



STAFF REPORT
Financial Planning & Purchasing

Title: 2018 Budget
Report Number: CORP2017-089
Author: Filipa Reynolds
Meeting Type: Finance & Strategic Planning Committee Meeting
Council/Committee Date: November 20, 2017
File: NA
Attachments: Appendix A - FC-011 Multiple Year Budget Approval
Appendix B – FC-013 Use of Budgeted Assessment Growth Revenue

Ward No.: All

Recommendation:

1. That Council approve CORP2017-089 and;
2. That Council approve the operating budget amendments as listed in Table 3 of report CORP2017-089 , specifically:
 - a) That Council temporarily amend policy FC-013 for the 2018 Budget to revise the current allocation of assessment growth of 60% to operating and 40% equally divided between CRF and CIRRF to: 70% operating and 30% equally divided between CRF and CIRRF, resulting in a transfer of \$536,967 to capital and;
 - b) That Council approve \$441,000 for the purposes of funding minimum wage at \$14 per hour and the related compression, subject to the enactment of Bill 148, Fair Workplaces, Better Jobs Act, 2017 by the Ontario government and further, if Bill 148 does not become law as written that that staff be directed to reserve these funds for anticipated 2019 labour pressures.
 - c) That Council approve \$363,063 for the purposes of funding existing labour/operations and external contractual obligations and;
 - d) That Council approve \$230,000 (or approximately 25%) towards the operating costs of the future East Side Library and;

- e) That Council approve \$80,000 towards the Waterloo Wellington Local Health Integration Network programs for the purpose of maintaining current service levels as a result of frozen funding from the Province for the past 10 years and;
 - f) That Council re-set the 2018 tax increase to 2.1% and;
3. That Council re-affirm the 2018 Capital Budget and 2019-2025 Capital Forecast as previously approved on February 8, 2016 and as amended for the 2017 Development Charge Background Study and By-law, and for limited amendments made by Council on an as needed and individual basis.

A. Executive Summary

Due to strategic policy, planning and decision making by City of Waterloo Council over the past several years, there has been continued growth and intensification within the City borders, influencing the increased and accelerated assessment growth being realized in 2017. The City's growth of 3.74% is the highest in Waterloo Region in 2017. While there is an increase in the number of properties being constructed, it should be noted that the assessment growth is also on account of a reduction in the MPAC timeline to get properties on the tax roll and from a repurposing of finance staff towards assessment base management.

The increased growth has resulted in additional revenue of \$1.8 million for the 2018 budget. While this accelerated growth is providing the city with flexibility to address a number of significant pressures in 2018, the growth rate is not expected to be maintained at this level indefinitely.

Proposed amendments to the previously approved 2018 operating budget include:

- contributions to capital reserves, as required by policy
- proposed minimum wage legislation (\$14 per hour)
- updated labour/operations and external contractual obligations
- allocating funding towards the future operating costs of the East Side Library
- resetting the previously approved tax increase to 2.1% from 2.4%
- addressing the funding gap in the Waterloo Wellington Local Health Integration Network (WWLHIN) program

The City of Waterloo is fortunate to be experiencing this level of growth and as a result is able to address the 2018 financial impacts of proposed minimum wage legislation, a significant cost which much like other cities, would otherwise likely need to be addressed as a tax increase, user fee increase, or service reductions.

B. Financial Implications

\$1.8 million of additional assessment has prompted a strategic review of the previously approved 2018 operating budget. Recommendations for use of the additional funds are detailed in Table 3 with accompanying notes.

C. Technology Implications

NA

D. Legal Considerations

Staff did not consult legal.

E. Link to Strategic Plan

(Strategic Priorities: Multi-modal Transportation, Infrastructure Renewal, Strong Community, Environmental Leadership, Corporate Excellence, Economic Development)

Corporate Excellence

F. Previous Reports on this Topic

NA

G. Approvals

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

CAO



**2018 Budget
CORP2017-089**

REPORT

Multi-Year budget

In February 2016, Council approved a three year operating and capital budget that covered the years 2016-2018. The City of Waterloo approved its first multi-year budget in 2008 and continues to be one of the front runners in Ontario in this regard. In fact, some local municipalities are interested in moving towards a multi-year budget and are looking to the City of Waterloo to better understand our process.

The multi-year budget process and approval is beneficial as it results in administrative efficiencies and stability of long term planning for tax and rate payers and the corporation itself, while simultaneously providing flexibility to respond to a dynamic environment. The City estimates that collectively there are over 10,000 hours saved during a 4 year Council term as a result of multi-year budgeting. This efficiency results in incremental capacity in years 2 and 3 of a council term at various levels of the organization and across many divisions. This capacity results in greater value-add work in non-budget years. Such examples of value add work in 2016 and 2017 include but are not limited to; In 2016 and 2017 the City delivered a large portfolio of capital projects that had a collective value of approximately \$42M. These projects included road reconstruction, storm water management, creek rehabilitation, active transportation and underground utility upgrades, developing a new capital year end reporting process, continuing to leverage grant opportunities without additional staff complement, and making significant progress in developing of a Long Term Financial Plan that will be integrated with the City's Budget process and the Asset Management Plan.

The Multiple Year Budget Approval Policy (FC-011) is a Council approved Policy which provides parameters and flexibility for addressing material changes should they arise between budget cycles. This policy states that a change in assessment growth greater than a 1% equivalent tax increase would result in amendments to the budget (See Appendix A). A 1% tax increase for 2018 equates to \$681,000.

Legislation

The Municipal Act requires that if a multi-year budget is passed by Council, that it be re-affirmed in each individual year. Council received a report in November 2016 which re-affirmed the previously approved budget for the 2017 fiscal year.

This report (CORP2017-089) has been written to communicate emerging financial information that, in staff's opinion will result in key changes to the previously Council approved budget for 2018.

What has changed?

As of late October 2017, assessment growth has exceeded budgeted expectations by \$1,550,859. This figure will be subject to some variations until early December 2017.

Staff recommend utilizing a portion of the \$1,550,859 for 2018 budget planning purposes. It is anticipated that any further fluctuations will not be material and the difference between the final December figure and the current figure of \$1,550,859 can be addressed by applying the FC-011 Multiple Year Budget Approval policy (Appendix A). Applying this policy to the variation between the current figure and the December figure will result in either excess funds being held in Budget Contingency for use in the 2019 budget cycle or conversely, covering insufficient funds from the Tax Rate Stabilization Reserve.

The 2018 Budget had originally included forecasted assessment growth of \$1,000,000 (i.e. 1.5% growth). Actual growth is currently 3.74% or \$2,550,859. As stated in the Multiple Year Budget Approval Policy, a change in excess of \$681,000 (i.e. 1% tax increase) would result in amendments to the previously approved budget. In addition, in 2016 there was a more modest surplus in assessment growth, which in and of itself would not have triggered a budget amendment, however, as a result of the 2017 assessment growth far exceeding budget, the 2016 additional assessment growth of \$261,172 has also been incorporated in the proposed budget changes.

To summarize, the combined incremental increase to assessment growth for 2016 & 2017 that can be brought into the 2018 budget is \$1,812,031:

Table 1

	Assessment in excess of Budget
2016	\$ 261,172
2017	\$ 1,550,859
	\$ 1,812,031

Impact to Supplementary Taxes in 2017

Supplementary Taxes related to assessment growth are applied retroactively (current year plus 2). In most cases the City of Waterloo receives current year growth plus the majority of the prior year. As noted in CORP2017-086 2017 Q3 Surplus Projection (a

report that is also in the November 20, 2017 FSP Agenda), a material surplus is anticipated from supplementary taxes, however it is offset by deficits in tax adjustments/refunds, vacancy and charitable rebates:

Table 2:

	Q3 2017 Projected Surplus/(Deficit)	
Supplementary Taxes	\$ 1,518,000	a
Tax adjustments & Refunds	\$ (1,250,000)	b
Vacancy & Charitable Rebates	\$ (265,000)	c
Projected Surplus	\$ 3,000	

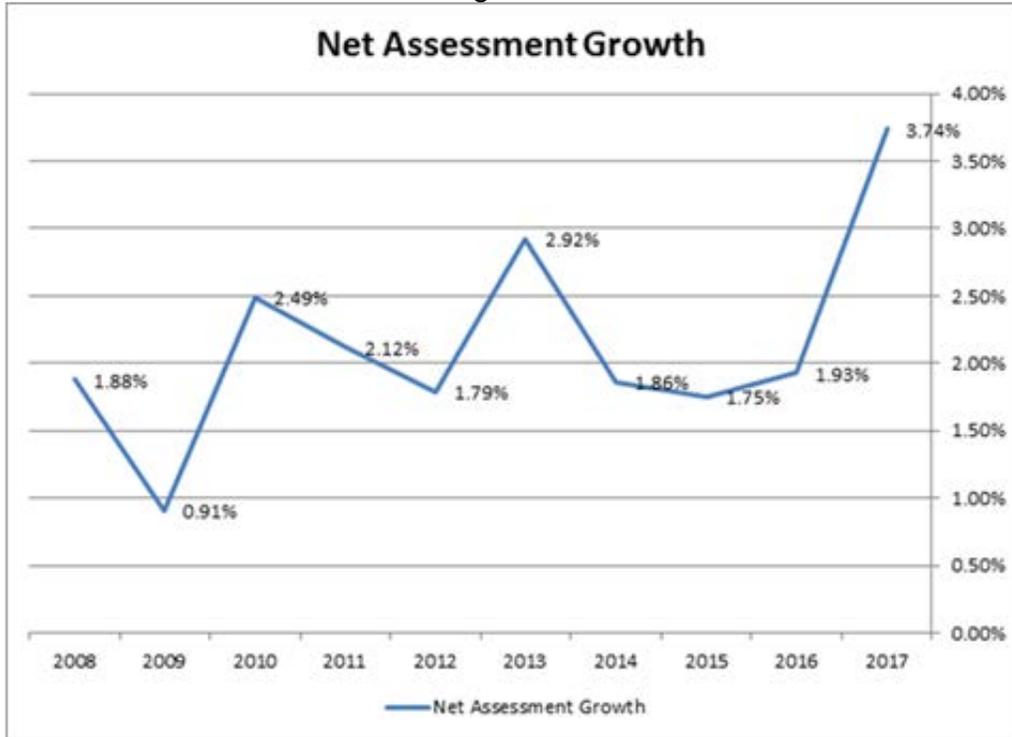
Excerpt from Report CORP2017-086 2017 Q3 Surplus Projection:

- a. *A surplus of \$1,518,000 from supplementary taxes is anticipated due to new properties coming on the assessment roll after the final tax roll of return was set for 2017. The timing of assessments by MPAC as well as economic conditions impacts the actual results for supplementary taxes. The 2015 budget for supplementary taxes was increased by \$250,000 to \$1,250,000, which was considered sustainable. Current weighted assessment growth is tracking on budget at 3.74% as of October 20, 2017. There is a potential for further changes before the roll closes in early December.*
- b. *A deficit of \$1,250,000 in tax adjustments and refunds is expected due to changes in assessment (resulting from appeals or changes in use). The most significant items relate to reductions to large office and retail commercial properties with multiple years of retroactivity. This trend has occurred province wide and is expected to continue in 2018.*
- c. *Other tax related items such as vacancy and charitable rebates are projecting a deficit of \$265,000.*

Historical Assessment Growth

Assessment growth in the City of Waterloo has been strong the last 5 years but it can fluctuate significantly from year to year. In general, each year new construction must occur and these properties must be reach a stage to receive an occupancy permit to create the assessment growth in that year. This is impacted by the amount of developable locations, and other market conditions. In the last decade it has been as low as 0.91% and as high as 3.74% (See Figure 1)

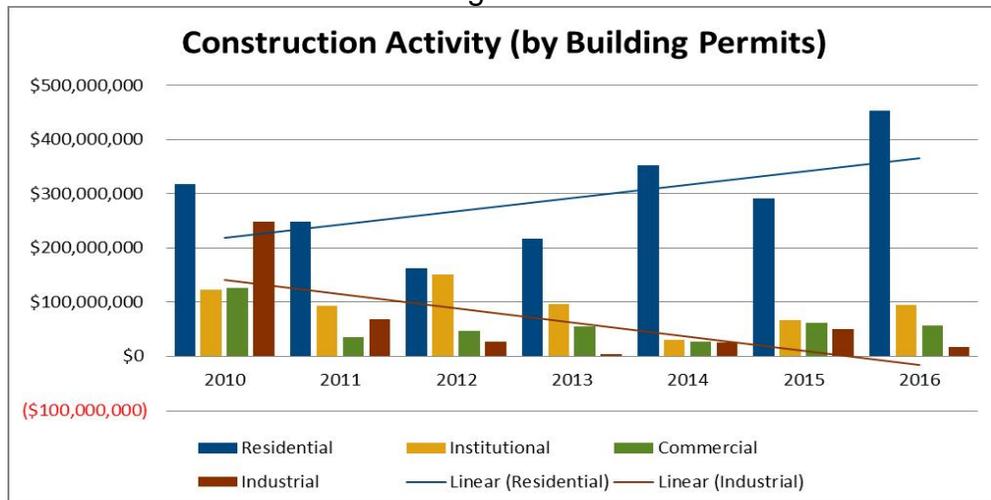
Figure 1:



Impact on 2018 Assessment Growth Target for 2019 Budget

For preliminary planning, the 2019 budget has an estimated target for 2018 assessment growth of 1.5% or \$1,100,000. It is unlikely that the 2018 assessment growth will experience similar levels as 2017 however, staff remain confident that 1.5% growth is attainable due to the large amount of residential building activity that continues to occur as shown in the chart below (See Figure 2).

Figure 2:



Regional Growth Comparison

At present, the 2017 assessment growth in the City of Waterloo is the highest in the Region, with a rate of 3.74%.

Proposed 2018 Budget Amendments

The Corporate Management Team with support from Finance have evaluated the various pressure points that the City is facing in 2018 and expected in 2019, and recommends limited key strategic amendments to the 2018 budget as shown in Table 3:

Table 3:

Proposed 2018 Operating Budget Changes			
<u>Revenues</u>			
	2016 Additional Assessment Growth	\$ 261,172	
	2017 Additional Assessment Growth	\$ 1,550,859	
	Total Revenues	\$ 1,812,031	
<u>Expense</u>			
	Policy: Contribution to Capital: CRF/CIRRF	(536,967)	1
	Bill 148 - Minimum Wage	\$ (441,000)	2
	Existing Labour/Operations Contributions & External Contractual Obligations	\$ (363,064)	3
	Operating Impacts of Capital: East Side Library	\$ (230,000)	4
	Re-setting 2018 Tax Increase	(161,000)	5
	Provincial Program: WWLHIN	\$ (80,000)	6
	Total - Expenses	\$(1,812,031)	
	Surplus/(Deficit)	\$ -	

Note 1: Policy - Contribution to Capital: CRF/CIRRF

FC-013 Use of Budgeted Assessment Growth Revenue policy is a Council approved policy which stipulates that 60% of assessment growth be allocated to the operating budget, 20% to the Capital Reserve Fund (CRF) and 20% to the Capital Infrastructure Reinvestment Reserve Fund (CIRRF). If the full 40% of the additional assessment was allocated to CRF & CIRRF it would be \$724,812. In order to address the various other costs facing the City, Staff recommends a variation to the policy by allocating \$536,967 to the Capital reserves. This results in a modified allocation of 70% to the operating budget and 30% to the capital budget. This temporary measure is a compromise that strikes a balance by earmarking a substantial unplanned contribution to the capital program while also helping address the more immediate needs in the operating budget.

Note 2: Bill 148: Fair Workplaces Better Jobs Act: Minimum Wage

There is much discussion across the province about the financial impacts if Bill 148 receives Royal Assent. If the Bill, as it is currently written, becomes law, minimum wage will increase from \$11.60 to \$14.00 as of January 1, 2018. The Bill includes other components such as equal pay for equal work and various other benefit changes to vacation, parental leave, and family medical leave. Further analysis will be conducted and any potential impacts to the city will be brought forward in the 2019 budget. In the meantime, the single largest financial impact of Bill 148 is the minimum wage increase.

Municipalities and private business alike are grappling with how to address such a quick and significant increase in minimum wage. For municipalities, the options are also limited and challenging. Informal conversations with other cities and media reports indicate that many are contemplating one of the following options (including Wellesley Township as recently reported on October 26, 2017)¹:

- Increase taxes
- Increase user fees
- Cut back on other services

The City has conducted a review of its casual part-time wage grid. Various positions from aquatics, instructors, camp leaders, food services, co-op students, crossing guards, outdoor maintenance students will be impacted by minimum wage. The City's approach is to meet the proposed wage increase while maintaining some progression between steps and positions as part of a sound labour attraction and retention strategy.

In consultation with the other local municipalities some are already above the proposed new minimum wage threshold and those that are not, will be recommending an implementation that maintains some wage progression within the various levels of their organizations. Ultimately these will be council decisions in each of the municipalities. It should be noted that in 2015 the City of Cambridge was the first city in Ontario to adopt a living wage rate of \$16.05 in 2015 and has recently added casual, non-permanent positions to the commitment.²

As a result of strategic policy, planning and decision making by City of Waterloo Council over the last several years, there has been continued growth and intensification within the City borders, resulting in increased assessment growth. As such, the City is in a position to address the 2018 minimum wage gap without any immediate impact to tax payers.

Footnotes

¹ <https://www.newhamburgindependent.ca/news-story/7684283-minimum-wage-spike-will-cost-wellesley-township/>

² <https://www.cambridgetimes.ca/news-story/6970420-living-wage-dips-down-in-waterloo-region-thanks-to-child-credits/>

However, assessment growth should not be used to maintain existing service levels - it should be used to address operating impacts of capital. As assets continue to be built in the City, operating impacts also rise (e.g. more parks, additional trails and roads to maintain, changing types of infrastructure to maintain such as multi modal roads).

If the City is to rehabilitate assets, it is not just an increase in the capital funding that is required, but an increase in the operating resources is also required to manage and support the capital projects. In addition, resources are needed if we are to address the growing infrastructure rehabilitation funding gap. Therefore the repurposing of the actual assessment growth though not preferred is a reasonable option given the imminent unplanned pressures expected in 2018.

The proposed minimum wage increases are expected to have an impact of nearly \$700,000 to the City of Waterloo by 2019 if the minimum wage increases to \$15. This is an annual impact that may continue to grow with inflationary increases mandated by the Province. The assessment growth diverted to address the minimum wage in 2018 equates to an equivalent tax increase of 0.7%.

If Bill 148 fails, is deferred or if it is amended, staff will reserve these funds for anticipated 2019 labour pressures.

Note 3: Existing Labour/Operations Contributions & External Contractual Obligations

Since the time of approving the 3 year operating budget in 2016, some labour related settlements have arisen and in addition, some external contract negotiations have occurred. The net value of these changes is \$363,063. Given that these ongoing pressures have been realized on a permanent basis, it is appropriate to recommend permanent funding at this time.

Note 4: Operating Impacts of Capital – East Side Library

As identified in report CORP2017-085 East Library Feasibility Study (November 20, FSP packet), the East Side Library annual operating impacts have been estimated at approximately \$985,000 once the library is constructed and opened. The project completion is estimated to be September 2020. By allocating \$230,000 (approximately ¼ of the total requirement) of the assessment growth now towards this new facility Council is signalling a commitment to the project and beginning the process of providing adequate and sustainable funding to the Waterloo Public Library. Due to its' nature, assessment growth is annual base funding, and therefore the \$230,000 will be saved annually until the opening of the new facility, thereby deferring further operating contributions for as long as possible. The proposed future funding strategy is detailed in report CORP2017-085.

Note 5: Amendment of previously approved 2018 Tax Increase

On February 8, 2016, Council approved a tax increase of 2.4% for 2018. This equated to a \$31 annual impact per average household. In addition to addressing the various

financial pressures being faced by the City, a reduction of the previously approved tax increase is proposed. The proposed revised tax increase of 2.1% has an annual impact per average household of \$27 vs. the previous annual impact of \$31. The 2018 tax levy is \$72,185,210.

The 2018 tax increase (2.1%), assessment growth (\$2.55 million), fees, revenue budgeted true-ups, efficiencies/savings (\$210,000) – all of these incremental sources of revenue support the incremental updates to various services and programs in 2018. Many of these were previously approved by Council in February 2016 as part of the 3 year budget in February 2016. Table 4 provides a high-level summary of the approved and proposed additions to the budget for 2018:

Table 4:

Description	\$ Amount	Reference
Previously Approved Labour/Operations	\$ 1,407,000	B24 from Council Approved 2016-2018 Budget Book
Contributions to the Capital Budget	\$ 1,100,000	B25, B26, B67 from Council Approved 2016-2018 Budget Book & Note 1 of CORP2017-089
Minimum Wage - 2018 impact	\$ 440,000	Note 2 of CORP2017-089
Waterloo Public Library Funding (existing branches & contribution to East Side Library branch)	\$ 400,000	B27 & G1 from Council Approved 2016-2018 Budget Book & Note & Note 4 of CORP2017-089
Incremental Labour/Operations & External Contractual Obligations	\$ 363,000	Note 3 of CORP2017-089
Environment & Parks: Maintaining base service level for Horticulture & Forestry. Operating impacts of Capital for: King St North Streetscape, New parks and trails City Wide, New capital project infrastructure in City Parks, Waterloo Park Central Street Roadway & Multi use trail	\$ 336,000	B40, B42, G3, G5, G6 from Council Approved 2016-2018 Budget Book
Other operating impacts of capital including: Voice Over IP maintenance, Service Centre maintenance, Fleet growth	\$ 145,000	G10, G 13, G15 from Council Approved 2016-2018 Budget Book
WWLHIN program	\$ 80,000	Note 6 of CORP2017-086
	\$4,271,000	

Note 6: Provincial Program – Waterloo Wellington Local Health Integration

The Waterloo Wellington Local Health Integration Network (WWLHIN) programs at the Adult Recreation Centre provide meals, outreach, transportation, home maintenance/homemaking, and a social/recreational day program, for seniors with

health-related issues. These services provide opportunities to enhance the lives of older adults, and their care partners and assist them to live at home longer. Currently, the programs are primarily funded by an annual operating grant from the WWLHIN, with additional in kind support from the City of Waterloo, and revenue collected via user fees. These programs are facing significant budget pressures as a result of increasing costs without an increase in sustainable base Provincial funding by since 2007.

After many years of cutting costs, implementing staffing efficiencies, and advocating for additional base grant funding, the programs have now reached a point where service levels cannot be maintained within the existing budget, with an anticipated annual operating deficit of \$80,000. In future budgets, staff will recommend that an ongoing operating increase be made to these programs, to ensure that these valued services continue to meet the needs of seniors in our community.

Preliminary 2019 Operating Budget Forecast

While the City is experiencing the accelerated financial benefits of growth, and while it has provided the City with the flexibility to address some significant costs in 2018, additional pressures will persist in 2019 and 2020. As a result, it is implicit that there is measured, responsible fiscal management to ensure that the city can address these future pressures in a sustainable fashion. These near term pressures include:

- the balance of the proposed minimum wage legislation (from \$14 to \$15) and the other components of Bill 148
- legislated changes to CPP employer contributions
- labour negotiations
- balance of the East Side Library operating funding
- addressing operating impacts of other capital projects
- a financial strategy for asset rehabilitation (long term financial plan)

Capital Budget

Should Council approve the Development Charge (DC) background study and by law on December 11, 2017 the DC capital program will alter the projects previously approved in the 2016–2018 capital budget and the 2019-2025 capital forecast. A new capital budget book will be assembled and available for Council, the public and staff in early 2018 for reference. Apart from adjustments to growth projects, the rehabilitation projects identified in the 10 year capital program that Council approved in February 2016 have remained relatively stable with limited adjustments reviewed by Council on an individual basis as per policy. The value of the adjusted 2018 Capital program as a result primarily of the DC Background Study is \$120,965,000.

The following list highlights some key capital projects which have been budgeted for 2018 and are therefore planned to be initiated in 2018:

Equipment & Technology

- Aerial 1
- Voice Radio – Protective Services/Public Works/Facilities & Fleet

Facilities

- Albert McCormick Community Centre Roof Restoration & Renewable Energy Installations

Parks/Public Spaces

- Northdale Parkland & Public Space Redevelopment
- Waterloo Memorial Recreation Complex Facility Addition & Space Conversion - Design
- Parks Strategy Implementation
- Station Area Planning Implementation
- Maple Hill Creek Rehabilitation – Westvale Pond to University Ave
- Beaver Creek Rd & Conservation Dr. Reconstruction
- Caroline St, Albert St & Erb St in conjunction with Region
- King St – Central to University – City’s funding share for a Regional project
- Vermont St – Margaret Ave to East End
- Dale Crescent
- Ira Needles Boulevard - By-pass
- Columbia St Extension to Wilmot Line
- West Side Employment Collector

Water/Sanitary/Stormwater

- Sanitary Sewer Master Plan Implementation
- Water Distribution System Study Implementation
- Silver Lake Study - EA Addendum
- Sanitary Pumping Station #2 on Conservation Dr. @ Beaver Creek Rd – Design

The next three year budget (2020-2022 Capital Budget and 2023-2029 Capital Forecast), will include a new DC Study, and will also look to begin incorporating financial strategies developed through the long term financial plan.

Appendix A

CORPORATE POLICY



Policy Title: **Multiple Year Budget Approval**
Policy Category: **Financial Control**
Policy No.: FC-011
Department: Corporate Services
Approval Date: December 17, 2007
Revision Date: August 10, 2015
Author: Cassandra Pacey
Attachments:
Related Documents/Legislation: Ontario Municipal Act Regulation 291.(1)

Key Word(s): Budget

POLICY STATEMENT:

The Council for the City of Waterloo is committed to demonstrating financial leadership and sustainability. This policy assists in formalizing a defined, transparent and flexible process for budgeting.

PURPOSE:

Changes made to the Ontario Municipal Act in 2006 provide Council with greater flexibility. The additional flexibility is created due to the ability to approve a one year budget for the first year of a Council term and the remaining three years in one, three year approval if Council wishes. The purpose of this policy is to define the procedures for multiple year budget approvals.

DEFINITIONS:

Municipal Act

The *Municipal Act* is the statute governing the powers, duties, internal organization, and structure of Ontario municipalities.

CMT

Corporate Management Team

Net Zero

Adjustments categorized as "housekeeping" items whereby budget funds can be reallocated within departments to realign the existing budget.

SCOPE:

This policy applies to all members of the City's organization including members of Council, full, part-time and contract staff.

POLICY COMMUNICATION:

Council will receive this policy for approval. If approved, the policy will be posted on the city's intranet. Staff will be advised of the policy via distribution to the Operational Leadership Team and Corporate Management Team.

POLICY:**Budget and Business Plans**

1. Departments will prepare three year budgets & business plans that will establish three years of service levels and three years of revenue requirements.
2. Departments are expected to operate within their approved budget in each of the three years.
3. Annually, if a surplus exists, it will be allocated to reserve funds based on existing surplus allocation policies.

User Fees

1. City of Waterloo User Fees will be reviewed as part of the budget process. User Fees will be adjusted to reflect market influences and operation needs.
2. The Fee & Charges By-Law will be approved by Council as a single year in the first year of a Council Term.
3. Subsequent to the first year, a three year approval of the Fee & Charges By-Law will be sought.
4. That the powers of a Commissioner to increase, decrease or waive a fee outlined in section 3.1.8 in the Fees & Charges By-Law
5. Significant changes may be brought to CMT and subsequently to Council for review and approval.
6. User Fees that are legislated to be set for a specific date or time period will be adhered to and brought to Council for approval.

Adjustment Process

1. The three year budget approval will allow for an annual adjustment process so that Council has some flexibility to adjust plans and budgets as economic and political circumstances change.

Adjustments may include, but are not limited to;

- a) Material changes to the projected Core Consumer Price Index (CPIX)
- b) Material changes to Labour Agreements
- c) Material changes to Economic assumptions
- d) Changes to Assessment Growth Projections*

Material changes are defined as individual items that will have an impact of 1% property tax budget (or approximately \$600,000).

*Assessment Growth

Budget will be adjusted annually for changes to Assessment Growth Revenue within the three year budget cycle. The changes will be reflected in the annual budget confirmation that goes to Council for approval. This is to ensure the tax levy is adjusted appropriately.

Scenario	Recommended Action
Actual Assessment Growth is greater than budget up to a maximum of 1% property tax budget (or approximately \$600,000)	Allocate excess funds to Budget Contingency to minimize the impact of unforeseen expenses or shortfalls in assessment growth in future years.
Actual Assessment Growth is less than budget up to a maximum of 1% property tax budget (or approximately \$600,000)	Fund the shortfall through the Tax Rate Stabilization Reserve as a one-time infusion of funds. Sustainable funding to be referred to the following year's budget process.
Differential between Actual Assessment Growth and Budgeted Assessment Growth greater than 1% property tax (or approximately \$600,000)	Open the budget per materiality threshold.

Operating Net Zero Procedure:

1. There is an opportunity for Managers/Directors/CMT to make "Net Zero Adjustments" between budget cycles.
2. It is not an opportunity to create new programs or receive additional funding as by definition the changes must net to zero.
3. Any changes must be a reallocation of one expense to another expense, or from one revenue source to another revenue source, thereby having no overall financial impact but rather to more accurately align the budget.

For instance, if actual expenses for a certain budget line are historically below budget provision, funding may be reallocated to another desired expense account, as shown below:

	Amount	Account	Account Description	Org	Org Name	Program	Project
Increase Budget to: + sign in front	\$5,000	200511	Mtc Contracts	13511	Building Stds	00000	00000
Decrease Budget from: - sign in front	-\$5,000	200106	Legal Prosecution	13511	Building Stds	00000	00000
Net Zero check	0						

Capital Net Zero Procedure:

1. Projects of equal or lesser value may be traded off within the three year period adhering to the following thresholds;

Threshold [^]	Approval Level [^]
< \$10,000	Directors
> \$10,000 and < \$50,000	Commissioner
> \$50,000 and < \$200,000	CMT
≥ \$200,000	Council

Note:

[^]The projects have been approved during the capital budget process. The alignment of the projects may be adjusted based on the identified thresholds to be efficient and cost effective.

COMPLIANCE:

In cases of policy violation, the City may investigate and determine appropriate corrective action.

Appendix B

CORPORATE POLICY



Policy Title: **Use of Budgeted Assessment Growth Revenue**
Policy Category: **Financial Control**
Policy No.: FC-013
Department: Corporate Services
Approval Date: April 20, 2009
Revision Date: May 12, 2014
Author: Cassandra Pacey
Attachments:
Related Documents/Legislation: Ontario Municipal Act Regulation 403/02

Key Word(s): Assessment Growth

POLICY STATEMENT:

The Council for the City of Waterloo is committed to demonstrating financial leadership and sustainability. This policy assists in formalizing a defined and transparent process for providing sustainable funding.

PURPOSE:

The purpose of this policy is to outline the procedures and steps undertaken to ensure the City of Waterloo plans allocates assessment growth appropriately.

DEFINITIONS:

Assessment

The dollar value assigned to a property by MPAC for purposes of measuring applicable taxes. It is the price placed on a home by the corresponding government municipality to calculate property taxes.

Assessment Growth

The increased assessed property value as determined by MPAC. MPAC is the organization that provides province-wide property assessment system using current value assessment.

Capital Reserve Fund (CRF)

The capital reserve fund is the primary source of funding for capital projects.

Capital Infrastructure Reinvestment Reserve Fund (CIRRF)

The Capital Infrastructure Reinvestment Reserve Fund funds rehabilitation or replacement of capital infrastructure.

SCOPE:

This policy applies to all members of the City's organization including members of Council, full, part-time and contract staff.

POLICY COMMUNICATION:

Council will receive this policy for approval. If approved, the policy will be posted on the city's intranet. Staff will be advised of the policy via distribution to the Operational Leadership Team and Corporate Management Team.

POLICY:**Assessment Growth Allocation**

- 20% of Assessment Growth is allocated to CRF
- 20% of Assessment Growth is allocated to CIRRF.
- 60% of Assessment Growth is allocated to the operating budget.

COMPLIANCE:

In cases of policy violation, the City may investigate and determine appropriate corrective action.