

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

---

**To:** Strategic Planning and Budget Committee

**Meeting Date:** October 16, 2024

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

---

**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

**Prepared By:** Christopher Wilson, Manager Corporate Budgets

Van Vilaysinh, Manager Corporate Strategy and Strategic Initiatives

**Reviewed By:** Jenny Smith, Director Corporate Strategy and Performance

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

Wayne Steffler, Commissioner Corporate Services/Chief Financial Officer