

Discussion Papers

D1-D3

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Status: Information Sharing

Approval: Tim Anderson,
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BUDGET DISCUSSION PAPER: Municipal Accommodation Tax

Related Budget Request(s):

- N/A

Issue/Background:

In the spring of 2017 the Provincial Government announced budget plans to give municipalities the power to levy a 'Hotel Tax'. On November 23, 2017, the Province of Ontario issued the Transient Accommodation Regulation 435/17, which came into force December 1, 2017 and provides the necessary provisions for lower tier and single tier municipalities across Ontario to implement a Municipal Accommodation Tax (MAT) or 'Hotel Tax'. These voluntary fees have been used across Ontario for many years but have not been implemented in Waterloo Region to date.

To date the following municipalities have implemented or are in the process of implementing a MAT:

In Effect (16)

- Barrie
- Brockville
- Cornwall
- Hamilton
- Kenora
- Kingston
- Mississauga
- London
- Niagara Falls
- North Bay
- Ottawa
- St. Catherines
- Sudbury
- Thunder Bay
- Toronto
- Windsor

In Progress (7)

- Belleville
- Hearst
- Huntsville
- Oakville
- Peterborough
- Sault Ste. Marie
- Wawa

The Waterloo Region Tourism Marketing Corporation and RT04 (our Regional Tourism office, established by the Ministry of Tourism, Culture and Sport) have both been advocates of the need for more revenue tools to enhance the competitiveness of Tourism in our broader community. RT04 commissioned a report by CBRE in the summer of 2017 that documented the potential implications of a 'Hotel Tax' on its key partners. Should Area Municipalities implement a 4% MAT (used/contemplated by 19 of the 23 municipalities above), the following revenue estimates would apply:

Table: Hotel Accommodations within Waterloo Region and Estimated Revenue from a 4% Municipal Accommodation Tax:

Municipality	Hotel Properties	*Rooms	Estimated 4% MAT Revenue
Cambridge	10	1,026	\$1,168,000
Kitchener	10	1,090	\$938,000
Waterloo	4	538	\$677,333
Woolwich	3	313	\$394,667
Wilmot	1	6	\$8,000
TOTAL	28	2,973	\$3,185,999

**Note - number of rooms and occupancy rates subject to change*

Data Source – CBRE Report 2017

According to Provincial regulations, the Waterloo Region Tourism Marketing Corporation would receive at least 50% of the MAT revenue. Area Municipalities could elect to direct the remaining 50% to WRTMC to further its mandate, or retain the balance to directly control how it wishes to enhance festivals, events, and tourism infrastructure.

Staff anticipates area municipalities to examine this issue further in 2019, with a staff report brought to Council for direction.

Key Points:

- In November, 2017 the Province issued the Transient Accommodation Regulation 435/17, which provides the necessary provisions for lower tier and single tier municipalities to implement a Municipal Accommodation Tax (MAT)
- Area Municipalities have discussed the possibility of implementing a MAT, and anticipates bringing a staff report to Council in 2019 for direction.
- Based on projections, a 4% MAT could generate \$3,185,999 annually. This would greatly improve our collective ability to increase visitation and length of stay while supporting and promoting festivals, events, attractions, restaurants and hotels in a variety of ways.

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BUDGET DISCUSSION PAPER: Excise Cannabis Tax Revenue

Related Budget Request(s):

- N/A

Issue/Background:

The legalization of cannabis in October 2018 may create municipal impacts that are currently unknown.

To help offset municipal impacts, the Province of Ontario has earmarked a minimum of \$40 Million (from its share of the federal cannabis taxes) to be distributed to municipalities over 2 installments. Under the funding formula that has been announced to date, Waterloo will receive \$58,438 in early January, 2019 and either another installment of \$5,000 (if Council **opts-out** to having retail stores) or at least another installment of \$58,438 (if Council **opts-in** to having retail stores).

Based on this funding formula, the installment amount of funding for the City of Waterloo could range significantly;

- \$58,438 as a first payment, regardless of Council's position on retail stores; and,
- \$5,000 as a second payment, should Council opt-out of having retail stores; or,
- At least another \$58,438 as a second payment (under opt-in to cannabis retailing)
 - second installment amount will vary based on the percentage of municipalities across Ontario that opt-in to cannabis retailing
 - assume a 50%-50% share between upper tier (Region of Waterloo) & lower tier (City of Waterloo)

On January 14, 2019, it is anticipated that Council will receive additional information regarding the opt-in and opt-out options available to Ontario municipalities. Pending the outcome of that discussion and further details from the Province of Ontario, city staff will have a better understanding of its funding share, and whether the Province intends to continue distributing this funding beyond the initial 2 installments. This information will be used during the development of the 2020-2022 budget.

Key Points:

- Cannabis legalization may present municipal impacts that are currently unknown.
- While the Province has committed funding to municipalities, it is unclear what our final share will be, and whether this funding will continue beyond the initial 2 installments.
- More information will be known during the development of the 2020-2022 budget.

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BUDGET DISCUSSION PAPER: Long Term Financial Plan

Related Budget Request(s):

- N/A

Issue/Background:

On April 16, 2018 Council approved CORP2018-011 Long Term Financial Plan – Staff Scenario. Long term financial plans (LTFP) are tools for Councils and staff to consider future scenarios, to help the strategic planning process and help municipalities navigate financial challenges. A LTFP is the process of projecting revenues and expenditures over a long-term period while using assumptions relevant to the municipality.

The City of Waterloo was engaged in creating a LTFP since Council's approval of the City's first Comprehensive 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. 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. For the City's first LTFP, there were numerous items reviewed and considered throughout the process.

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 previous Council's. These include but are not limited to:

- Assessment Growth Policy (2009) – allocating a share of Assessment Growth towards capital infrastructure.
- Stormwater Enterprise (2011) – creation of a stormwater user fee to provide a dedicated funding source as well as an incentive program for property owners to reduce stormwater runoff and pollutant discharge.

- Comprehensive Asset Management Plan (2016) – creation of the City’s first AMP in order to understand infrastructure needs and support the development of long-term strategies to ensure the services the city provides are sustainable in the years to come.
- Reserve Consolidation (2018) – through the consolidation of reserves, the city now has greater flexibility to respond to changing needs, ability to pool the risk associated with unforeseen expenditures and providing a more holistic approach to city-wide capital prioritization.

In April 2018, Council approved the following immediate actions related to the LTFFP:

- limited but strategic sustainable funding for reserves and the winter control operating budget
- updates to reserve policies and financial policies related to the recommended reserve consolidation

Additionally in April 2018, Council directed staff to refer the Long Term Financial Plan funding requirements to the 2020-2022 budget process. These funding opportunities are required to address the infrastructure funding gap as identified in the 2016 Asset Management Plan. The 2016 Corporate Asset Management Plan and the Long Term Financial Plan estimate additional capital funding requirements of:

- City Utilities infrastructure of \$6 million annually
- Tax base supported infrastructure of \$14 to \$17 million annually

In order to take further steps to address this infrastructure funding gap, Council approved the following funding opportunities to be considered as part of the 2020-2022 budget and future budgets:

- General Tax Levy Increases
- Debenture Financing
- RIM Park Debt Charges (2031-2032)
- Dedicated Infrastructure Levy

Key Points:

- On April 16, 2018 Council approved CORP2018-011 Long Term Financial Plan – Staff Scenario.
- The development and maintenance of an LTFP is complex and contains many inter-related decision making factors.
- The LTFP builds upon the sustainable actions already taken by Council and previous Council's
- As part of the LTFP, Council directed staff to refer the Long Term Financial Plan funding requirements to the 2020-2022 budget process.
- These funding opportunities include; General Tax Levy Increases, Debenture Financing and or a Dedicated Infrastructure Levy
- Staff will be bringing the updated LTFP in 2019 for Councils consideration as part of the 2020-2022 budget.