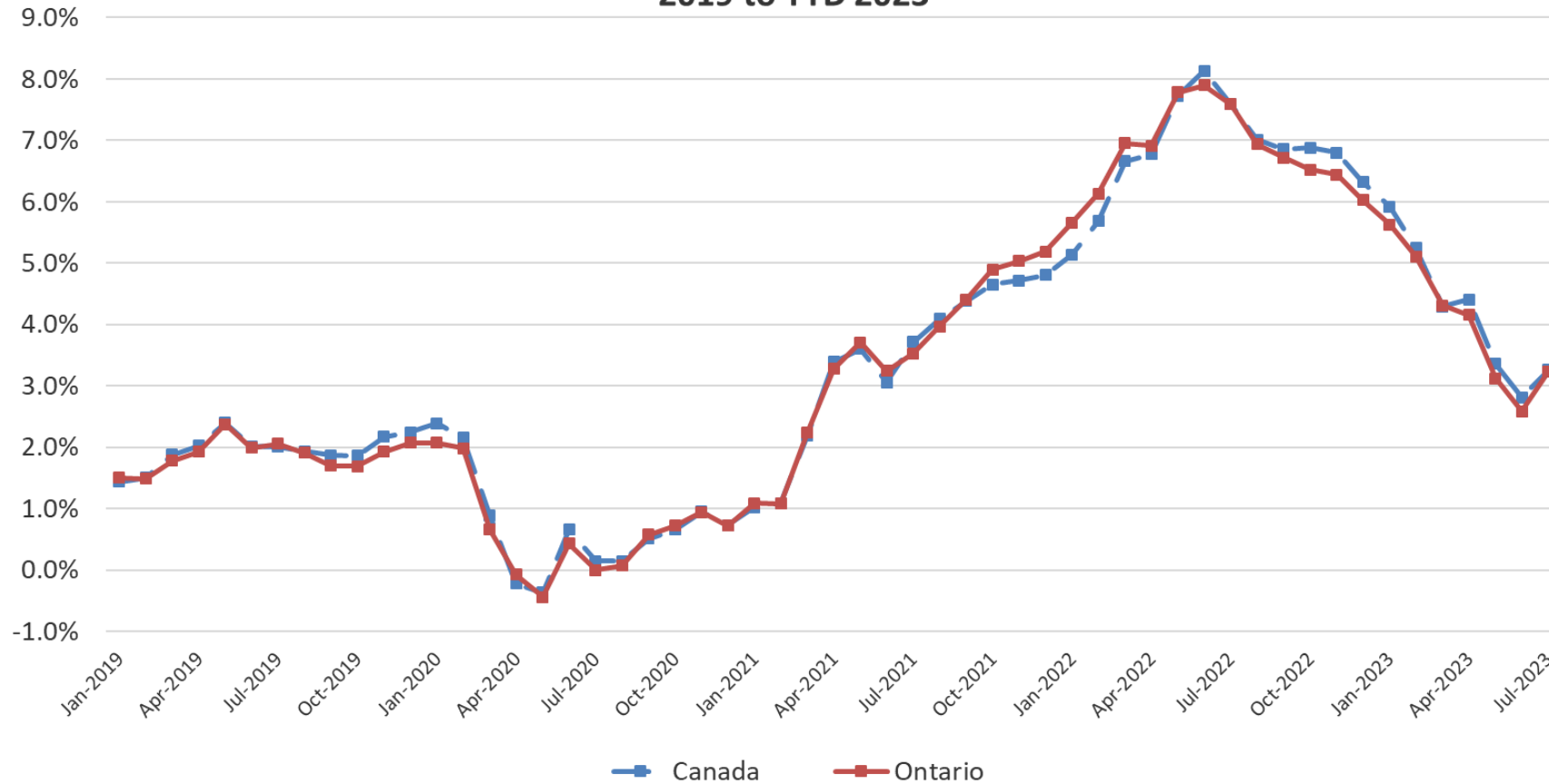
- a perfect storm of high inflation, rising cost of borrowing, capital cost escalation, high fuel prices, a housing crisis, a growing homelessness population, and service expansion needed to meet a rapidly growing population

2024 looks to be...

- Not all that different, and...
- Continued growth in the community is driving demand for services (one of the fastest growing communities in Canada)

Inflation

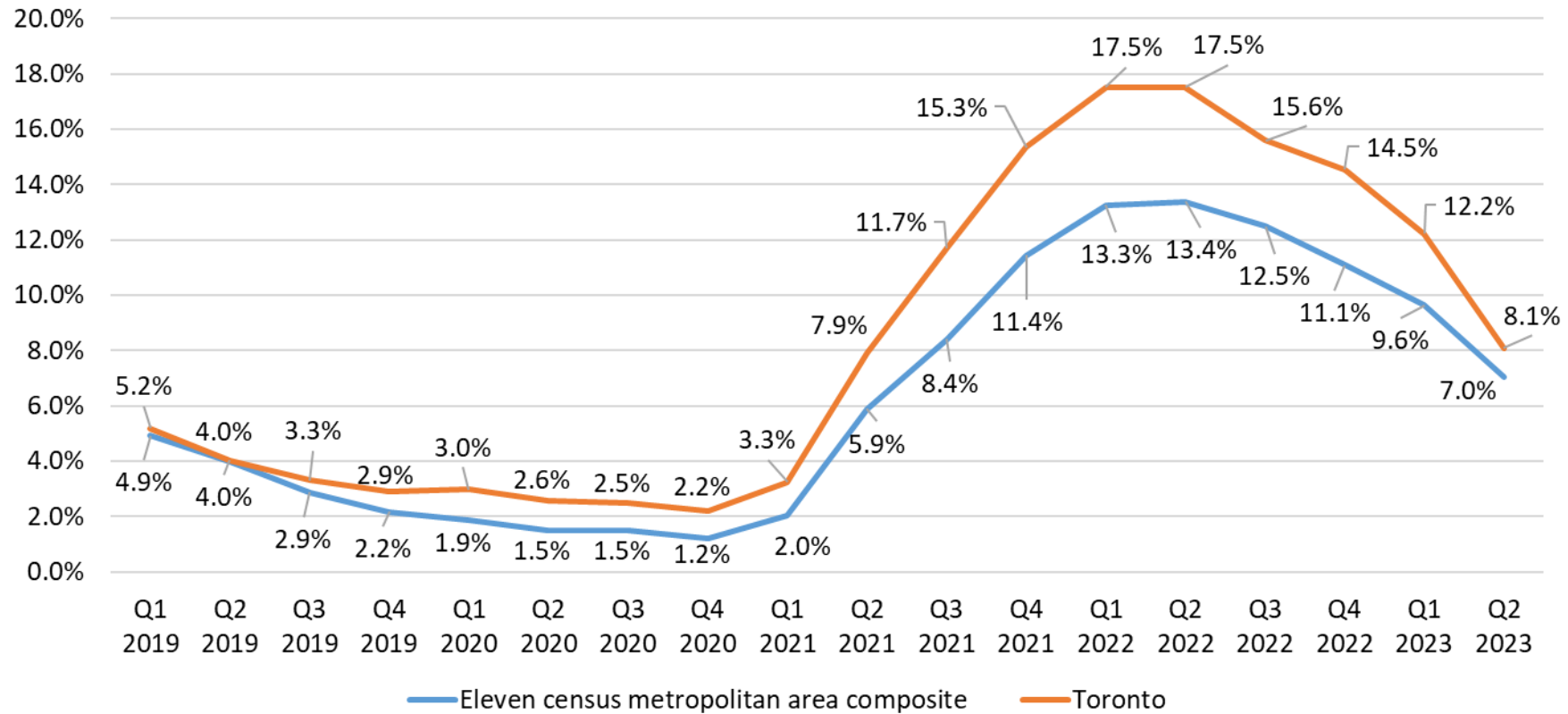
Consumer Price Index (Year-Over-Year)
2019 to YTD 2023



August CPI: Canada 4.0%, Ontario 3.8%

Capital Cost Escalation

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



Construction Price Index: 8.1% (Toronto, Q2 2023 over Q2 2022)

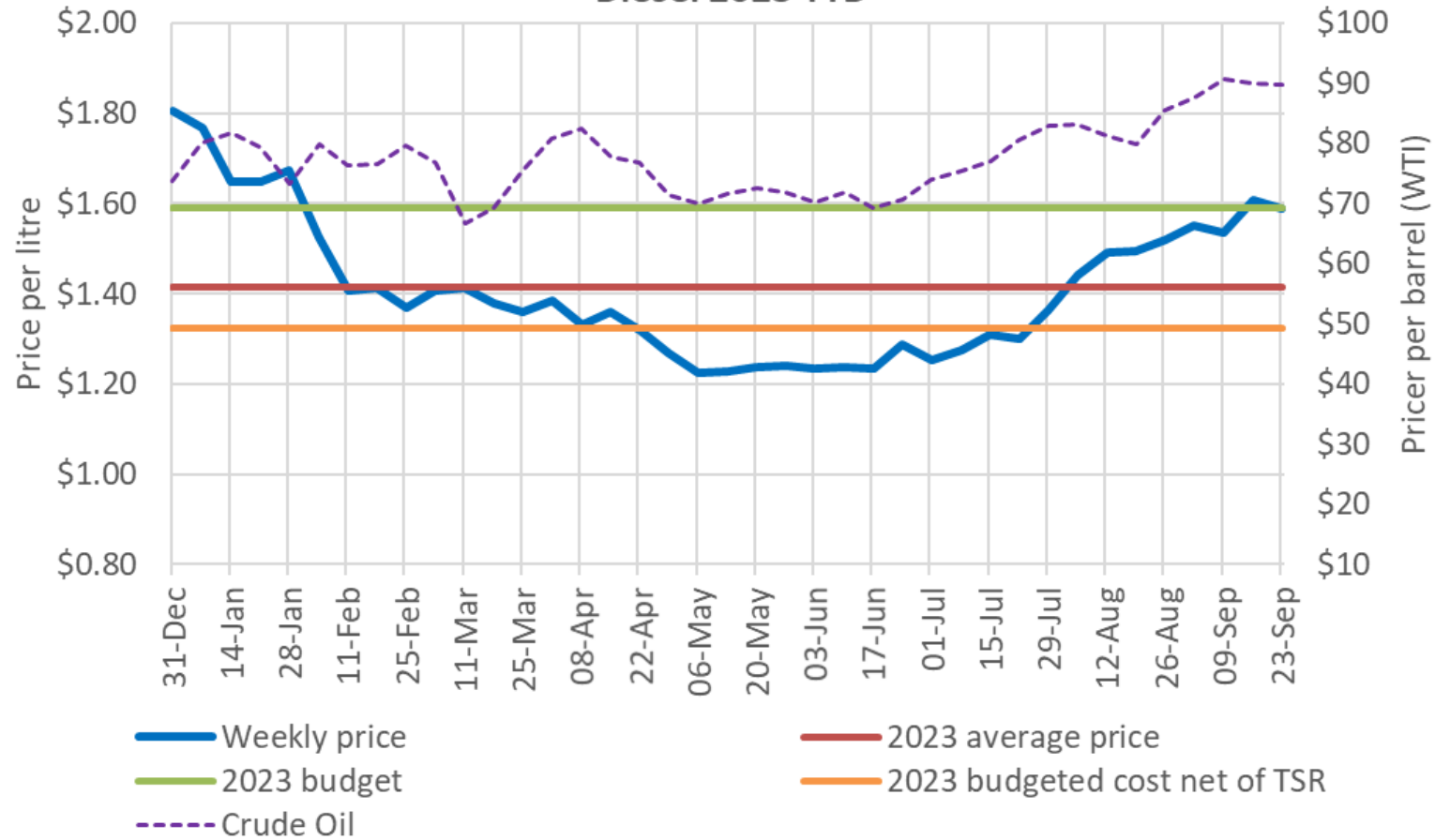
Government of Canada 10 Year Bond Yield



Government of Canada bond yields, upon which the Region’s cost of borrowing is predicated, are currently at their highest level in over 16 years.

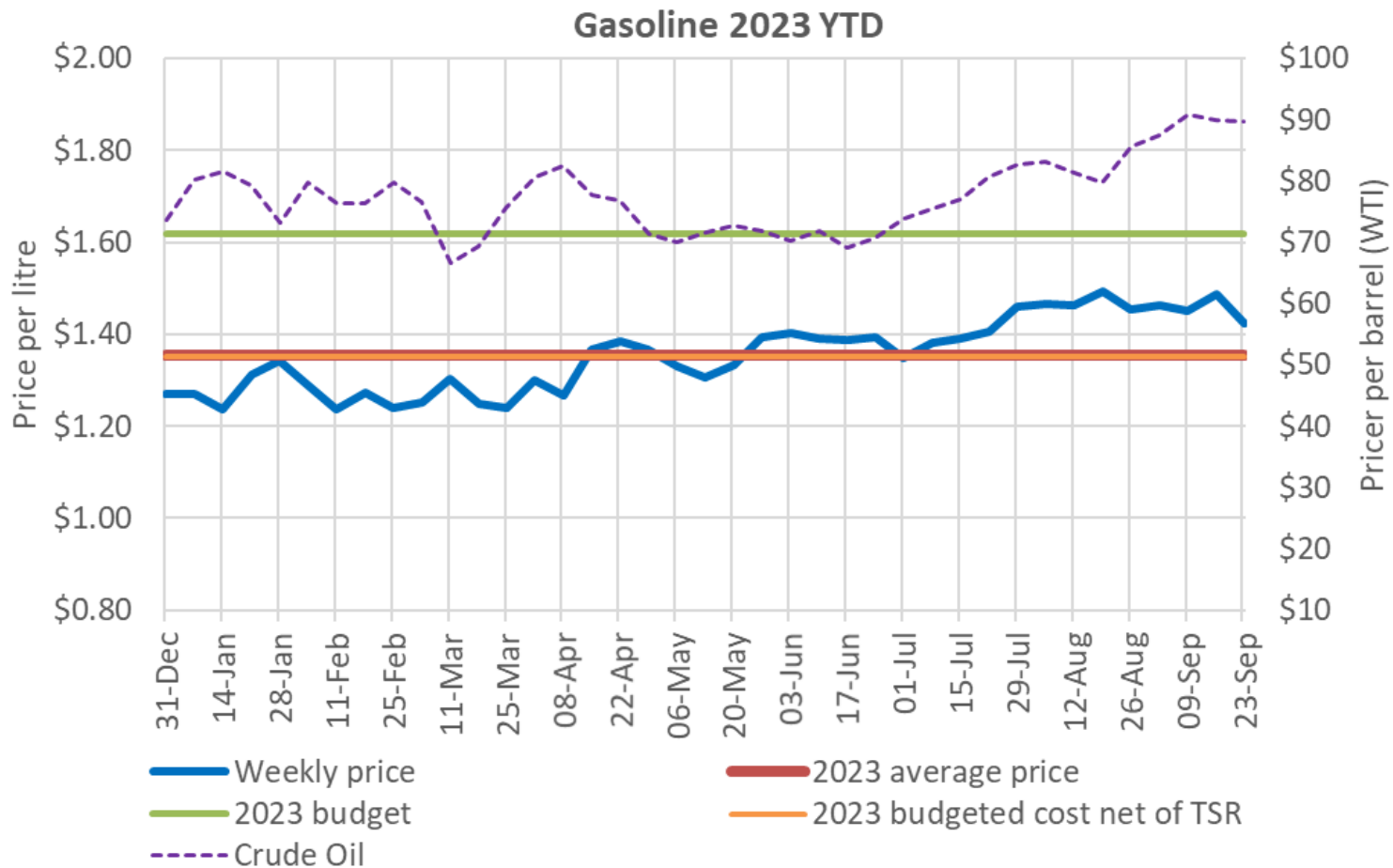
Fuel Prices

Diesel 2023 YTD



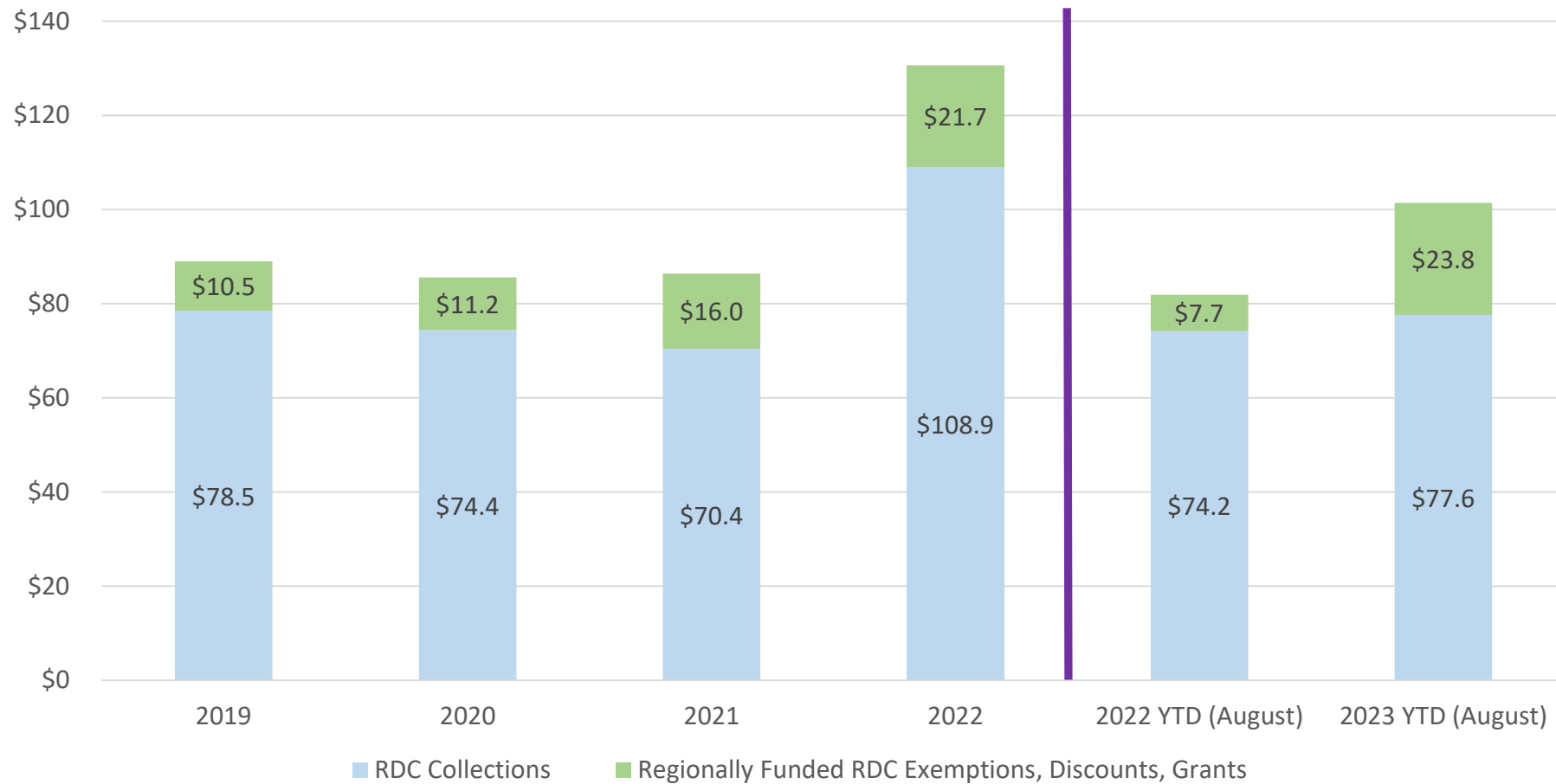
	Diesel
Current Price	\$1.59/L
2023 Average Price	\$1.41/L
2023 Budget	\$1.59/L
2023 Budget Net of TSR	\$1.33/L

Fuel Prices

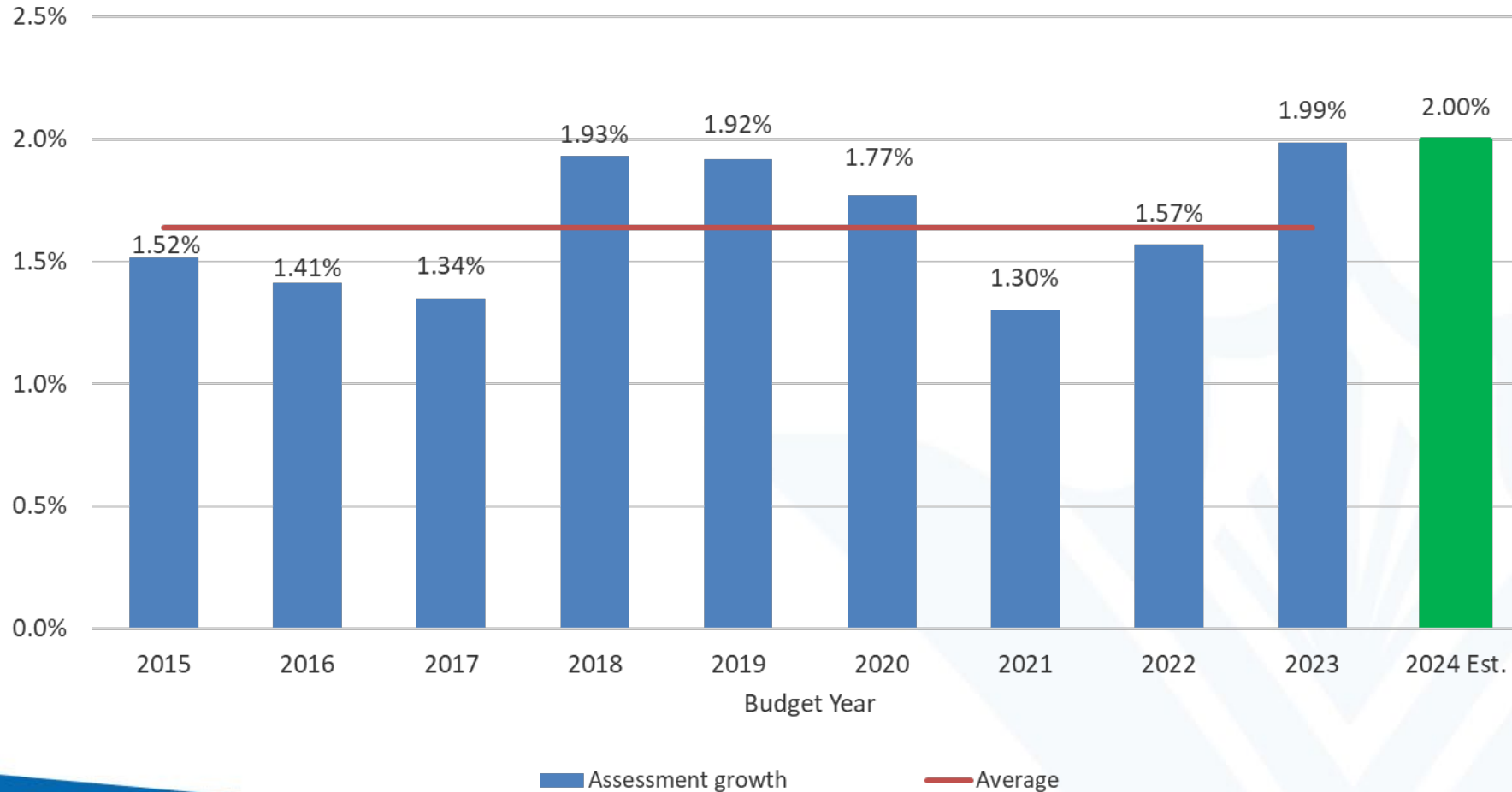


	Gasoline
Current Price	\$1.42/L
2023 Average Price	\$1.35/L
2023 Budget	\$1.62/L
2023 Budget Net of TSR	\$1.35/L

Regional Development Charge Revenue (\$M)



Regional Assessment Growth

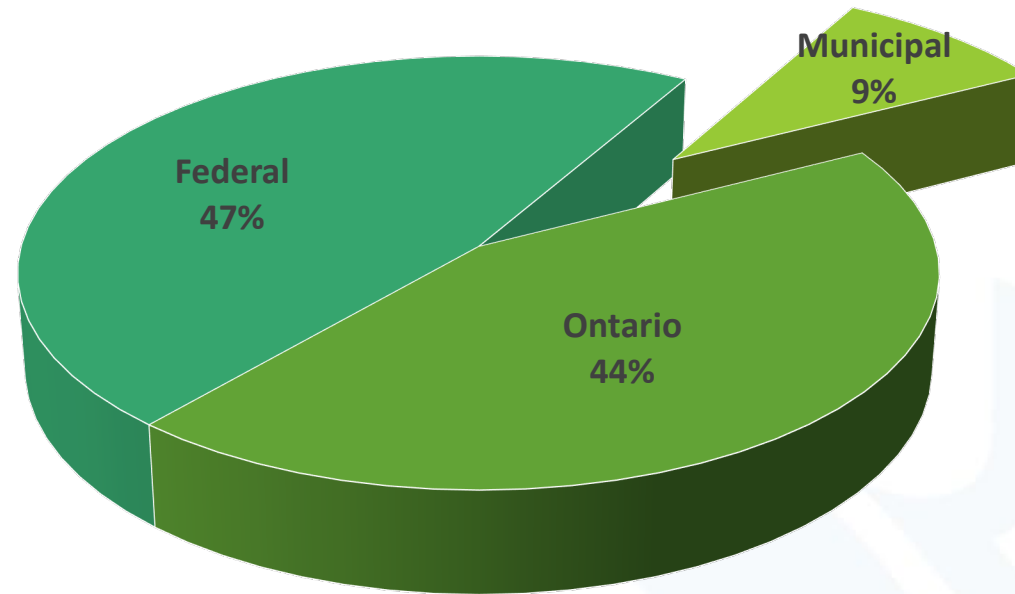


Overview of the Draft 2024 Budget

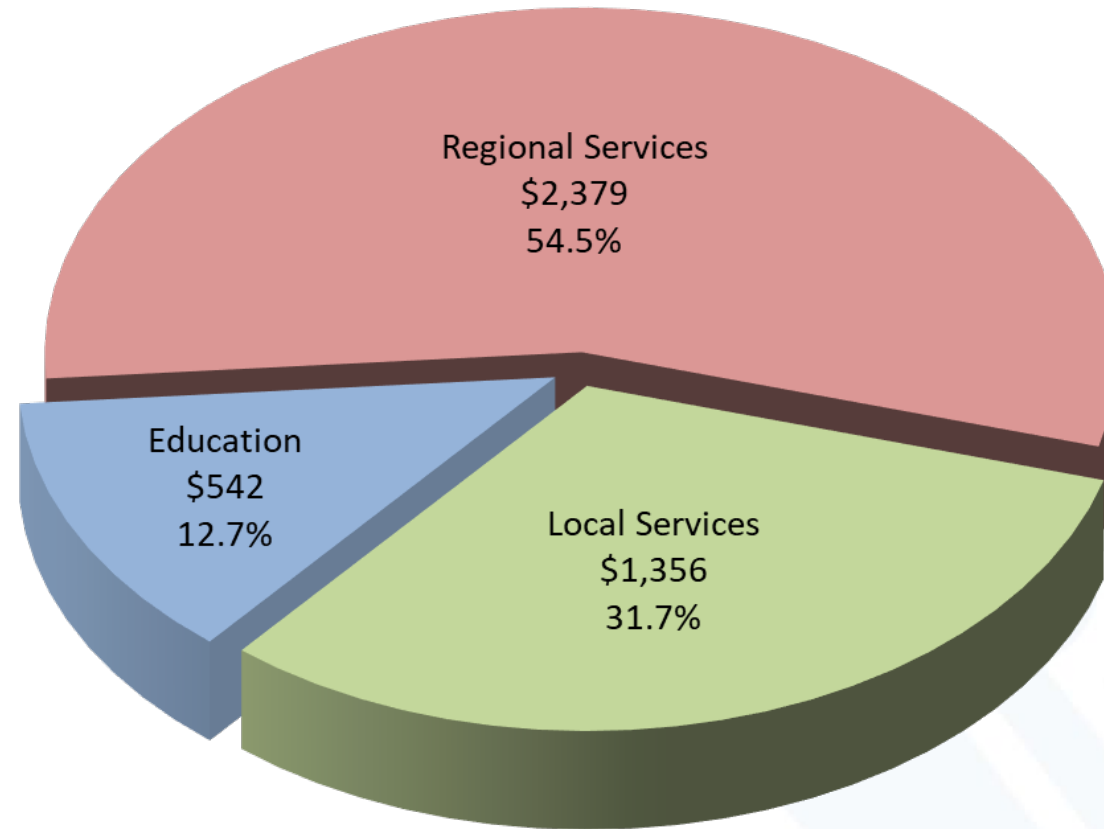


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Government Tax Dollars



2023 Average Residential Property Taxes*



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

Purpose of the Plan and Budget

Achieve strategic and annual business plan objectives

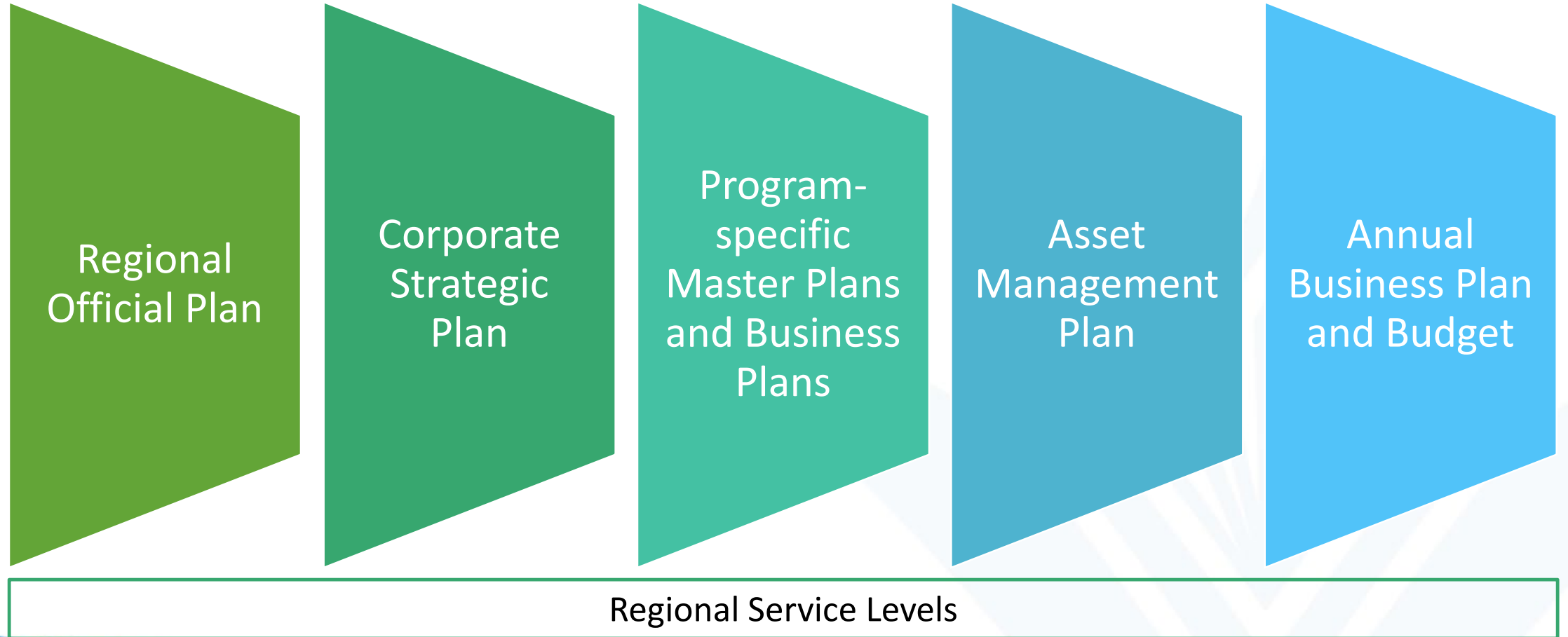
Establish service levels for the coming year

Approve financial and staff resources to deliver services

Determine property tax and user rate revenue requirements

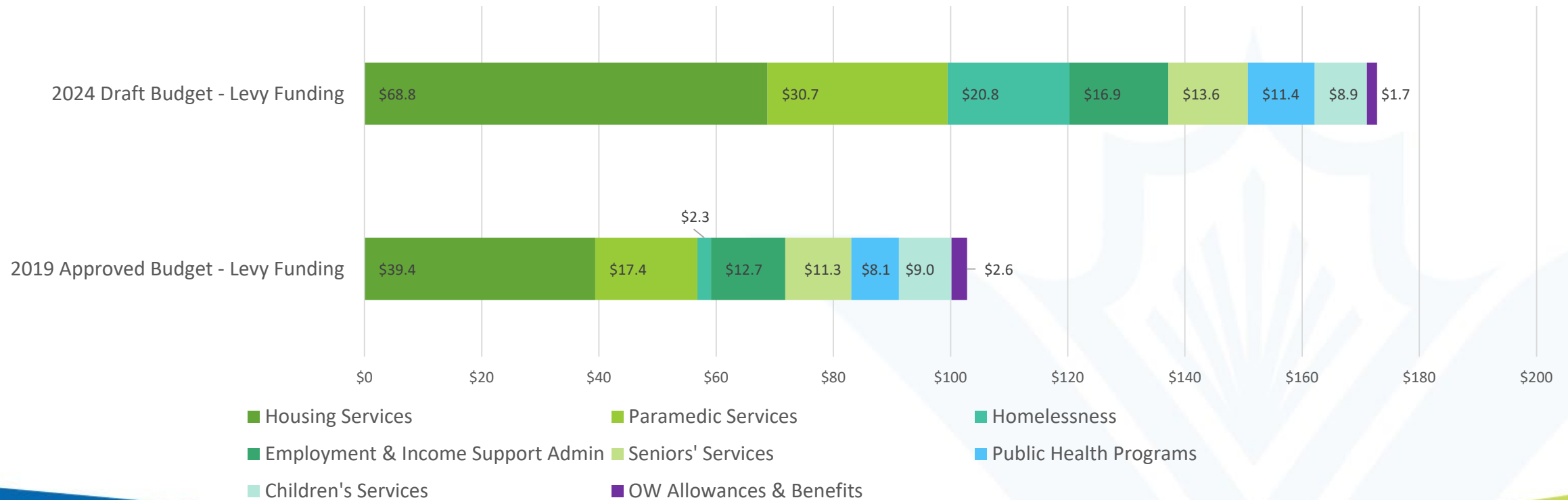
Set user rates, fees and charges

Context for the Annual Plan and Budget



Regional tax levy funding for services that should be funded by provincial revenues

Draft 2024 Operating Budget
 Levy Funding = \$173 million (2019 Levy Funding = \$103 million)



Regional tax levy funding for services that should be funded by provincial revenues

In 2023, local funding of social service and public health programs costs RoW taxpayers \$147m annually – the draft 2024 figure is \$173m

- These services are generally paid for by a suite of provincial revenues in other provinces
- This is approximately 23% of the draft 2024 RoW property tax levy
- A new fiscal relationship is needed
- Council to consider the extent to which it wishes to move further into areas that should be the responsibility of the Province

Recap of June Committee discussions

June 21, 2023 direction from Council:

- “That the Region of Waterloo direct staff to develop the 2024 Plan and Budget to achieve a 2024 tax rate impact in the range of 6% and 8% for Direct Regional Services (excluding Police Services) and outline for Budget Committee’s consideration any proposed service level expansions and service level reduction options, reduction or delay in capital projects, and reduction of reserve accounts required to achieve the target range.”

Draft 2024 Operating Budget

	Projection in June report	Current position*
Tax levy increase for regional services	\$54.5 M	\$45.5 M
Assessment growth	1.75%	2.00%
Base budget tax impact	7.9%	6.0%
Provision for service expansion	1.8%	1.6%
Total Tax rate impact	9.7%	7.6%

* Current position does not include funding for the implementation of the Plan to End Chronic Homelessness

- What has changed since the spring:
 - Detailed budget prepared
 - Provincial funding for Public Health and Children's Services
 - Increased GRT fare revenue expectations
 - Higher assessment growth anticipated

Plan to End Chronic Homelessness

The 2024 budget position and impacts being discussed today do not include funding for the implementation of the Plan to End Chronic Homelessness

The 2024 base budget includes interim shelter solutions and other homelessness programs and funding already in place

The Plan to End Chronic Homelessness will be presented to Committee on November 7 and 8

Draft Major Non-tax Revenue estimates

Budgeted non-tax revenues (\$ millions)	2023 Budget	2024 Draft Budget	Budget Change
Public Transit fares	\$43.2	\$54.6	\$11.4
Wastewater treatment rate revenue	\$79.9	\$84.4	\$4.6
Water supply rate revenue	\$64.7	\$68.0	\$3.3
Housing rent	\$16.2	\$17.4	\$1.2
Waste Management tipping fees	\$10.1	\$10.7	\$0.6
POA revenue	\$8.0	\$8.0	-
Automated Speed Enforcement	\$0.5	\$6.7	\$6.2
Airport operating revenues	\$10.0	\$9.3	(\$0.7)

Draft User Fee and Charge Proposals

Transit Services: cash fare increase of \$0.25 (\$3.75 to \$4.00), electronic/EasyGo fare increase of \$0.02 (\$2.98 to \$3.00) and monthly pass increase of \$4.00 (\$92.00 to \$96.00), effective July 1, 2024. UPASS increase of 5% (as per contract) effective September 1, 2024. Additional proposed changes include increasing the Affordable Transit Pass (ATP) discount from 48% to 50% of a regular monthly pass and increasing the transfer window from 90 minutes to 120 minutes.

Waste Management: tipping fees for recyclables (\$1/MT), general refuse/garbage (\$2/MT) and the special handling load rate (\$4/MT), effective April 1, 2024

Water & Wastewater Services: proposed rate increases in line with last year's projections - water supply (+3.9%), Wastewater treatment (+4.9%), Water Distribution (+2.9%), Wastewater collection (+2.9%)

Minor changes to fees and charges proposed for Legal Services, Cultural Services, Airport, Transportation

Three Categories of Service Expansion (examples, not complete lists)

Annualization of 2023 Service Enhancements

- Paramedic service resources (July 1)
- Transit service hours in Jan/Apr/Sep of 2023 including redesign of the Cambridge network
- Organizational wellbeing and system modernization

Approvals in 2023

- 139 University Ave acquisition and operation
- Paramedic service resources (Jan 1, 2024)
- Automated Speed Enforcement program: additional locations in 2023 and Processing Centre to be implemented in 2024
- Additional base funding for the Key Cultural Institutions grant stream

For consideration by Council in the 2024 budget

- Paramedic Services – Two 12-hour ambulances and staff effective Nov. 1
- Plan to End Chronic Homelessness – to be considered on Nov. 7 and 8
- GRT – Conestoga College U-Pass and service hour expansion
- Housing resources
- Resources funded by senior governments: CWELCC, Long Term Care, Community Paramedicine

Draft 2024 Budget Summary

Regional Property Tax Levy (excl. Police)	Current		
	\$M	% Levy	% Tax Impact
2023 property tax levy	\$468.8		
Draft 2024 base budget (as of September 28 th)	\$506.7		
Subtotal 2024 base budget increase	\$37.9	8.1%	6.0%
Proposed Service Expansions	\$7.6		
Draft 2024 Tax Levy change*	\$45.5	9.7%	7.6%
<i>Assessment growth assumption</i>			2.0%

* Excludes the Implementation of the Plan to End Chronic Homelessness

June 6 report (COR-CFN-23-027) estimated the 2024 preliminary budget with an 11.6% levy increase and 9.7% tax impact assuming assessment growth of 1.75%

Capital Infrastructure

Existing

- Existing assets need to be maintained, renewed, upgraded and replaced
- Asset Management planning informs required investments
- Historical cost in excess of \$5.5 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 in October

To be reviewed over the subsequent meetings

Significant investments in Housing, Public Transit, Roads, Waste Management, 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

Budget Review Process and Timetable



Region of Waterloo

2024 Plan and Budget Review Schedule

Approved on June 21:

- Earlier start date
- Avoid existing Council meeting dates with the exception of PSB presentation (Nov. 22) and final budget day (Dec. 13)
- Added more meetings
- Maximum meeting length = 6 hours
- "Carry-over" meetings added on the following day (Thursday mornings) in case agenda material not completed – will be cancelled if not needed
- Earlier Police Budget presentation
- Public input sessions scheduled for earlier in process

2024 Budget Committee Review Process

Preliminary 2024 Budget to be tabled on October 18

Motions to direct staff to amend the Preliminary 2024 Budget or provide information should be submitted in writing and can be introduced at any meeting

- Staff will prepare motions covering proposed service expansions, potential service level adjustments and reductions, and the capital program as needed for each meeting
- Staff will track all amendments to the Preliminary 2024 budget
- The Preliminary 2024 Budget as amended will be subject to final approval on December 13 by Committee and Council

Motions to direct staff to amend the draft budget during the review process can be altered or removed on final budget day without the need for notice or a motion to reconsider

2024 Budget Committee Review Schedule

Date	Draft agenda
Oct 4	2024 Plan and Budget context: FCM delegation; Annual Business Plan and Principles; Economic Indicators; draft 2024 Budget overview; budget review process
Oct 18*	Preliminary 2024 Budget tabled; Budget book distribution; Detailed reviews of priority areas, service expansions, capital projects, budget reductions, etc.; public input meeting #1
Nov 1*	Detailed reviews continue; public input meeting #2
Nov 8*	Detailed reviews continue
Nov 22	Police Services Budget presentation
Nov 29*	Detailed reviews continue; Municipal Budget Regulation; public input meeting #3
Dec 13	Final Budget Day (Committee and Council)

* Budget Committee meeting has a carryover scheduled for the following day if needed

Proposed timetable for Strategic Plan priority areas to be reviewed at Budget Committee

Committee Date	Strategic Priority Area to be Reviewed
October 18	Climate aligned growth
November 1	Equitable services and opportunities
November 8	Homes for all
November 29	Resilient and future ready organization

Concluding Comments



Region of Waterloo

2024 Plan and Budget Decisions

Approving the 2024 Plan and Budget is about finding a balance between:

- Maintaining current service levels as the community grows
- Implementing priority service expansions and projects where needed
- Reducing service levels where it makes sense
- Consideration of funding for programs that should be paid for by other levels of government
- Property tax and user fee/rate increases to meet the balanced budget requirement

2024 Budget – Key messages

Similar economic circumstances to 2023 - cost inflation and the cost of borrowing impacting regional service costs

The Region is growing quickly – need to balance looking after what we have now with what we need to build

The Plan to End Chronic Homelessness will come to Committee in November and is not yet included in budget estimates

The base budget requires a 6% tax increase to maintain current service levels – proposed service expansions and potential service reduction options will be presented to Committee for consideration and approval

The public's expectations of municipal government are not aligned with our revenue generating authority

Preview of October 18

2024 Budget tabled: Preliminary Budget Document; Proposed Service Expansions; potential budget adjustments to meet the Council directive

Detailed budget review focused on the Climate Aligned Growth priority