THE CITY OF Waterloo

STAFF REPORT
Finance

Title:	Long Term Financial Plan - Update
Report Number:	CORP2019-075
Author:	Brad Witzel
Meeting Type:	Finance & Strategic Planning Committee Meeting
Council/Committee Date:	December 9, 2019
File:	N/A
Attachments:	N/A
Ward No.:	City-wide

Recommendations:

1. That Council receives CORP2019-075 for information.

A. Executive Summary

Long term financial plans (LTFP) are a framework of tools for Councils and staff to consider future financial challenges and opportunities through financial forecasting scenarios, analysis, and financial policies and to devise strategies to achieve financial sustainability. A LTFP is the process of projecting revenues and expenditures over a long-term period while using assumptions relevant to the municipality. In essence, Long-term financial planning is the process of aligning financial capacity with long-term service objectives and the city's strategic plans, as noted in the literature from the Government Financial Officers Association (GFOA).

The development and maintenance of a LTFP is complex and contains many inter-related decision making factors. With each update to the LTFP, the data and information will be refined to reflect the financial environment faced by the City at the time and projected for the future. The City's first LTFP was approved on April, 16, 2018 via CORP2018-011. This update to the LTFP includes items proposed as part of the 2020-2022 budget and any other applicable financial updates that have occurred since April 2018.

B. Financial Implications

The City's annual estimated infrastructure funding gap was recently confirmed to be $20 to $23 million for all infrastructure asset classes ($17 million for Tax Base) as per report CAO2019-032 Asset Management Update. In accordance with the City's first LTFP report which directed staff to consider increased infrastructure funding as part of the 2020-2022 budget process, the proposed 2020-2022 budget includes measured increased infrastructure reinvestment funded through tax increases above inflation and through a portion of the Waterloo North Hydro Dividend revenue being directed to CIRRF.

The City has invested significantly into building infrastructure to support community growth over the past few decades. The same commitment and dedication will be necessary in the future in order to sustain existing and planned infrastructure. It is important to note that the identified funding gap existing today has evolved over time and it is acceptable and even prudent to plan for this gap to be resolved over an extended period of time as well.

As part of the LTFP modeling process, numerous assumptions and funding opportunities were considered. The assumptions and strategies included in the LTFP are outlined in greater detail as part of Section 1-4 of the report.

C. Technology Implications

N/A

D. Link to Strategic Plan

(Strategic Objectives: Equity, Inclusion and a Sense of Belonging; Sustainability and the Environment; Safe, Sustainable Transportation; Healthy Community & Resilient Neighbourhoods; Infrastructure Renewal; Economic Growth & Development)

(Guiding Principles: Equity and Inclusion; Sustainability; Fiscal Responsibility; Healthy and Safe Workplace; Effective Engagement; Personal Leadership; Service Excellence)

- Infrastructure renewal - Address infrastructure deficit
- Infrastructure renewal - Dedicate appropriate resources to plan, renew and maintain existing infrastructure

E. Previous Reports on this Topic

- CAO2019-032 Asset Management Update - Nov 18, 2019
- CORP2018-011 - Long Term Financial Plan -Staff Scenario - Apr 16, 2018
- CORP2018-009 Long Term Financial Plan - Consultant Scenario - Mar 19, 2018
- CORP2017-090 Long Term Financial Plan Update, Dec 11, 2017
- CORP2017-033, Council Appointment to the LTFP Steering Committee - Apr 10, 2017
- IPPW2016-099 Corporate Asset Management Plan - November 14, 2016

F. Approvals

Name	Signature	Date
Author: Brad Witzel		
Director: Filipa Reynolds		
Commissioner: Keshwer Patel		
Finance: Keshwer Patel		

CAO

THE CITY OF Waterloo

Long Term Financial Plan - Update
CORP2019-075

This report is divided into 4 main sections with sub-sections beneath as required.

Section #1 - General Information

1.1 Background

The City's first LTFP was approved on April, 16, 2018 via CORP2018-011. Given the corporate nature of the project, a steering committee comprised of the CAO, Commissioners, Director of Financial Planning and the Chair of the Finance Committee was created to guide the City's first LTFP. The structure of the Steering Committee was approved by Council through CORP2017-033 in April 2017.

The City of Waterloo was engaged in creating a LTFP since Council's approval of the Asset Management Plan (AMP) in November 2016. Staff worked collaboratively with GM BluePlan (GMBP) since March 2017 to develop a 25 year comprehensive LTFP Model for the City. The model creation was guided by the LTFP Steering Committee noted above. The development and maintenance of an LTFP is complex and contains many inter-related decision making factors. With each update to the LTFP, the data and information will be refined to reflect the financial environment faced by the City at the time and projected for the future.

1.2 Sustainability Actions Taken by Council to Date

The path towards long term financial sustainability has several steps. One of the LTFP goals was to build upon the sustainable actions already taken by Council and staff. Council has instilled and supported the culture of improvement, efficiency and effectiveness within the City of Waterloo and has approved several capital projects focusing on infrastructure rehabilitation.

As part of each budget cycle, the Budget Committee looks to include the sustainable efficiencies/savings/other revenue opportunities and budget true ups that do translate into actual budget savings. For 2020-2022, $2.3 million in budget efficiencies/ savings/ other revenue opportunities have been identified and included in the proposed budget submission before Council.

Sustainability Actions Taken by Council

- Creation of CIRRF – In 2008, the Capital Infrastructure Reinvestment Reserve Fund (CIRRF) was first established for the purpose of funding the rehabilitation or replacement of road and facility capital infrastructure. This reserve fund has evolved over the years as outlined in greater detail as part of section 2.2.3. All of the measures to date have resulted in an additional $30 million being spent on rehabilitation and replacement to date.

- Stormwater Enterprise - In June 2010, Council approved moving the Stormwater program from a property tax supported program to a user rate (utility) funded program. The user rate model provides a dedicated funding source, hence sustainability while providing an incentive program for property owners to reduce stormwater runoff and pollutant discharge.

- Parking Enterprise - In June 2016, Council approved the development of a Parking Financial model that includes a growth rate to establish fees and charges as well as parking operating and capital expenditures. This is funded entirely by user fees. Council most recently approved the 2020 parking rates which were established utilizing this model in June 2019.
- Reserve Consolidation - In January 2018, Council approved the consolidation of a number of reserve and reserve funds to provide greater flexibility, pool risk and minimize administration. Six reserve and reserve funds used for rehabilitation and replacement were consolidated into CIRRF. As part of the consolidation, the CIRRF policy was broadened to allow for the replacement and rehabilitation needs to all existing tax-based funded capital expenditures. The previous policy only allowed for the replacement and rehabilitation of roads and facilities.

- Use of Budgeted Assessment Growth Policy - In April 2018, Council approved changes to the Use of Budgeted Assessment Growth Policy (FC-013). In order to provide a greater share of Assessment Growth for rehabilitation needs, the policy was updated to reflect new allocation splits:
  - 10% to Capital Reserve Fund (new/growth/studies)
  - 30% to Capital Infrastructure Reinvestment Reserve Fund (replacement and rehabilitation)
  - 60% to Operating

- Capital Overhead Policy Updates – In May 2019, Council approved changes to the Capital Overhead Policy (FC-018). Changes include using a flat 4% overhead rate for applicable projects resulting in easier administration and appropriate level of overhead recovery from all capital sources. Also the policy was updated to direct 100% of any year-end surplus Capital Project Overhead Revenue (Acct #610101) to CIRRF, so it can be reinvested in asset rehabilitation.

Examples of efficiencies undertaken in recent years include:

- CAO - Electric Vehicle Charging Stations in Uptown - The City has installed 3 EV charging stations in Uptown since 2016, with more anticipated over 2020-2022.
- COMM - ActiveNet Implementation – Implementation of the City's new online recreational registration program continues. To date, it has led to a 67% increase in online transactions and increased customer service features.

- CORP - Solar Idle Reduction- Solar panels mounted on truck roofs are used to power the accessory equipment resulting in idle time reduction of 2-3 hours per day and average fuel savings of approx. $225 per month. In addition there is a reduction in CO_2 emissions of approx. 200 kg per month per truck. Due to success of the program, it will be expanded to two additional trucks in 2019.
- IPPW - Artificial Intelligence Inspections (Pavement and Potholes) - Pilot use of Artificial Intelligence (AI) technology for potholes and pavement condition in collaboration with the University of Waterloo. This will reduce the need for external consultants for pavement inspections and improve pavement quality over time.

  Note - Please see CAO2019-031 Efficiencies and Continuous Improvement Efforts for complete listing

1.3 Public Engagement – Asset Management 2019 Update

Following Council's approval of the 2016 AMP, staff completed a public engagement campaign for both the AMP and Long Term Financial Plan (LTFP) in 2018 and updated Council as part of CAO2018-008. Included was a recommendation that future AM public engagement occur as part of project specific public information centres (PIC). As a result, the 2019 engagement campaign was designed to reach out to the community on some of the City's most extensive and costly infrastructure at targeted events.

The result of this targeted public engagement was presented to Council on November 18, 2019 via CAO2019-028 Asset Management 2019 Public Engagement Update. In total 221 surveys have been completed over the engagement campaign timeframe and represents an increase of over 250% compared to the 2018 campaign. This is an indication that the approach taken in 2019 was more successful and will be considered for future engagement campaigns.

Analysis of the surveys revealed three key insights from this public engagement campaign:

- Overall satisfaction with the current performance of city assets is high;
- Green infrastructure assets investment is considered important;
- Increasing infrastructure funding is important.

1.4 About the Long Term Financial Plan

The development and maintenance of a LTFP is complex and contains many inter-related decision making factors. With each update to the LTFP, the data and information will be refined to reflect the financial environment faced by the City at the time and projected for the future. There were numerous items reviewed and considered throughout the process which included:

- The City’s financial environment, including factors that have influenced present financial performance and position;
- The City’s financial procedures and policies, which helps guide the City’s financial management as well as recommended changes to key financial policies;
- The City’s key assumptions for revenues, operating expenses, capital investment, and reserve and reserve fund contributions and withdrawals;
- The City’s current estimated annual infrastructure funding gap.
- Updates to the AMP with improved information on asset condition and addition of more city inventory to the plan.

Section #2 - Long Term Financial Plan

This section provides an update on the City’s LTFP for both tax base and rate supported budgets, as well as long term revenue, expenditure and asset decisions. The report seeks to outline assumptions, factors and recommendations to achieve long term financial sustainability. The City faces challenges with accommodating growth, maintaining existing levels of service, addressing historical infrastructure needs, all while maintaining a moderate tax rate increase.

It is critical to note that these variables and drivers of the LTFP will continue to be refined and updated over time. It is anticipated that the LTFP will be maintained as decisions are made and an update will be provided to Council with each three year budget. This timing will coincide with the development and approval of the City’s AMP’s and Development Charge By-laws.

2.1 LTFP Key Assumptions

The LTFP Model has been prepared using various key assumptions. These are highlighted below under 2.1.1 to 2.1.9.

2.1.1 Planning / Reporting Horizon

The LTFP projections are over a 25 year timeframe from 2020-2044.

2.1.2 Annual Infrastructure Funding Gap

Recently corporate report, Asset Management Update CAO2019-032 identified that the City has an annual estimated infrastructure funding gap of $20 to $23 million for all infrastructure assets. The Tax Base portion is estimated at $17 million and is the long term increased infrastructure funding level to be achieved based on the LTFP.

The infrastructure funding gap analysis is based on the City of Waterloo’s 2019 approved capital budget and 2020-2028 capital forecast funding levels along with AM condition and degradation curves. A key component for asset management is the maturity of asset information which includes the availability and quality of the data/information. The asset groups have varying levels of maturity as outlined in

Table 1. Efforts to improve the maturity of AM information is ongoing and with further analysis, updated condition information and updated replacement costs, the estimated annual infrastructure funding gap will in all likelihood change over time.

Table #1 - Maturity of Asset Information:

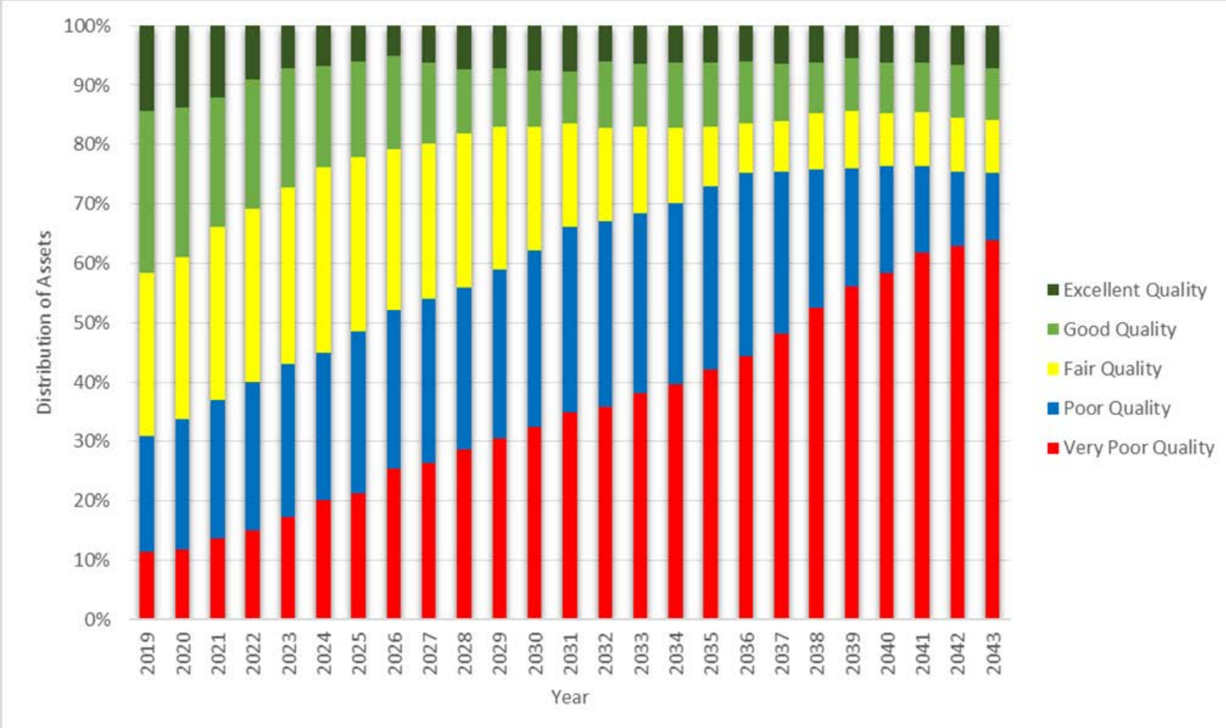
Asset Group	Proportion of Total Infrastructure in Waterloo	Maturity of Asset Information	Maturity of Asset Information with respect to the rest to the Canadian AM Industry
Transportation*	34.0%	High	Above Average
Sanitary Collection	16.3%	Medium	Above Average
Water Distribution	15.8%	High	Above Average
Stormwater Collection	15.1%	Low	Average
Facilities	11.9%	Medium	Above Average
Parks	3.1%	Low	Average
Parking	1.5%	High	Above Average
Fleet	1.1%	High	Above Average
Fire	0.6%	Low	Average
Forestry	0.3%	Medium	Above Average
Information Technology	0.2%	Low	Average
Cemeteries	0.2%	Low	Average

*The Transportation asset group includes roads, sidewalks, trails & trail links

The annual infrastructure funding gap is calculated through the comparison of the Decision Support System (DSS) target scenario and the budget scenario outputs. The target scenario generates a list of infrastructure expenditure needs to achieve the current levels of service that have been established through collaboration with subject matter experts (SMEs). The budget scenario provides perspective on the projected performance of assets based on the budgeted expenditures for each asset group. Measuring performance is a complex activity with 2 main factors, condition and function.

Figure 1 illustrates the current projected tax base asset condition over 25 years. The graph is generated based on condition and degradation curves along with funding included in the Approved 2019 Budget and 2020-2028 Capital Forecast. Of note, Figure 1 identifies that just over 30% of the City’s tax base funded infrastructure assets are currently in poor or very poor condition, but more importantly, it is estimated that with current levels of funding, in 25 years, approximately 75% of the assets will be in poor or very poor condition.

Figure #1: Projected Condition of Tax Base Assets in Budget Scenario:



2.1.3 Recommended Infrastructure Funding Changes 2020-2022

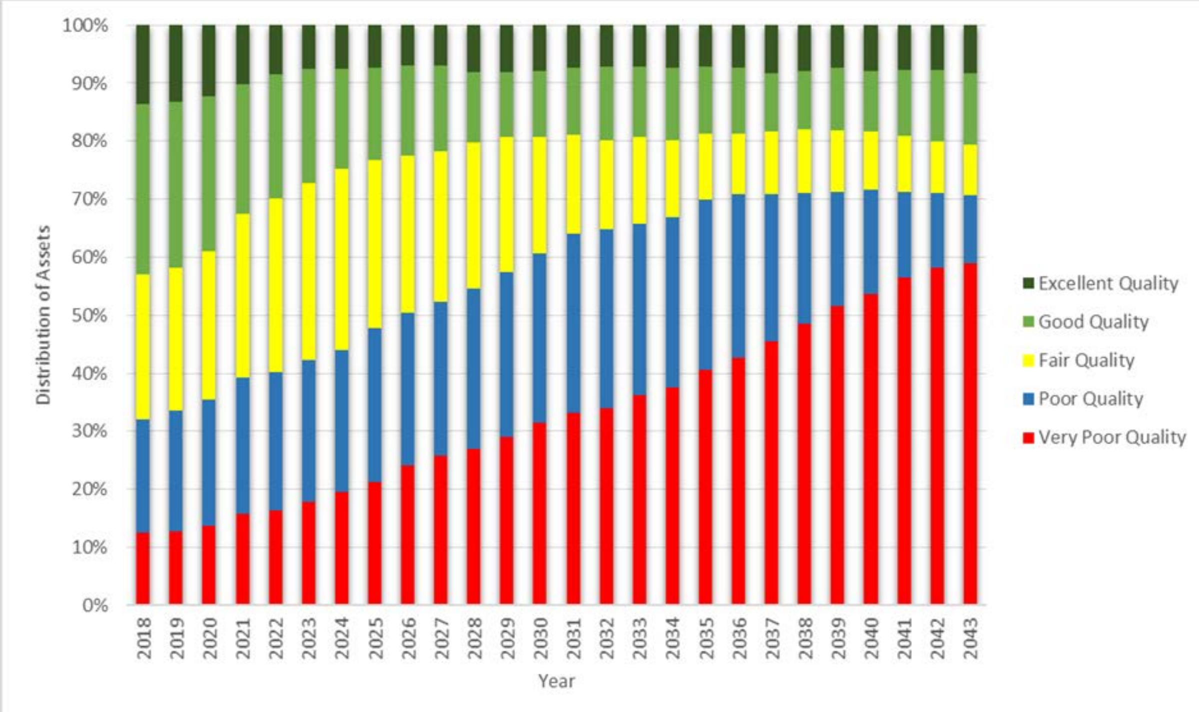
Throughout the development of the 2016 AMP and 2018 LTFP, the City identified that changes to infrastructure funding levels would be tabled as part of the 2020-2022 budget process. As a result, the 2020 LTFP update has been prepared with measured increased infrastructure investment funded through tax increases above inflation and through a portion of Waterloo North Hydro (WNH) Dividend revenue being directed to CIRRF for 2020-2022. This is recommended via budget request (I6) Increased Infrastructure Funding as per LTFP and if approved would see a net increase for CIRRF of $2.5 million by 2022, as noted in Table 2. In addition, the 2020-2022 proposed budget Infrastructure Investment category also includes staff resources required to support the increased infrastructure (outlined in section 2.1.4) and preventative maintenance activities (outlined in section 2.1.5).

Table #2 – Increased CIRRF Allocation Summary:

Ref #	Division	Budget Request Name	2020 ($) Amount	2021 ($) Amount	2022 ($) Amount	TOTAL ($) Amount
I1	Asset Mgmt	Asset Management Analyst	-	54,851	-	54,851
I2	Asset Mgmt	Data Management Analyst	54,851	-	-	54,851
I3	Environment & Parks	Increased Preventative Mtc Funding for Env & Parks	135,000	-	-	135,000
I4	Fac Design & Mgmt	Increase Preventative Maintenance Funding for Facilities	-	-	145,000	145,000
I5	Fleet & Procurement	Procurement Specialist Position	92,806	-	-	92,806
I6	Corp Trans	Increased Infrastructure Funding as per LTFP - Tax Increase Above Inflation Allocated to CIRRF	227,168	721,832	1,211,536	2,160,536
I6	Corp Trans	Increased Infrastructure Funding as per LTFP - Portion of WNH Dividend Allocated to CIRRF	374,825	-	-	374,825
I7	Transportation Services	Increased Preventative Mtc Funding for Transportation	-	140,000	-	140,000
Net Infrastructure Investment Allocated to CIRRF ($)			**601,993**	**721,832**	**1,211,536**	**2,535,361**
Infrastructure Investment Increase (CIRRF) - Funded by Tax (%)			**0.3%**	**0.9%**	**1.5%**	**-**
Infrastructure Investment Increase (CIRRF) - Funded by WNH			**0.5%**	**-**	**-**	**-**

Figure 2 illustrates the current projected tax base asset condition over 25 years, with the proposed 2020-2022 recommended increased infrastructure funding ($2.5M annually by 2022) being included. Of note, Figure 1 above identified that just over 30% of the City’s tax base funded infrastructure assets are currently in poor or very poor condition, but more importantly, it is estimated that with current levels of funding, in 25 years, approximately 75% of the assets will be in poor or very poor condition. With approval of the proposed 2020-2022 recommended increased infrastructure funding, it is estimated that projected asset conditions will improve slightly over the current projections in Figure 1. Figure 2 outlines that the impact of the approval of increased infrastructure funding and is projected to result in 70% of the assets being in poor or very poor condition in 25 years (versus 75% in Figure 1). It is important to note that Figure 2 only includes the proposed increased infrastructure funding that’s contained within this budget approval window (2020-2022) for the duration of the LTFP. It does not include any additional infrastructure increases that the LTFP recommends (2023 onwards) as those future increases are outside the current budget approval window and Council term.

Figure #2: Projected Condition of Tax Base Assets with 2020-2022 Increased Infrastructure Funding Included:



The Increased Infrastructure Funding (CIRRF) included in the proposed 2020-2022 capital budget and 2023-2029 capital forecast has been allocated based on the weighted average needs by major asset classes. The full amount allocated to each major asset class is summarized under Table 3 - Infrastructure Replacement and Rehabilitation Needs Projects.

The increased infrastructure funding projects are classified as <u>Non-Routine in nature</u> and the SMEs will return at a later date after capital approval with a prioritized list of candidate projects to be advanced utilizing this funding.

Table #3 - Infrastructure Replacement and Rehabilitation Needs Projects:

REF	Strategic Pillar	Council Reporting Criteria	Service Delivery Division	Theme	Project Description	Source of Financing	2020	2021	2022	2023-2029	Total
226	Infrastructure Renewal	Non-Routine in nature	Environment & Parks	Infrastructure Management	Replacement and Rehabilitation Needs	CIRRF	99	133	137	962	1,332
282	Infrastructure Renewal	Non-Routine in nature	Fac Design & Mgmt Serv.	Facility Refurbishment	Infrastructure Replacement and Rehabilitation	CIRRF	31	264	783	5,480	6,557
446	Infrastructure Renewal	Non-Routine in nature	IMTS	Equipment Replacement	Infrastructure Replacement and Rehabilitation	CIRRF	36	16	337	2,362	2,751
662	Infrastructure Renewal	Non-Routine in nature	Transportation Services	Infrastructure Management	Infrastructure Replacement and Rehabilitation	CIRRF	435	910	1,276	8,932	11,552
Infrastructure Replacement and Rehabilitation Needs TOTAL						**CIRRF**	**600**	**1,322**	**2,534**	**17,736**	**22,192**

Park Asset Class

The Park Infrastructure Replacement and Rehabilitation Needs project (ref #226) will be used to fund parks asset priorities that couldn’t be accommodated within the currently available funding including but not limited to facility refurbishment, park rehabilitation and equipment replacement.

Facilities Asset Class

The Facility Infrastructure Replacement and Rehabilitation Needs project (ref #282) will be used to fund facility asset priorities that couldn’t be accommodated within the currently available funding including but not limited to facility refurbishment, energy management and equipment replacement.

IMTS Asset Class

The IMTS Infrastructure Replacement and Rehabilitation Needs project (ref #446) will be used to fund IMTS asset priorities that couldn’t be accommodated within the currently available funding including but not limited to equipment replacement and technology refresh / upgrades.

Roads & Sidewalk Asset Class

The Transportation Infrastructure Replacement and Rehabilitation Needs project (ref #662) will be used to fund roads & sidewalk asset priorities that couldn’t be accommodated within the currently available funding including but not limited to road resurfacing, road reconstruction and roadside maintenance.

2.1.4 Staff Resources

When the 2016 AMP was approved by Council, it was anticipated that additional staff would be required as capital reinvestment increased. For the purposes of the LTFP, 3 - 4 positions have been estimated each council term over the planning horizon. These resources are intended to assist with the implementation of additional capital reinvestment activities. Funding for these additional staff resources is recommended to come out of the increased infrastructure investment funding.

Increased staff resources may include, however are not limited to, project management, operational, procurement, asset management, information technology and finance.

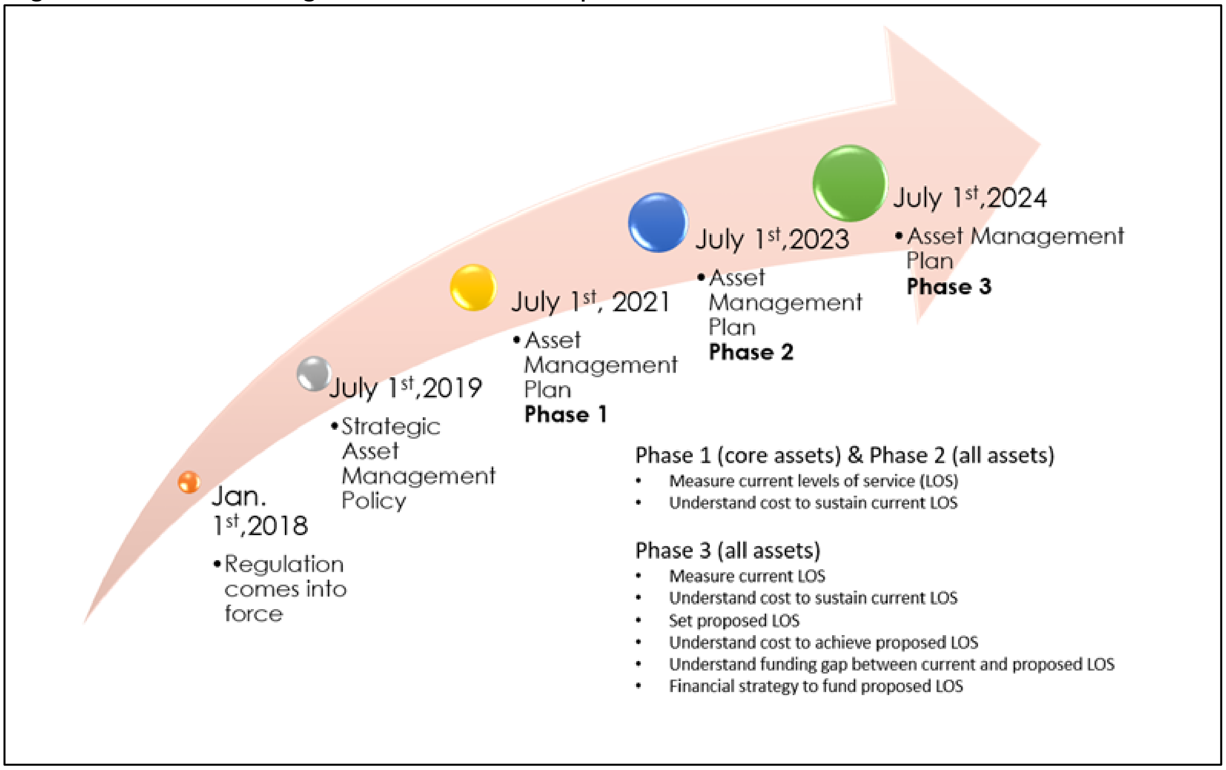
For 2020-2022, three positions are being included in the proposed operating budget partial funded by the increased infrastructure investment and also have a proposed Enterprise contribution based on the estimated level of support that will be provided to the Enterprise areas.

Asset Management Analyst (I1)

Securing a permanently funded and dedicated Asset Management Analyst is important to successfully operationalize and sustain asset management activities and information. This position is responsible for working with subject matter experts throughout the city to confirm asset inventory data and providing asset needs analysis to assist fact based decision making throughout the City. Permanent funding will provide for cross training opportunities amongst the AM section, provide additional flexibility to respond to information requests as well as provide an important resource to gather the information and data necessary for meeting the various legislative requirements outlined in Ontario Regulation 588/17.

The Province of Ontario recognized the importance of municipal asset management through the approval of Ontario Regulation 588/17 entitled ‘Asset Management Planning for Municipal Infrastructure’ in December 2017. The regulation outlines significant requirements for the application of asset management principles to ensure municipalities make informed infrastructure decisions. The various requirements of Ontario Regulation 588/17 have been phased in over a 5 year timeframe as outlined in Figure 3. The Asset Management Analyst position is important for the successful implementation and ongoing maintenance of asset management information for decision making. Without appropriate resourcing, asset management data will quickly fall out of relevancy (i.e. if data and systems fail to be updated and refined). Without this position, updates for inventory and condition data within the City’s decision support system (DSS) will be delayed thereby impeding the City’s progress towards complying with Ontario Regulation 588/17 timelines and requirements.

Figure #3 Ontario Regulation 588/17 Requirement Phase-In Timeline:



<u>Data Management Analyst (I2)</u>

The Data Management Analyst position is critical to successfully operationalize and sustain asset management activities and information. This position is responsible for the programming and data modeling aspects of the system while providing system generated quality assurance processes. This work ensures the DSS is maintained with the best available asset information for fact based decision making.

The Province of Ontario's approval of Ontario Regulation 588/17 recognizes how important municipal asset management planning. As noted earlier, the requirements under the regulation for municipal asset management planning have been phased in over a 5 year timeframe as outlined in Figure 3. The City's DSS is a custom built and industry leading software that is predictive in nature and the Data Management Analyst position is crucial to maintain the programming and data modeling capability. Through the DSS, Asset Management is able to program the DSS and data model to help prioritize infrastructure projects and calculate the annual infrastructure funding gap. Without this position, programming and modelling will require the assistance of a consultant and will result in delays that will impact the 2020 asset management plan and progress towards complying with Ontario Regulation 588/17 timelines and requirements.

Procurement Specialist Position (I5)

The Procurement Specialist position is required to manage increased procurement volumes using more complex project-delivery types and to support the strategic value of procurement at the City. The City's current procurement staffing level of 2.08 FTEs per capita ratio (per 100,000) is below the regional average for lower tier municipalities of 3.04 FTEs.

The procurement team facilitates the purchase of goods, services and construction in support of essential City services and projects. In addition to spending public funds responsibly in a manner that is fair, open and transparent, a strong procurement team needs sufficient skilled team members to deliver strategic value to the procurement process. Procurement team members are required to understand project requirements and effectively communicate them to internal stakeholders and external suppliers.

Having insufficient resources to support the City's procurement activities restricts the team to performing transactional administrative procurement tasks only, which causes delays in the procurement process that affect project schedules and increase risk to the City. It also limits the ability of the procurement team to provide strategic support through the introduction of new technologies and initiatives, such as a Social Procurement Program that would leverage city spending to integrate social value through the procurement process and supplier performance management.

2.1.5 Operating Budget Expenditures

It was recognized throughout the development of the initial LTFP that inflationary increases are required to maintain existing services levels. As a result, all operating budget lines include an inflationary increase of 1%-3% depending on the type of activity. This theory is applied as part of the LTFP, but any actual increases to the various operating budget line for inflation will still follow the normal budget deliberation and approval process and consider the need along with all other pressures. For example:

- General Operations inflated by 1%
- Preventative maintenance activities inflated by 2.94% (2020-2022) and 2% for the balance of the LTFP in alignment with policy FC-018 Capital Budget
- **The inflationary factors used in the LTFP are 'levers' and can be adjusted as part of future LTFP updates*

Preventative Maintenance Activities

Traditionally, preventative maintenance activities have been included in the operating budget. However, over the past few decades, maintenance funding has increased slower than the growth of new infrastructure assets. As a result, the funding gap has increasingly widened, and infrastructure assets have experienced a lower level of preventative maintenance than required. The LTFP Steering Committee identified the need to include annual increases to preventative maintenance accounts to help assets reached their intended useful life (avoiding premature asset failure).

As such as part of the 2020-2022 proposed operating budget, increases to preventative maintenance activities have been included. The strategy identified was to increase preventative maintenance funding at the same inflation rate (2.94%) as applied to CRF & CIRRF as per policy FC-018.

A line by line operating budget analysis was prepared by Finance and Asset Management staff identifying the City's current preventative maintenance accounts. Across all division, the City budgets $8.03M in preventative maintenance activities with the tax base preventative maintenance portion being $4.6M. Applying this 2.94% inflationary rate to current preventative maintenance accounts, the recommended increase is $135,000-$145,000 in tax base preventative maintenance funding for the 2020-2022. Each of the three major asset classes (Parks, Roads & Sidewalks and Facilities) utilizing preventative maintenance were provided an increase starting in 2020 or 2021 or 2022 and are summarized as per Table 4.

Table #4 – Increased Preventative Maintenance Funding:

Ref #	Division	Budget Request Name	2020 ($) Amount	2021 ($) Amount	2022 ($) Amount
I3	Environment & Parks	Increased Preventative Mtc Funding for Env & Parks	135,000	-	-
I4	Fac Design & Mgmt	Increase Preventative Maintenance Funding for Facilities	-	-	145,000
I7	Transportation Services	Increased Preventative Mtc Funding for Transportation	-	140,000	-

2.1.6 Operating Budget Revenues

During each operating budget cycle divisional and department user fees & charges are reviewed to ensure that the appropriate level of recovery revenue is being generated. The review of operating budget lines reveals that many are reasonably static in nature and dependant on factors outside the City's control. In light of this information, the LTFP inflationary factors for revenue lines include increases of 0%-2.5% depending on the type of revenue activity. For example:

- Program revenue inflated by 1%
- Capital Recovery Overhead inflated by 0%

  - o Opportunities for revenue 'true-ups' will be incorporated into the budget as they arise (I.e. B21 - TRAN.2020.011 - Increased Capital Overhead Recovery Revenue)
- **The inflationary factors used in the LTFP are 'levers' and can be adjusted as part of future LTFP updates*

2.1.7 Property Tax Levy Changes

Property tax is the main revenue source for municipalities in Ontario and will generate an estimated $79 million for the City of Waterloo proposed in 2020 increasing to $87 million proposed by 2022. As the main revenue source for the City, it will be necessary to consider increases to the property tax base in order to maintain existing service levels.

2.1.8 City Utilities Financial Models

City Utilities user fees pay for the costs associated with providing high quality drinking water, collecting and treating sanitary wastewater and responsibly managing stormwater. Through these services, all residents and businesses within Waterloo receive a reliable supply of drinking water, sanitary sewer collection, protection of our source water, and a reduced risk from weather-related incidents like flooding.

City Utilities generates all funds for operations, maintenance and capital projects from water, sanitary sewer, and stormwater rates and service charges (no revenue is generated from property taxes). City Utilities works closely with Finance on utility billing and the preparation of budgets and 10 year rate forecasts. The models used for all three utilities are robust and have been used as key drivers of the LTFP for each area.

2.1.9 Other Enterprise Financial Models

The LTFP is a comprehensive overview of all city operations and includes enterprise units (e.g. City Utilities, Parking, Cemetery, and Building Standards) throughout the city. Several enterprise divisions (Parking, Cemeteries, and Rental Housing) have created comprehensive financial modeling tools that allow staff to consider the projected impacts of both operating and capital spending. These assist in decision making for user rates and operating and capital budget decisions. These models drive the LTFP as they are more detailed and contain specific information related to their enterprises. Enterprise divisions such as Building Standards are prioritizing the creation of a comprehensive financial model for 2020-2022.

2.2 Staff Recommended LTFP Considerations

The LTFP is a holistic review of financial needs for the City and takes all known city priorities and funding requirements into account. Based on this the following LTFP recommendations have been included in the proposed 2020-2022 budget.

2.2.1 New Services / Increased Levels of Services

For the purposes of the LTFP, staff concentrated primarily on maintaining existing levels of services through inflation. As a result and in accordance with policy FC-019, new or increased levels of services approved by Council will require additional levels of funding above the proposals included in the LTFP and as noted on Table 6.

Service level changes proposed as part of the 2020-2022 budget are in alignment with the strategic plan goals and objectives Council has prioritized for this term. Examples of service changes included in the proposed 2020-2022 budget include:

- S1 – Canada Day Programming Event
- S2 – East Side Branch Library Op Impacts - Tax Increase Above Inflation Funding
- S5 – Neighbourhood Strategy Implementation
- S7 – Truth and Reconciliation Action Plan Implementation

2.2.2 Operating Impacts of Capital

A key component of the LTFP Model is the ability to input the forecasted increases to operating expenditures that are expected to be incurred as a result of the City building new infrastructure (e.g. new facility, splash pad or park). During the development of the 2016 AMP, a methodology was developed for the City to estimate operating impacts of capital. This approach was updated for the 2020-2022 budget and allows staff to utilize a consistent approach to developing operating impacts of capital when preparing the individual project sheets.

For the purposes of the LTFP update, staff included in the 2020-2022 proposed operating budget the impacts of new assets included in the proposed capital budget and 2023-2029 proposed capital forecast or resulting from previously approved projects. The operating impacts of capital that have been included in the 2020 LTFP update are outlined in Table 5.

Table #5: Estimated Operating Impacts of Capital (000's):

SUMMARY OF OPERATING IMPACT OF CAPITAL EXPENDITURES

Operating Impact of Prior Capital Approvals-COMMITTED	2020	2021	2022	2020-2022 Total	2023	2024	2025	2026	2027	2028	2029	Grand Total
Operating Impact of projects approved in 2019	200	819	82	1,101								1,101
Committed Subtotal	**200**	**819**	**82**	**1,101**								**1,101**

Operating Impact of 2020-2022 Proposed Capital-ACTIONABLE	2020	2021	2022	2020-2022 Total	2023	2024	2025	2026	2027	2028	2029	Grand Total
Operating Impact of projects budgeted in 2020-2022	168	291	429	888	1,082	615						2,585
Actionable Subtotal	**168**	**291**	**429**	**888**	**1,082**	**615**						**2,585**

Operating Impact of 2023-2029 Proposed Capital-FORECAST	2020	2021	2022	2020-2022 Total	2023	2024	2025	2026	2027	2028	2029	Grand Total
Operating Impact of projects budgeted in 2023-2029					1,129	1,197	1,290	1,272	760	409	151	6,208
Corporate Services Subtotal					**1,129**	**1,197**	**1,290**	**1,272**	**760**	**409**	**151**	**6,208**

	2020	2021	2022	2020-2022 Total	2023	2024	2025	2026	2027	2028	2029	Grand Total
TOTAL OPERATING IMPACTS	**368**	**1,110**	**511**	**1,989**	**2,211**	**1,812**	**1,290**	**1,272**	**760**	**409**	**151**	**9,894**

Examples of some of the tax base projects with operating impacts of capital for the 2020-2022 timeframe include;

- Ref #123 - West Side Employment Lands Servicing
- Ref #235 - Splash Pad Construction
- Ref #631 - Station Area Planning Implementation
- Ref #801 (*2019 capital budget*) - East Side Library Branch
- Details of all the operating impacts are included in the proposed capital budget submission

For the purposes of the LTFP, staff then uses an average of the 2020-2029 operating impacts and excludes any major anomalies that aren't likely to reoccur (e.g. Ref #304 Fire Rescue Expansion 2023-2026). This information is then used for the long term projection period (year 11-25) and will continue to be updated as capital forecasts for those years are further developed.

2.2.3 History of Capital Infrastructure Reinvestment Reserve Fund

CIRRF was first established in 2008 for the purpose of funding the rehabilitation or replacement of road and facility capital infrastructure. The reserve fund was established with an annual base contribution from operating of $500,000, initially phased-in over 3 years. Later in 2008, Council decided to allocate the Ontario Road and Bridge grant funds, and the Investing in Ontario grant funds to CIRRF as well, and in December 2008 Council chose to allocate an additional $98,930 annually to CIRRF from assessment growth.

On December 14, 2009 Council directed staff to review options regarding the use of assessment growth and capital funding. Staff reported back in March 2010 via report FS2010-002 which recommended that the assessment growth policy at that time be maintained, which allocated 80% of assessment growth to operating to pay for growth initiatives and 20% to the Capital Reserve Fund. Council considered this recommendation, but in recognition of the ever increasing pressure the city is facing on infrastructural renewal, ultimately decided that in addition to the 20% allocation to the Capital Reserve Fund, 20% of assessment growth was to be allocated to the newly established Capital Infrastructure Reinvestment Reserve Fund, reducing the operating allocation to 60%. Subsequently, in April 2012, Council also approved an update to the Allocation of Surplus Policy to allocate a portion of year end surplus, if any, to CIRRF as well.

In January 2018, Council approved the consolidation of a number of reserve and reserve funds to provide greater flexibility, pool risk and minimize administration. Six reserve and reserve funds used for rehabilitation and replacement were consolidated into CIRRF, and the policy was broadened, from allowing for the replacement and rehabilitation of just roads and facilities, to all existing tax-based capital infrastructure. As part of this approved consolidation the Uptown Development Reserve Fund was consolidated with both the Capital Reserve Fund (75%) and the Capital Infrastructure Reinvestment Reserve Fund (25%). The apportioning of the close-out percentages was based on the weighting between new and rehabilitation projects previously projected to be funded by the Uptown Development Reserve Fund over the 10 year capital projection. In April 2018, changes approved through the Long Term Financial Plan (LTFP) have also been implemented, including updates to the Use of Budgeted Assessment Growth Policy (30% CIRRF, 10% CRF and 60% operating) and the Allocation of Surplus Policy, resulting in increased funds being directed to CIRRF for rehabilitation. In addition, in May 2019 the Capital Overhead policy was updated to direct Overhead surplus to CIRRF annually.

All of the measures identified above have resulted in an additional $30 million being spent on rehabilitation and replacement to date.

Section #3 Funding Opportunities

The City's first LTFP was approved on April, 16, 2018 via CORP2018-011. The approval of the City's first LTFP report included direction to staff to consider increased infrastructure funding as part of the 2020-2022 budget process.

3.1 General Tax Levy

Increasing the general property tax revenues through higher annual increases to the tax levy was an option considered through the initial LTFP development. This approach has the potential to provide more flexibility for determining how the additional revenue is allocated between additional contributions to reserves versus increases to the operating expenditures. While potentially more flexible, this approach limits the ability to report on the positive actions that Council has undertaken to reduce the City's infrastructure deficit. As a result, staff have continued to develop the LTFP utilizing increases to the general tax levy as a methodology to fund only operational activities.

Based on the analysis undertaken through the LTFP modeling process, it is projected that the general tax levy will require increases as noted below in Table 6.

Table #6: Proposed Property Tax Levy:

Type of Increase	2020	2021	2022	2023 – 2026 (average annual increase)	2027 – 2030 (average annual increase)	2031 – 2044 (average annual increase)
Tax Levy	2.8%	2.2%	1.8%	2.2%	1.2%	2.1%

**Does not include Infrastructure Increase*

Council approval of the increases noted in Table 6 will be requested through the City's normal budget processes in the future. The increases are subject to change based on decisions made by future Councils. It is important to note that the proposed tax levy is significantly influenced by the timing of capital projects and the related operating impacts of capital as noted in section 2.2.2 and Table 5 and is based on the best available data and assumptions at this time.

3.2 Grants

Both the Ontario and Federal governments have established substantial grant programs over the past numerous years to help fund the rehabilitation or replacement of municipal infrastructure. Grants are traditionally awarded through an application program or through annual formula-based allocation program.

Application Programs

Application grant programs, invite eligible parties such as municipalities to submit grant applications that align with the grant streams objectives through a competitive process. A recent example of this would be the Investing in Canada Infrastructure Program (ICIP) – Community, Culture and Recreation Funding Grant Application. On October 21, 2019 Council approved report CORP2019-066 which is seeking up to $22 million in Federal and Provincial grant funding for three City of Waterloo grant submissions. The report also included approval of a contribution to the Wilfrid Laurier University and University of Waterloo lead project submissions.

The Community, Culture and Recreation intake is a competitive process. Funding approval is not guaranteed, however these recent examples illustrates how the City of Waterloo can leverage other levels of government funding to help with the City of Waterloo's asset management objective to support a coordinated approach of good stewardship of municipal assets.

Over 2012-2019 YTD the City of Waterloo has benefited from over $11 million in application based grant funding and staff will continue to pursue this as a source of rehabilitation funding.

Allocation Programs

The Federal Gas Tax Rebate Reserve Fund is an example of an allocation program. The City of Waterloo receives a semi-annual allocation of funds from the Association of Municipalities of Ontario (AMO) on behalf of the Federal Government as per the agreement for the Transfer of Federal Gasoline Tax Revenues. For 2019 the City of Waterloo received $3,184,880 in Federal Gas Tax Transfers under the annual program.

As part of the 2019 Federal Budget, the government announced it was topping-up the Federal Gas Tax Fund with a **one-time** transfer of $2.2 billion. This doubled the Government's commitment to municipalities in 2018–19 and provided much needed infrastructure funds for municipalities and First Nation communities. In 2019 the City of Waterloo also received a **one-time** increased Gas Tax allocation of $3,146,000.

The Federation of Canadian Municipalities (FCM) is one of the leading voices for Canada's local governments. FCM recently called for the permanent doubling of the Federal Gas Tax Fund to assist municipalities with infrastructure renewal through an increased predictable annual allocation that better reflects Canada's long-term economic growth.

The permanent doubling of the Federal Gas Tax Fund would significantly assist the City of Waterloo in addressing our current infrastructure funding gap.

3.3 Redirection of Waterloo North Hydro Interest & Dividend Income surplus

The City of Waterloo became a shareholder of Waterloo North Hydro (WNH) Holding Corporation in 2000, and holds 73.2% equity ownership, along with the Township of Wellesley who owns 6.6%, and the Township of Woolwich who owns 20.2%. The use of the WNH interest & dividend income surplus was deferred to the LTFP process when identified as a potential funding strategy in the 2016 AMP financing strategy.

As of 2019, the WNH interest & dividend income has a current operating budget of $3.2 million. Staff has increased this budget numerous times over the years, most recently increasing the base budget by $200,000 in 2019 and by $630,000 in 2015. Historically the WNH interest & dividend income budget has generated an annual surplus, with the average annual surplus over 2001-2018 being $687,000. For the 2020-2022 budget, staff is recommending a measured approach which will see the WNH Dividend income budget increased by $374,825 (*slightly over half of the average surplus*) with the increase being directed 100% to CIRRF to assist with addressing the existing infrastructure gap. Staff will continue to monitor this budget item for potential future increases utilizing the remaining average surplus as the ongoing sustainability of this surplus is better known.

- I6 - Increased Infrastructure Funding as per LTFP (WNH Div) Allocated to CIRRF

3.4 Increased Infrastructure Funding (CIRRF)

Instituting a property tax increase dedicated to fund infrastructure renewal activities (administered through CIRRF) is one of the best strategies to fund the additional contributions. This approach provides a more direct line of sight from the taxes that residents pay to the services/infrastructure that it funds.

For 2020-2022 it's proposed that a measured increase in infrastructure reinvestment is approved by Council funded through a combination of tax increases above inflation and through a portion of the Waterloo North Hydro (WNH) Dividend revenue being directed to CIRRF as noted under section 3.3. This is recommended via budget request I6 Increased Infrastructure Funding as per LTFP, and if approved would see a net increase for CIRRF of $2.5 million by 2022 as outlined previously as part of Table #2 - Increased CIRRF Allocation Summary.

Recently corporate report, Asset Management Update CAO2019-032 identified that the City has an annual estimated infrastructure funding gap of $20 to $23 million for all infrastructure assets of which $17 million is for tax base funded assets. The LTFP includes a plan to address the need for additional infrastructure funding to maintain current levels of service. The proposed increase to infrastructure funding will need to continue as part of future budget cycles for Council's approval and will set the City of Waterloo on a path towards delivering our Strategic Plan objective to address the infrastructure deficit over 2020-2032. The increases to infrastructure funding included within the LTFP have been summarized in Table 7 and if approved will achieve the long term increased infrastructure funding target level as per the LTFP.

Table #7: LTFP Increased Infrastructure Funding Proposal (CIRRF):

Increased Infrastructure Funding Proposal	*Current Council approval sought as part of the proposed 2020-2022 budget*						*Future Council approval to be sought as part of future budget cycles*					
	2020		**2021**		**2022**		**2023-2026**		**2027-2030**		**2031-2032**	
	($000's)	***(%)***	**($000's)**	***(%)***	**($000's)**	***(%)***	**($000's)**	***(%)***	**($000's)**	***(%)***	**($000's)**	***(%)***
Taxes above inflation	375	*0.5%*	777	*1.0%*	1,212	*1.5%*	5,167	*1.5%*	5,827	*1.5%*	3,123	*1.5%*
WNH Dividend	375	*0.5%*	-	*0.0%*	-	*0.0%*	-	*0.0%*	-	*0.0%*	-	*0.0%*
Allocation of Expiring RIM Park Debt (50%)	-	*0.0%*	-	*0.0%*	-	*0.0%*	-	*0.0%*	-	*0.0%*	1,825	*0.0%*
Increase before Allocation to Support Staff Resources	**750**	**1.0%**	**777**	**1.0%**	**1,212**	**1.5%**	**5,167**	**1.5%**	**5,827**	**1.5%**	**4,948**	**1.5%**
Allocation to Support Staff Resources	148		55		-		458		479		332	
Net Annual Infrastructure Funding Increase	**602**		**722**		**1,212**		**4,709**		**5,348**		**4,616**	
Cumulative Infrastructure Funding Increase	**602**		**1,324**		**2,536**		**7,245**		**12,593**		**17,209**	
Infrastructure Funding Gap - % Additional Funding Achieved		**3.5%**		**7.8%**		**14.9%**		**43.5%**		**75.7%**		**100.0%**

3.4.1 Comparator Municipality Increased Infrastructure Funding

Several municipalities within the Province of Ontario have implemented dedicated infrastructure increases as a funding strategy to address their infrastructure gap. Table 8 outlines a sample listing of municipalities, what their levy increases are for and what the % increase was for 2018, 2019 and *if available* what is proposed for 2020. A comprehensive listing of municipalities with dedicated infrastructure increases has not been created and Table 8 is an example of the information that staff have gathered.

The City of Waterloo is not alone in facing this challenge. The Association of Municipalities of Ontario (AMO) estimates that Ontario faces a municipal infrastructure gap of $60 billion that will take 10 years to close, leaving municipal governments with a bill of $6 billion each year. This figure does not include the additional significant needs facing social housing, culture, and recreational facilities. Municipal governments have been doing their part, working to invest in these systems. However, population growth, usage and age all increase demands for investments. AMO is committed to continue to work with the province to support municipalities in implementing their strategic asset management plans and building their asset management capacity.

Table #8: Municipality Comparators:

Municipality	% for 2018	% for 2019	Proposed % for 2020	Type
Barrie	1.00%	1.00%	1.00%	Levy for the Dedicated Infrastructure Renewal Fund
Brampton	2.00%	2.00%	TBD	Infrastructure Levy
Burlington	1.25%	1.25%	1.25%	Infrastructure Levy
Centre- Wellington	2.00%	2.00%	TBD	Bridge Rebuilding Levy
Guelph	1.00%	1.00%	TBD	Dedicated Infrastucture Levy
Kingston	1.00%	1.00%	TBD	Capital Levy
Mississauga	2.00%	2.00%	2.00%	Infrastructure and Debt Repayment Levy
Newmarket	0.68%	0.75%	1.00%	Infrastructure Levy
Oakville	1.00%	1.00%	1.00%	Capital Levy
Woolwich	1.50%	1.50%	TBD	Special Infrastructure Levy

Information obtained from the respective municipalities website

3.5 Debt Financing

Debt is borrowed money that is paid back over time and incurs interest charges. Debt at the municipal level cannot be used to fund operating expenditures (e.g. salaries) however can be an important capital financing tool. Municipalities may consider debt as a logical choice when financing larger infrastructure projects and looking to spread the cost of the project over a longer period of time in alignment with the asset useful life.

For the City of Waterloo, there is a Council approved policy, FC-009 Debt Management Policy that outlines Council's commitment to demonstrating financial leadership and sustainability. The policy provides a defined and transparent process for the City's management of debt. Within FC-009, the City has made a strategic decision to set appropriate limits on debt. For example tax base funded projects are limited to 30% or less of the project value being funded by debt, and any debt is amortized over a maximum 10 years. City staff are committed to reviewing this policy during 2020-2021, ensuring the debt policy has the correct parameters and guidelines for today's financial environment.

Debt may be a viable option if interest rates are lower than the rate of inflation as the cost to complete the project may be higher if delayed under a pay-as-you-go financing approach. The current projected interest rate is between 2.1% - 2.5% based on our most current debt issuance. The Region of Waterloo is a AAA rated municipality and issues debt on behalf of the City of Waterloo. This is approximately the same as the inflation index recommended within the LTFP and higher than the interest earned in the City's high interest savings accounts. Based on this information, staff believes it is still prudent to incorporate debt for new assets and maintain a pay-as-you-go approach for most rehabilitation projects. It is also important to consider the urgency of the project proposed to be funded by debt. If there is insufficient time due to urgency, debt may be an appropriate funding strategy.

In consideration of this information and the state of the City's infrastructure, staff believes that the City will be in a fiscally sound position and will not require the use of debt for rehabilitation if the strategies outlined in the LTFP and 2020-2022 budget are implemented.

Debt was utilized as part of the 2019 approved capital budget to help fund new infrastructure such as the Waterloo Memorial Recreation Complex Addition. In 2020-2022 debt is being proposed mainly for Development Charge related growth projects such as; Uptown Parking Expansion General (Structure & Surface Spaces), Keatsway Storm Bypass & Creek Bank Stabilization and Beaver Creek Road & Conservation Drive Reconstruction.

3.6 Expiring Debt Charges

As part of the City's first LTFP report CORP2018-011, expiring debt charges were identified as a future funding opportunity. The final debt payment to be incurred by the City to build RIM Park will be paid in 2031 allowing Council to redirect the base operating budget of $3.65 million in 2032 (Debt Charges less budgeted transfer from RIM Park Investment Reserve) With this opportunity falling within the LTFP timeframe, staff has included it within the LTFP modeling activities splitting the future opportunity equally between infrastructure funding and new/increased services.

This proposed split was originally endorsed by the LTFP Steering Committee. On March 18, 2019 when presenting CAO2019-010 Asset Management Journey, Council inquired as to what fully allocating the expiring RIM Park debt charges in 2032 to Infrastructure would do compared to splitting it equally between infrastructure (50%) and new/increased services (50%) as suggested by staff / steering committee.

The opportunity to allocate the expiring debt charges will be a decision of Council during the 2031-2034 Council term. While it is important to plan for this future opportunity within the LTFP model, it's also important to remember that this is a future opportunity that can be used to help the City reach its ultimate increased infrastructure goals, but isn't available in the near-term. So while future Council approval will be sought to determine what to actually do with this opportunity, for context if 100% of the opportunity was provided to infrastructure, it would be an additional $1.825M in ongoing infrastructure funding effective 2032. This could be an alternative to a tax increases above inflation for infrastructure in 2032.

Section #4 - Long Term Financial Plan Summary and Next Steps

Since approval of the City's first LTFP in April 2018, good progress has already been made. As outlined in CORP2018-011 under Next Steps, staff has already completed the following items.

Capital Overhead Policy Review

On May 13, 2019 Council approved report CORP2019-025 which recommended changes to the Capital Overhead Policy (FC-018) including using a flat 4% overhead rate for applicable projects resulting in easier administration and appropriate level of overhead recovery from all capital sources. Also the policy was updated to direct 100% of any year-end surplus Capital Project Overhead Revenue (Acct #610101) to CIRRF, so it can be reinvested in asset rehabilitation.

Preventative Maintenance

The first LTFP recommended an inflationary increase of 3% for preventative maintenance activities. As outlined under section 2.1.5, the 2020-2022 proposed operating budget includes increased preventative maintenance to assist in a maintaining better asset condition for a longer period and to help avoid premature replacement needs.

Capital Project Sheet Update

The first LTFP recommended continual improvements to the capital project sheets. Initially implemented as part of the 2019 capital budget and again utilized for the 2020-2022 capital budget, staff developed a new capital project sheet template which has added more information for asset management data gathering/tracking purposes. In addition, the public view of the project sheets has been refreshed by simplifying in an ongoing effort to produce more user friendly financial documents.

Development Charges By-Law & Budget Alignment

The alignment of the Development Charges Background Study with the three year budget development in 2020-2022, and every four years thereafter, will provide the opportunity to consider and prioritize growth and strategic priorities / enhancements at the same time as these projects often compete for the same limited discretionary CRF dollars.

The approval of the 2019 Development Charges Background Study was advance to Dec 16, 2019 via report CORP2019-070 due to uncertainty around Bill 108. The draft regulations that came out in the summer indicate that a Community Benefits Charge (CBC) Authority would become effective Jan. 1, 2020, but existing DC by-laws can remain in force until Jan. 1, 2021. The ambiguity is whether the ability to pass a new by-law for soft services actually ends Jan. 1, 2020 or 2021. As such it was determined by staff to be a proactive approach to ensure our 2019 Development Charges Background Study & By-law were approved before either date.

2020-2022 Budget

The 2020-2022 proposed operating and capital budgets will be released on December 9, 2019. The 2020-2022 proposed budget has been guided by the City's first LTFP and this LTFP update. Mainly the proposed 2020-2022 budget includes measured increased infrastructure reinvestment funded through tax increases above inflation and through a portion of the Waterloo North Hydro Dividend revenue being directed to CIRRF. Also it proposes increased preventative maintenance funding to assist in a maintaining better asset condition for a longer period and to help avoid premature asset failure triggering the need for early replacement.

Next Steps

Staff intend on updating the LTFP with each three year budget cycle. This timeline will allow staff to align the LTFP updates with updates to the City's AMP and Development Charges By-Law providing Council with another tool for budget decision making along with other inputs such as Council's approved Strategic Plan.

As staff continues to update the LTFP model to reflect current information and decisions by Council, staff will also continue to look for ongoing updates and improvements that can be made and to refine the LTFP model.