

WATERLOO REGION COUNCIL PRESENTATION FOR 2024 BUDGET
NOVEMBER 29, 2023 AFFORDABILITY FINAL

This past October 4, I read an article in the WR Record titled “Another challenging budget, says Waterloo’s chief Financial officer with a projected tax hike of 7.65 for 2024. The only good item I read in this article was a quote from WR’s Chair, Karen Redman, “At the end of the day, there’s only one taxpayer and we all recognize that”. (Pause) After a decade of tax increases higher than the rate of inflation, I thought this year me might, just might see an increase no higher than the rate of inflation. (Pause) Unfortunately this is not the case!

One key word that has continually come up over the last few years is “Affordability!” We are now reaching a critical point of unsustainability. Since 2020 the Consumer Price Index or inflation, here in Ontario has gone up approximately 14-16% over the past 3 years. More alarming, is the cost of food/groceries which have gone up even more to approximately 25-27% during this time.

In addition to this rise in inflation, the Bank of Canada key interest rate was as low as 0.5% in January and February 2022 eventually rising to 5.0% on June 12, 2023, a 10 fold increase! This is an increase the population has not seen since prior to the great recession of 2008. For the last 15 years, a younger generation has not seen interest rates this high and I’m sure, never thought they would ever see such a rapid change in interest rate increases in their lifetime.

I trust some of you remember the 1980’s, the inflation rate, high interest rate and further, the high unemployment rate. It was President Reagan that came up with the term, “misery index” which is the addition of the inflation rate and the unemployment rate.

It was these two factors that was considered to be detrimental to one’s economic well-being. Their combined value is useful as an indicator of overall economic health. Recently, I just coined a new index – the “squeeze index”, (Pause) this is the combined value of the inflation rate and the Bank of Canada key interest rate! (Pause)

Current economic conditions affect the generations differently. While an increase in interest rate is more welcome for the “senior” generation (should they have

investments or are homeowners), this does not offset the increase in food prices and other increases which are daily expenses.

On the other hand, the younger generation has a “double whammy” challenge. They are starting their lives and families after high school, college or university. Most wage and salary increases are only a percent of the CPI. Another major cost is “shelter costs”. We all know, rents are increasing at an alarming rate and hundreds of billions of dollars of home mortgages, for those that have been able to get into the housing market, have been coming due over the past year and will continue to come due in the next few years, increasing their existing interest rate payments, by at least 4 plus % of the difference between the Bank of Canada rate for the previous several years versus current (0.5% up to 5.0%), further adding to the affordability crisis.

Waterloo Region Food Banks are experiencing unrepresented use including more families. Very alarming, now even what I call “working poor” are going to the Food Bank. Families are having to make difficult choices – do we buy food or heat our home? Many restaurants are seeing less customers. Family savings are being depleted due to increased costs! Students are having challenges finding affordable housing. On the corporate side - credit card interest rates are increasing which people are using to finance their daily expenses, and so are bank loan losses.

This leads to a difficult conclusion. The population is quickly reaching a point which, with potential tax increases coming in higher than CPI or inflation, the ability to absorb these increases will no longer be sustainable. People are “squeezed” beyond their ability to manage these increased costs even after having made these difficult choices. This Council is NOT making it easier. For the last 10 years, (Pause) your budget increase have been considerably higher than the rate of inflation!

I can not overstate that “Taxpayer’s Affordability” concerns MUST be at the top of your and your staff’s minds in approaching finalizing the 2024 Budget and into the 2025 Budget process. The goal is to analyze and implement adjustments to personnel resources and processes (Pause) utilizing improved methodology and technology, (Pause) to further increase efficiency and reduce or eliminate areas that are costly under current practices. Other jurisdictions should be investigated for models to assist in this exercise.

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