



**STAFF REPORT**  
**Finance**

Title: 2020-2022 Budget Strategy  
Report Number: CORP2019-061  
Author: Filipa Reynolds & Brad Witzel  
Meeting Type: Finance & Strategic Planning Committee Meeting  
Council/Committee Date: September 16, 2019  
File: N/A  
Attachments: Appendix A - FC-011 Multiple Year Budget Approval  
Ward No.: City-wide

**Recommendations:**

1. That Council receives CORP2019-061 for information.

**A. Executive Summary**

The objectives of this report are to update Council of the following:

- Council's 2019-2022 Strategic Plan is informing the Business Plans, which are in turn, informing budget recommendations
- The upcoming budget is a singular approval of a three year budget (2020-2022); the City of Waterloo's multi-year budget process is effective, efficient & dynamic
- Key Budget milestones and timeline
- Update of inflationary indices
- High-level budget strategy
- Actions related to Council's feedback of the 2019 budget process
- Public Engagement
- Recognizing interconnectedness of the budget process with reports to come on Reserve & Reserve Funds, enterprise rates, Asset Management Plan/Long Term Financial Plan, Development Charge background study
- Challenges and opportunities, including Bill 108, More Choice, More Homes Act

Budget documents will be released on December 9, 2019 with business plan presentations to Council and opportunity for delegations scheduled for the month of January, and Council approval of the budget being sought on February 10, 2020.

**B. Financial Implications**

N/A

**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)

The 2020-2022 operating and capital budget are linked to all the Strategic Plan objectives and guiding principles.

**E. Previous Reports on this Topic**

- CORP2019-018 2019 Budget Process Debrief – March 18, 2019
- CORP2019-025 Capital Budget & Capital Overhead Policy Updates Approval – May 13, 2019
- CORP2019-043 Bill 108 More Homes, More Choice Act, 2019 – Impact on Development Charges – May 27, 2019
- CAO2019-020 Office of the CAO (Economic Development & Legal Services) 2020-2022 Fees and Charges Updates – June 17, 2019
- CAO2019-022 2020 Parking Rates – June 17, 2019
- CORP2019-040 Corporate Services 2020-2022 Fees and Charges – June 17, 2019
- COM2019-020 Cemetery Services 2020 Fee Adjustments – June 17, 2019
- COM2019-024 Rental Housing and Business Licensing Fees and Charges Updates – June 17, 2019
- COM2019-023 Community Services Fees and Charges 2020-2022 – June 17, 2019
- IPPW2019-038 IPPW 2020-2022 Fees & Charges – June 17, 2019

F. Approvals

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

CAO



2020-2022 Budget Strategy  
CORP2019-061

The budget process is a tool that allows Council to prioritize programs and services delivered to the community and to prioritize the building of new assets and repairing/maintaining existing assets. Essentially, the budget is the tool for bringing the Strategic Plan to life while balancing the need to deliver and invest in core services.

### Multi-year Budget Process

The Municipal Act allows municipalities to approve multi-year budgets so long as Council re-affirms the future budgets annually. This multi-year approach is beneficial as it results in administrative efficiencies and stability of long term planning for tax and rate payers and the corporation. At the same time, it is also resilient and adaptive to material changes as reflected in the Multi-year Budget Policy (See Appendix A). The City of Waterloo approved its first multi-year budget in 2008 and as a result, over the past 12 years, the City has undertaken 6 full budget cycles as compared to a traditional annual budget process which would have resulted in 12 full budget cycles.

Cycles	Budget Approval Time Periods
1	2008-2010
2	2011
3	2012-2014
4	2015
5	2016-2018
6	2019

Since 2008, the budget has been amended significantly once (2018 budget) with minor amendments occurring in 2013 and 2014. These amendments demonstrate that the multi-year budget policy is providing the necessary flexibility to deal with changes while maintaining the efficiency of a longer term planning process. The City estimates that collectively there are over 10,000 hours saved during a four year Council term as a result of multi-year budgeting. This approach of multi-year budgeting builds capacity in years two and three of a three year budget. Council and staff, at various levels and across the organization, are able to focus on what matters most to tax/rate payers and the broader community; delivering services, building and maintaining assets, exploring

new partnerships and opportunities with other organizations, and ultimately continuing to build a strong sense of community in Waterloo.

Specifically, this capacity has enabled the ability of finance staff resources to be redeployed for various purposes including; the implementation of Tangible Capital Assets, coordinating grant applications, the development of various plans including; long term financial plan, asset management plan, cemetery business model, parking model, capital year end reporting without adding additional staff resources.

The City of Waterloo has shown leadership in Ontario in the area of multi-year budgeting and other cities often look to Waterloo for insight into establishing a multi-year budget process. Last fall, city of Waterloo Finance staff presented our multi-year process to other municipal finance professionals at the Municipal Finance Officers Association annual conference. Some cities have implemented or are considering 4 year budget approvals. As an example, the City of London's most recent budget was a 4 year approval, covering the years 2016-2019.

### **Council's Strategic Plan**

Council's Strategic Plan sets the foundation for the budget process as it identifies the highest priorities for the City and outlines actions necessary to reach those goals. The 2019-2022 Strategic Plan which was approved by Council on June 24, 2019 (CAO2019-004), will guide the development of the 2020-2022 Business Plans and Budget.

#### Business Plans

The new strategic plan provides a common focus for our community and organization. Implementation of this plan will cascade through departmental business plans, budgets, work plans and performance measurement. Across the organization and council advisory committees there is a focused effort on supporting this alignment. A revised business plan template has been created and is in use with the focus of improving alignment of the 2020-2022 business plans with the strategic plan. Likewise Council Advisory Committees have been asked to reflect on how their work will support progress on the goals of the strategic plan. Committee night on November 4, 2019 will highlight these committee proposed contributions.

It is anticipated that the new business plan template will enable a general audience to relate to each division, the services we deliver, the factors (often legislation) that guide our service delivery and emerging trends in our sector and respective division. Key initiatives will be identified. How these initiatives link to the strategic plan will be highlighted, as will any link to making progress on the United Nation's Sustainable Development Goals. The business plans will be presented by staff to Council throughout the month of January 2020.

#### Reporting Progress

It is anticipated that reporting progress on the 2019-2022 Strategic Plan will consist of two components; a "project dashboard" and "corporate dashboard". Progress on each

project identified in the 2020-2022 business plans will be reported on yearly via a “project dashboard”. This dashboard is anticipated to be a concise executive summary update on the status and progress of a project over the previous 12 months. A concerted effort is underway to develop a corporate reporting dashboard that will be representative and meaningful in tracking progress on both the strategic plan and service delivery to the community from across the organization. It is anticipated that a corporate reporting dashboard will be finalized in the first quarter of 2020 after Council approves the 2020-2022 budget in February 2020.

### **Staff Budget Committee**

The internal Budget Committee is made up of staff as follows:

- CMT (all 4 members)
- 1 Director from CAO’s office
- 2 Directors from each of IPPW, Corporate Services, and Community Services

For the 2020-2022 Budget, the individuals that make up the Budget Committee are:

1. Tim Anderson, CAO (CMT)
2. Cameron Rapp, Commissioner IPPW & Deputy CAO (CMT)
3. Keshwer Patel, Commissioner Corporate Services, CFO & Treasurer (CMT)
4. Mark Dykstra, Commissioner Community Services (CMT)
5. Justin McFadden, Director Economic Development (CAO’s office Rep)
6. Joel Cotter, Director Planning (IPPW Rep)
7. Ron Ormson, Director Engineering (IPPW Rep)
8. Tony Iavarone, Director Communications (Corp. Services Rep)
9. Olga Smith, Director Legislative Services (Corp. Services Rep)
10. Richard Hepditch, Fire Chief (Comm. Services Rep)
11. Jeff Silcox-Childs, Director Environment & Parks (Comm. Services Rep)

Meetings are chaired and coordinated by Finance through Filipa Reynolds & Brad Witzel. Ongoing discussions have been occurring with the staff Budget Committee to lay the framework for the 2020-2022 budget process. Discussions have included, but have not been limited to; overall budget strategy, targets, budget directives, public engagement, capital budget envelopes and business plans.

### **Key Dates**

The City-wide budget takes many months to prepare with involvement and coordination involving various staff across the organization. The administration began 2020-2022 budget discussions in late 2018 with a goal to review forecasts and develop strategy for the process early on. This proactive approach allowed for the review of multi-year variance reports, target setting, and the work to identify realistic expense reductions and

revenue opportunities. The budget process is iterative allowing for flexibility to adjust to changing priorities as identified through the Strategic Plan approved in June 2019. As this next budget is a 3 year approval, staff have developed the budget schedule with a February 2020 budget approval date in order to allow Council and the public time to review the budget documents and ask pertinent questions to assist in decision making.

Figure 1 provides key milestones during the budget process:

2020-2022 Budget Schedule		
Timeline	Steps	Who
<b>Administration</b>		
Jan 2019 - Mar 2019	Budget Strategy Sessions including forecasting, operating target setting, capital envelope development	Budget Committee / Finance
Jan 2019 - Aug 2019	Budget Launch, Business Plan development, Budget Preparation (documentation), Public engagement development	Budget Committee / Finance / City Wide Management & Staff
June 2019	2020-2022 Fees & Charges reports for Tax Base 2020 Enterprises Rate reports as follows: - Parking - Cemetery Services - Rental Housing - Business Licensing	City Wide Management & Staff Finance
Aug 2019 - Sept 2019	Administrative Review / Budget Deliberations / Administrative Approval	Budget Committee / Finance
Oct 2019 - Nov 2019	Development of Budget Books/documents, Budget Presentation, & communications plan	Staff Finance / Communications
<b>Political Review</b>		
March 18, 2019	2019 Budget Process Debrief	Council
May 27, 2019	Bill 108 More Homes, More Choice Act, 2019 - Impact on Development Charges report	Council
June 17, 2019	2020-2022 Fees & Charges reports Approval for Tax Base 2020 Rate reports Approval for Enterprises as follows: - Parking - Cemetery Services - Rental Housing - Business Licensing	Council
September 16, 2019	2020-2022 Budget Strategy Update	Council
October 21, 2019	DC Background Study Update	Council
November 18, 2019	Asset Management Public Engagement Results	Council
December 9, 2019	2020-2022 Public Budget Release 2020-2022 Public Business Plan Release	Council
December 9, 2019	Reserve & Reserve Funds Annual Report Long Term Financial Plan Update Report Early Capital Budget Approval 2020 Rate report release for Enterprises as follows: - City Utilities 2020 Rate report Approval for Enterprises as follows: - Building Standards	Council
December 9, 2019	Final DC Background Study & Draft DC By-law	Council
January 13, 2020 January 20, 2020 January 27, 2020	Business Plan Presentations	Council
January 20, 2019	Development Charges Public Meeting	Council
January 20, 2020	2020 Rate report Approval for Enterprises as follows: - City Utilities	Council
February 3, 2020	Capital Budget Review	Council
February 10, 2020	Development Charges Approval	Council
February 10, 2020	<b>Budget Day: 2020-2022 Operating and Capital Budget Approval</b>	Council

## Inflationary Indices

There are various published inflationary measures that may be considered by Council as part of budget decision making. While these indicators are results that have occurred in the past, they may provide context to assist Council in making decisions that will impact the future. Future inflation may in actual fact be higher or lower than the previous year and therefore the indicators are used as a guideline.

Current inflation statistics are as follows:

Table 1 – Inflation statistics as at August 2019:

Year	12 mth average <sup>1</sup>			Construction Price Index Q1 <sup>2</sup>
	CPIX	CPI Canada	CPI Ontario	
2019	1.68%	2.03%	2.08%	5.28%

<sup>1</sup> Most recent data: 12 mth rolling average, August 2018 to July 2019

<sup>2</sup> Most recent data: Q1 2018 to Q1 2019

### Core Consumer Price Index (CPIX)

As per the Core Consumer Price Index Policy (FC-019) staff is directed to report to Council a yearly rolling average of the Core Consumer Price Index (CPIX). The draft 2020-2022 operating budget will be developed in accordance with the policy, which states that CPIX will act as a guideline for property tax increases (base budget net of efficiencies and assessment growth, plus operating impacts of capital). In addition, a menu list will be developed to include other known pressures outside the proposed budget and further reduction opportunities for Council's consideration.

CPIX is the Consumer Price Index (CPI) excluding primarily eight of the most volatile components (fruit, vegetables, gasoline, fuel oil, natural gas, mortgage interest, inter-city transportation and tobacco products). The August 2018 to July 2019 rolling 12 month average of CPIX is 1.68%.

### Consumer Price Index (CPI) Canada

Another commonly used measure of inflation is the Consumer Price Index (CPI), which provides a broad measure of the cost of living in Canada. While there are other ways to measure price changes, the CPI is the most important indicator because of its widespread use. Through the CPI, Statistics Canada track on a monthly basis, the retail price of a representative shopping basket of about 600 goods and services from an average household's expenditures on food, housing, transportation, furniture, clothing and recreation. The August 2018 to July 2019 rolling 12 month average of CPI is 2.03%.

### Consumer Price Index (CPI) Ontario

The July 2018 to August 2019 rolling 12 month average of CPI Ontario is 2.08%.

### Construction Price Index

Contractor prices for the construction of new non-residential buildings is another index used by municipalities for the purposes of considering inflation of capital projects. The index is made up of 11 geographical areas: St. John's, Halifax, Moncton, Montreal, Ottawa, Toronto, Winnipeg, Saskatoon, Calgary, Edmonton, Vancouver. The City of Waterloo focuses on the Toronto index (given its proximity to Waterloo). The index is calculated on a quarterly basis by statistics Canada. The latest quarter available has the Toronto index (Q1 2019 versus Q1 2018) at 5.28% and an overall composite increase of 4.8%.

The Development Charges study uses the Q3 index for inflating project costs in order to use the latest data during the fall/winter budget process. While the Toronto construction price index is a helpful factor when considering capital cost, it does have some limitations for capital budget inflationary purposes. For starters it's based on historical data (similar to other indexes) and not necessarily a prediction of future capital increases to be experienced. Also as mentioned above, there is a timing challenge in terms of when the index data is released and when the city's capital budget development process occurs (during the spring and summer vs. the fall when the data is released).

On May 13, 2019 Council approved changes to policy FC-012 Capital Budget Policy and for the 2020-2022 capital budget a five year rolling average of the third quarter Toronto construction price index of 2.94% is being used as the current capital budget period inflation rate and 2% for the remaining forecast period. This modified approach to inflating base capital project cost will assist in smoothing out the inflationary index changes year over year and avoid material capital budget changes as a direct result of inflation.

### Future forecasts

It is widely known that forecasting future inflation is complex and uncertain. [CIBC Capital Markets, Economic Insights, July 2019](#) suggest that 2% inflation is expected for Q1 2020.

The Budget Committee is taking these various inflation indices into account while developing a budget for Council's consideration. The target is to keep base services and operating impacts of capital at/in and around inflation and by also including efficiencies/savings/other revenue opportunities and budget true ups. Increased investment in infrastructure renewal and service level changes will be incremental decisions for Council to consider. This approach aligns with making progress to implement Council's new strategic plan.

### **Budget Strategy**

The draft budget is being prepared with a focus on progressing on Council's 2019-2022 Strategic Plan through these four goals:

1. Support for existing programs & services
2. Operating funding to support new capital assets
3. Increased investment in infrastructure renewal
4. Service delivery enhancements and additions as supported by the new strategic plan

In order to accomplish these goals, funding is being considered as follows:

- In/and around inflation to support existing programs & services and operating impacts of capital. This includes savings from efficiencies and funding from assessment growth
  - This is in accordance with policy FC-019 Core Consumer Price Index (CPIX) which states:
  - CPIX will act as a guideline for property tax increases
  - Staff will strive to keep increases as close to inflation as possible for the base budget and operating impacts of capital (net efficiencies).
- Above inflation along with other funding solutions to increase investment in infrastructure renewal
- Above inflation to deliver new service/service delivery enhancements

A menu list will be prepared to assist Council in making changes as desired to the draft budget.

### Council's 2019 Budget Debrief/Feedback

Following the approval of the 2019 budget by Council, staff returned in March 2019 and conducted a session for Council to answer questions on what Council members thought about the budget process and how it could be improved. The goal was to understand council's expectations and to integrate those enhancements/changes into the 2020-2022 budget process.

Overall, Council as a whole felt that the Budget books were effective and that budget documents were easy to find online. Areas for improvements included: business plan template, promotional channels for public engagement, as well as some smaller improvements within documents. There was mixed reactions to the Budget in Brief, though most Councillors recognized that it served its purpose of being a quick snapshot for the average citizen who may not have time to review all the budget documents in more detail. Ongoing improvements will be made to the brief with each budget cycle as themes and Council priorities change. The business plan template has been revised as discussed earlier in this report, and the budget public engagement strategy is discussed in the next section of this report.

Table 2 – Summary of Results from Survey Conducted by member of Council on the 2019 Budget Process:

Question	YES	NO	SOMEWHAT
Q1: The Budget in Brief was a new publication, was it valuable?	4	1	3
Q2: Was the Operating Book effective?	8	0	0
Q3: Were operating documents easy to find online?	7	0	1
Q4: Was the Capital Book effective?	8	0	0
Q5: Were capital documents easy to find online?	8	0	0
Q6: Was the Business Plan document useful?	4	1	3
Q8: Was there an effective variety of promotional channels used to reach the public in a timely way?	1	3	4

Staff is adjusting process and various budget related documents based on Council's feedback during the debrief session including:

- Adding Budget Request numbers and Capital Project Reference numbers to the financial tables in the Business Plans
- Alignment of menu items to strategic plan
- Providing existing budget value context as needed
- Move Operating Book line so that it is not easily overlooked

- Improve “Risk if denied” section of Budget Requests to provide more substantive information for decision making
- Add revised operating impacts of capital summary to the capital budget book, focusing on the items within the approved budget window
- Summarize total funding by capital project to simplify (Include breakdown by funding source as an appendix)
- Business Plans to link better to the strategic plan & work plans
- Limit presentations on budget release day
- Highlight 3-5 Key projects/initiatives/themes for the public
- Provide support as needed to help Council members to get the word out to their constituents in various ways (e.g. social media, in person informally, ward meetings/newsletters)
- Use a topic of interest as a gateway into broader budget discussions

### **Public Engagement related to Budget**

The City of Waterloo has a long-standing practice and commitment to meaningful engagement with the community on its operating and capital budgets. The city also undertakes ongoing community engagement in support of its Asset Management Plan (AMP) and Long-Term Financial Plan (LTFP). There is an obvious connection between the city’s budget, AMP and LTFP and the findings from the AMP and LTFP consultation is being used to determine the priorities of the city’s draft budget, particularly the capital budget. In addition, as part of the development of its 2019-2022 Strategic Plan, the City conducted a statistically valid Community Satisfaction survey, which also provides important input into the 2020-2022 capital and operating budgets.

Using the findings from the public on the AMP/LTFP, Citizen Satisfaction Survey, and Strategic Plan, the City will utilize its online EngageWaterloo platform to further consult and gain insight on the draft three-year budget, once it is submitted to Council on December 9th, 2019. This engagement will provide the community with an opportunity to comment on whether the priorities identified through the draft budget are in alignment with the feedback received in the previous engagements. Staff will provide council with results leading into budget approval day to assist with decision-making.

Promotion of the online engagement will include the use of the City’s website, social media channels, and traditional advertisement in the Waterloo Chronicle. Staff will identify and use topics of interest as gateways to promote the budget engagement in December and January, as suggested by Council during the budget debrief session held earlier this year.

### **Asset Management Plan & Long Term Financial Plan**

The Asset Management plan (AMP) is directly influencing the budget. Needs by asset class have been provided by the Asset Management division as a key input to determine the capital project prioritization and the optimal allocation of available rehabilitation capital funding from the Capital Infrastructure Reinvestment Reserve Fund (CIRRF).

#### History of CIRRF

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 the Capital Infrastructure Reinvestment Reserve Fund as well.

In January 2018, Council approved the consolidation of a number of reserves and reserves 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 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.

Prior to the creation of CIRRF, the City was funding rehabilitation through several reserves, with CRF being the primary tax based reserve being used. CRF was being used for a whole host of projects from rehabilitation, to new, and also growth related. Developing a dedicated reserve for rehabilitation, has resulted in greater transparency, and allowed staff to isolate investments in infrastructure renewal in order to provide Council with analysis for decision making. Undoubtedly, this knowledge has enabled the decisions noted above; resulting in important and increased dedicated funding for infrastructure renewal over the past 11 years. All of the measures identified above have resulted in an additional \$30 million being spent on rehabilitation and replacement to date.

#### Future Infrastructure Reinvestment

As the city continues to move forward with its infrastructure renewal strategy, staff is exploring other opportunities to increase investment in infrastructure rehabilitation as part of the three year budget. This increased infrastructure reinvestment is proposed to be funded through tax increases above inflation and through increased Waterloo North Hydro Dividend being directed to infrastructure (CIRRF). In addition to receiving infrastructure renewal information via the budget, Council will also receive an updated LTFP in December which will provide Council with a longer term projection and graphs for different funding scenarios.

#### **Fees/Charges/Rates**

On June 17, 2019 Council approved various Tax Base 2020-2022 Fees & Charges update reports:

- CAO2019-020 Office of the CAO (Economic Development & Legal Services) Fees & Charges
- CORP2019-040 Corporate Services Fees & Charges
- COM2019-023 Community Services Fees & Charges
- IPPW2019-038 IPPW Fees & Charges

The corresponding revenue budget adjustments have been incorporated into the 2020-2022 draft budget.

On June 17, 2019 Council also approved various Enterprise 2020 Rate reports:

- CAO2019-022 2020 Parking Rates
- COM2019-020 Cemetery Services 2020 Fee Adjustments
- COM2019-024 Rental Housing and Business Licensing Fees and Charges

On December 9, 2019 Council will receive the remaining Enterprise 2020 Rate reports:

- City Utilities 2020 Rates
- Building Standards 2020 Rates

Each Enterprise is unique and has set their 2020 rates in accordance with their operating, capital and reserve level needs. Annually each Enterprise areas will return to Council for approval of their forecasted 2021 and 2022 rates.

### **Reserves & Reserve Funds**

The annual Reserves and Reserve Funds report will be provided to Council as part of the budget release on December 9, 2019. The report is being improved to be more succinct and yet still provide historical/forecast data for Council along with policy information. The report will help Council understand impacts of capital funding on various reserves to assist with budget decision making.

### **Trends/Opportunities**

#### Bill 108 – What it will mean for the DC background study and capital budget process

Bill 108, More Homes, More Choice Act, 2019 received Royal Assent on June 6, 2019. The legislation amends the Development Charges (DCs) Act and Planning Act, among other matters, to change how cities fund growth-related capital costs. A key amendment is to replace a city's authority to impose DCs for soft/discounted services (library services, parks, indoor recreation facilities, cemeteries, parking, related fleet, and related growth studies), as well as parkland dedication and density bonusing contributions, with a new Planning Act authority as a Community Benefit Charge (CBC). Based on draft regulation municipalities must transition to a CBC and pass a by-law by January 1, 2021. Various aspects of the legislation have not yet been finalized and are in draft regulation form. The province has struck a working committee to develop the community benefit charge percentage which will directly impact how much funding cities will receive from developers related to the soft/discounted services. For context, approximately \$290M (50%) of the 2019 – 2028 capital budget and forecast is funded from DCs and approximately \$110 million (20%) of the 10 year capital program is for soft service projects funded from DCs. The province has stated that it is not the government's intention to reduce funds available for community benefits. In order to maintain revenue neutrality for cities, a variety of percentages based on geography of land within cities and between cities as well as different percentages for varying types of

development, as well as methods to effectively consider parkland dedication and density bonusing will need to be considered by the province.

Between now and January 1, 2021, the city can pass a new DC by-law with new rates, and may charge and collect for both hard/engineered and soft/discounted services. As a result, city staff continue to simultaneously prepare a new DC background study for both hard/engineered services as well as soft/discounted services as well as a three year capital budget and 7 year forecast. Both documents will be published and provided to Council for consideration on December 9, 2019 and approval on February 10, 2020. Once the province provides final regulations, city staff will report back to Council on next steps. It is quite likely that a new Community Benefit study will need to be undertaken in early 2020, and an amendment to the 2021-2022 capital budget years and 2023-2029 capital forecast by the transition date of January 1, 2021. An internal working group made up of staff from finance, planning, building and legal has been meeting to review and respond to draft regulations. In addition, area treasurers have also developed a working group to share information with our local counterparts as we all work towards understanding the implications of the new system.

### Labour

The City has labour contracts with several different groups with varying expiration dates as identified in Table 3:

<b>Labour Group</b>	<b>Contract Expiration Date</b>
CUPE Local 1542	Dec. 31, 2019
Staff Association	Feb. 29, 2020
Waterloo Professional Fire Fighters Association	Dec. 31, 2022

The 2020-2022 budget will reflect estimates for the first 2 labour groups, or should an agreement be ratified before budget time, actuals will be reflected. Actuals will be reflected for the Waterloo Professional Fire Fighters Association in accordance with the agreement.

### Other

Other financial challenges and opportunities on the horizon include:

- Other Provincial initiatives such as the Audit and Accountability Fund
- Focus on asset renewal while simultaneously addressing new/changing services and service levels including but not limited to;
  - Greenhouse gas reduction program
  - Climate adaptation
  - Neighbourhood strategy implementation
  - Affordable housing
  - Diversity & Inclusion

- Adequately funding preventative asset maintenance
- Addressing operating impacts of capital in a timely manner
- Continuing to minimize financial impacts to residents by building in sustainable funding opportunities into the budget where possible
- Implementation of funding strategies for various significant capital projects including WMRC expansion and East Side Library branch
- ION and its impact on future development and road maintenance
- Changing cremation market
- Ongoing roll out of Cannabis legislation
- Hotel Tax implementation