

## **Tax Base Menu Papers**

### **M1-M13**

This material is available in alternative accessible format upon request. Please contact Heather Lagonia, [Heather.Lagonia@waterloo.ca](mailto:Heather.Lagonia@waterloo.ca), 519-747-8774 or TTY 1-866-786-3941 a minimum of 7-10 business days before it is required.

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Copies To:	CMT, OLT	<b>Approval:</b>	Mark Dykstra, Commissioner Comm. Services
Prepared By:	Sunda Siva Sunda.Siva@waterloo.ca 519-886-2310 x30257	<b>Page:</b>	1 of 2
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## **BUDGET MENU PAPER: Energy Manager (M1)**

### **Related Budget Request(s):**

- N/A

### **Issue/Background:**

The City of Waterloo manages a large number of facilities, which incur significant energy costs. This includes 29 primary facilities such as RIM Park, Waterloo Memorial Recreational Complex and Waterloo City Centre (City Hall), as well as 150 ancillary facilities such as Hillside Stadium, Bechtel Park sports fields, etc.

In 2018, the City's usage of these facilities incurred 18.6M kWh of electricity costing \$2.8M, as well as 1.6M m<sup>3</sup> of gas costing \$0.4M. This represented a significant reduction to energy consumption and significant cost savings from 2016 to 2018, as the City invested over \$4M in energy-saving initiatives in 2016. The measurement and verification analysis was adjusted for weather variations between the 2014 baseline year and determined that the savings are over \$730K annually. There have been several Council reports dating back from 2007 on Energy Conservation and Greenhouse Gas ("GHG") reduction program through the Green Building Policy. On September 24, 2018, Council approved and updated the Green Building Policy (CORP2018-067) for City-owned buildings.

In order to take these initiatives to a municipal level, Energy Management and GHG reduction initiatives are to be administered at 3 different stages:

- i. At the procurement stage – explore the best energy procurement methods & sources to purchase energy
- ii. At the administrative/design stage – apply control system (building automation system) strategically and place sensors at appropriate locations to optimize energy use
- iii. At the operational stage – follow best management operating practices and create awareness among staff and user groups across the corporation

In order to sustain the above savings and to reduce GHG by 80% by year 2050 (as per the Council approved Green Building Policy), employing a dedicated set of resources is inevitable. With that in mind, on September 26, 2019, the City of Waterloo applied for the Energy Manager Program grant through Natural Resources Canada. If successful, this grant will fund an Energy Manager for 2020 and for the first quarter of 2021. However, even if the grant application is successful, the Energy Management and GHG reduction initiatives cannot be sustained unless there is a permanent dedicated resource to support these initiatives ongoing.

In addition to all of the above initiatives, area municipalities have recently embarked on a Climate Emergency initiative. In order to support the above initiative and to sustain the previously-initiated endeavours, it is recommended that a qualified dedicated Energy Manager be retained.

The Energy Manager role will investigate, evaluate, recommend, and assist with the implementation of cost-effective energy-efficient solutions, GHG reduction programs, and provide options that will be in line with the City of Waterloo's Green Building Policy. In addition, this position will help build the internal cost of a carbon model for Council's review. This position will also help in developing quantitative, targeted strategies for supporting the City in making the transition to a low carbon future.

As such, in response to the opportunities relating to energy cost savings and in contributing towards the strategic goal regarding sustainability & the environment, Council may choose as part of the 2020-2022 Menu List to advance the Energy Manager menu item (M1). The Energy Manager menu item is valued at \$110,000 in 2022 or approximately a 0.1% tax impact. Should Council decide to not advance this item, it is anticipated that the City may lose opportunities to embark not only on cost savings and reductions to greenhouse gas emissions, but also on initiatives related to the Climate Emergency action plan.

**Key Points:**

- The City of Waterloo manages 179 facilities that used 18.6M kWh of electricity and 1.6M m<sup>3</sup> of gas in 2018 costing \$2.8M and \$0.4M respectively.
- The City applied for a federal grant to obtain funding for an Energy Manager for 2020 and the first quarter of 2021, and staff believe there would be significant opportunities to extend this beyond that timeframe as a permanent position.
- A framework is required to be built to take forward Council's Climate Emergency initiative.
- As part of the 2020-2022 operating budget, Council may choose to advance the Energy Manager menu item (M1) for a permanent position valued at \$110,000.
- Should Council choose not to advance this item, the City may lose opportunities to take advantage on cost savings and reductions to greenhouse gas emissions.

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Prepared By:	Joel Cotter joel.cotter@waterloo.ca 519-747-8543	<b>Page:</b>	1 of 3
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## **BUDGET MENU PAPER: Affordable Housing (Annual Contribution) (M2)**

### **Related Budget Request(s):**

- N/A

### **Issue/Background:**

Increasing the amount of affordable housing in the city is an objective of the 2019-2022 Strategic Plan recently adopted by Council. The City's Official Plan (the "OP") encourages the provision and retention of affordable housing. OP Policy 10.1.2 states that the City may provide a range of planning and regulatory incentives that encourage affordable housing, including financial relief (e.g. payment of development charges by the City on behalf of an affordable housing provider).

To date, financial relief for affordable housing has been primarily funded by Council's Community Priority & Contingency Reserve. In order to facilitate the realization of the 2019-2022 Strategic Plan objective to increase the provision of affordable housing in Waterloo, staff is recommending the following funding sources be used in priority sequence; existing funds secured through Section 37 agreements in support of affordable housing and then Council's Community Priority & Contingency Reserve.

### Section 37 Agreements Funds

Currently \$500,000 is available to support affordable housing initiatives. These funds were secured through Section 37 of the *Planning Act*. On November 20, 2017, Council approved IPPW2017-064 (IN8 Sage 10 257-263 Hemlock St) which provided \$500,000 for affordable housing. On October 28, 2019, Council approved IPPW2019-055 (84-86 Hickory St West & 284-286 Albert St) with increased density, subject to (among other community benefits) \$291,000 for affordable housing. Combined, \$791,000 will be available for affordable housing initiatives provided the Hickory / Albert project proceeds. With these funds available for affordable housing initiatives, staff recommends that these funds be used first to facilitate affordable housing in the city, at the discretion of Council.

### Council's Community Priority & Contingency Reserve

Council's Community Priority and Contingency Reserve (CCPC) was established in 2009 to fund expenses that are not a part of the approved budget but that Council determines to be necessary or of considerable merit. This reserve receives an annual allocation of \$200,000 and has historically been used to help support affordable housing projects. For example, in 2017, \$37,852 was provided from the CCPC to Supportive Housing of Waterloo for their affordable housing project at 402 Erb St W. The annual CCPC reserve is an additional funding source that Council may draw upon for affordable housing initiatives once the above funds secure through Section 37 of the *Planning Act* are fully exhausted.

### City of Waterloo Land Holdings

In addition to direct cash incentives, the City may also consider providing land or discounted land in support of affordable housing initiatives. The City holds various land parcels and a land inventory update will be undertaken in 2020 to identify which parcels are best suited to support affordable housing. In particular, in 2020, the City will be initiating an expression of interest process for the potential land disposition of the Former Kraus Lands. This expression of interest will include a requirement for affordable housing units to be included in the overall development.

### Menu Item M2

In addition to the above financial tools and resources currently available for Council to support affordable housing, Council may choose as part of the 2020-2022 Menu List to advance the Affordable Housing (Annual Contribution) menu item (M2). The Affordable Housing (Annual Contribution) menu item is valued at \$100,000 annually starting in 2022 or approximately a 0.1% tax impact. The annual affordable housing contribution will create a sustained funding source to advance the City's affordable housing objectives, at the discretion of Council. Sustained funding will help offset the impact of Bill 108 (re: *More Homes, More Choice Act, 2019*), which will likely eliminate financial contributions for affordable housing secured through Section 37 of the *Planning Act* moving forward. It is anticipated that the annual contribution would be directed to Council's Community Priority & Contingency Reserve with a new dedicated Affordable Housing program being created. The funds will primarily be used for the payment of development charges by the City on behalf of affordable housing providers. These funds will be used in concert with other affordable housing tools available to the City, including:

- requiring a diverse range and mix of housing types and sizes through planning approvals
- permitting second residential units (re: Zoning By-law 2018-050)
- permitting new land uses (e.g. "Community Housing" in ZB2018-050) to facilitate the provision of subsidized housing by organizations such as Supportive Housing of Waterloo (S.H.O.W.)
- affordable housing incentives through Community Improvement Plans
- maintaining housing supplies through demolition control

- preventing the undesirable conversion of rental housing to ownership tenure through condominium conversion policies
- securing affordable housing and/or affordable housing financial contributions through Section 37 of the *Planning Act* (until eliminated through Bill 108)
- inclusionary zoning, where permitted by the Province and deemed appropriate by Council

**Key Points:**

- The City's 2019-2022 Strategic Plan seeks to increase the amount of affordable housing in the city, which is also an objective of the City's Official Plan and Provincial policy.
- The City has limited tools to foster the provision of affordable housing. The City's toolkit is likely to shrink through legislation, including the elimination of Section 37 of the *Planning Act* (re: height and density bonusing) under Bill 108, *More Homes, More Choice Act, 2019*.
- In the immediate term, the City has \$500,000 (anticipated to increase to \$791,000) in funding available to support affordable housing initiatives along with other incentive sources such as the annual Council's Community Priority & Contingency Reserve contribution, and City land holdings.
- As part of the 2020-2022 operating budget, Council may choose to advance the Affordable Housing (Annual Contribution) menu item (M2) valued at \$100,000 starting in 2022 to establish a sustained funding source to advance the City's affordable housing objectives.

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Copies To:	CMT, OLT	<b>Approval:</b>	Mark Dykstra Commissioner, Comm. Services
Prepared By:	Jim Bowman jim.bowman@waterloo.ca 519-747-8748	<b>Page:</b>	1 of 2
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## BUDGET MENU PAPER: LHIN Programs Gap Funding (M3)

### Related Budget Request(s):

- N/A

### Issue/Background:

The City of Waterloo Home Support Services (“HSS”) and Senior Day Program (“SDP”) play an important role in meeting the recreation, leisure, and support service needs of local older adults and in providing caregiver relief/respite. These programs have been offered in partnership with the Waterloo Wellington Local Health Integration Network. HSS and SDP align with the City of Waterloo’s age-friendly designation, as well as with other strategies that focus on inclusion, equity and a sense of belonging in our community. Further information is available on the [City of Waterloo website](#). The City is committed to these programs, as illustrated through the construction of the community pavilion as part of the Waterloo Memorial Recreational Complex expansion.

Collectively, the two program streams are delivered by City of Waterloo staff, comprised of 1 full time staff, 8 regular part time staff (21-30 hours), 1 regular part time cook (30 hours) shared between the two programs, and 1 regular part time supervisor (28 hours), as well as approximately 75 volunteers. HSS and SDP staff members are part of the Staff Association (“SA”) and adhere to the SA agreement, including its protocols, procedures, and benefits, such as the performance plan appraisals, cost of living adjustments, and the job evaluation process. The City also provides significant in-kind contributions to the program through no-charge room rentals and staff leadership support.

The provincial funding for these programs has remained relatively unchanged for over a decade. This has created ongoing and accumulating pressures due to increasing program costs, such as the increased costs of salaries and benefits. City staff have streamlined operations and captured efficiencies as much as possible to maintain the same level of service in light of these funding constraints. In response to these ongoing pressures, through report CORP2017-089, Council approved providing base funding of \$80,000 starting in 2018 to address the programs’ operating deficits and to maintain the current level of service. That report also noted that staff would recommend an ongoing

operating increase in subsequent budgets. In 2019, these programs' cash costs were funded 74% by the province, 17% by user fees, and 9% by the City.

Despite renewed and continuing efforts to maximize the effectiveness of current funding, these programs continue to experience ongoing operating pressures primarily driven by staff wages and benefits increases as per SA agreement, which are not funded by the province due to the frozen provincial funding levels. There exists an estimated current pressure of approximately \$15,000. In addition, preliminary financial estimates regarding future HSS and SDP costs indicate that net expenses will unavoidably increase by approximately \$20,000 each year. The financial realities of local older adults preclude the opportunity to increase user fees. Furthermore, some residents qualify for subsidies depending on their financial limitations, as per the programs' emphases on inclusion, equity and belonging.

To address these pressures, Council may choose as part of the 2020-2022 Menu List to provide the \$74,296 in funding for the 2020-2022 budget cycle. This would be comprised of \$35,859, \$18,758, and \$19,679 for 2020, 2021, and 2022 respectively. If Council chooses to provide this funding, then by 2022, given the frozen provincial funding and limited user fee revenue opportunities, these programs' estimated cash costs would be funded 67% by the province, 16% by user fees, and 17% by the City.

If Council foregoes or defers this option to provide base funding increases to HSS and SDP budgets, then these areas will begin to incur program deficits throughout this period, or the programs will need to adjust within current resources to balance to the existing budgets, resulting in a reduction in services and/or staff which would negatively impact the health services provided to the community.

### **Key Points:**

- The City of Waterloo Home Support Services ("HSS") and Senior Day Program ("SDP"), in partnership with the Waterloo Wellington Local Health Integration Network, play an important role in meeting the recreation, leisure, and support service needs of local older adults and in providing caregiver respite.
- HSS and SDP are delivered by 1 full-time and 10 part-time staff, as well as 75 volunteers. HSS and SDP staff members are part of the Staff Association.
- The programs' provincial funding has remained relatively unchanged for over a decade, resulting in ongoing and accumulating operating pressures despite staff's successful efforts in streamlining operations and capturing efficiencies.
- In 2018, Council approved providing base funding of \$80,000 to these programs to maintain the current level of service. Nevertheless, there is an existing pressure of approximately \$15,000 and net expenses continue to unavoidably increase by approximately \$20,000 each year.
- For the 2020-2022 budget cycle, Council may choose to provide the \$74,296 in funding necessary to maintain the current level of service. If Council foregoes or defers this option, then these areas will incur program deficits, or the programs will need to reduce services and/or staff.

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Copies To:	CMT, OLT	<b>Approval:</b>	Mark Dykstra, Commissioner, Community Services
Prepared By:	Steve Heldman Steve.Heldman@waterloo.ca 519.884.5363 ext. 17257	<b>Page:</b>	1 of 2
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## **BUDGET MENU PAPER: Environmental Initiative (Eliminate the Sale of Bottled Water) Revenue Loss (M4)**

### **Related Budget Request(s):**

- N/A

### **Issue/Background:**

The City of Waterloo offers the sale of bottled water in vending and concession services in City-owned and operated facilities. To offer consumer choice, water bottle/container filling stations are available in many facilities as well. Recognizing the environmental benefits associated with the removal of the single-use bottled water product, staff is presenting the option to eliminate the sale of bottled water to Council for consideration.

This discontinuation may create some customer inconvenience. Water is quite often essential to those frequenting City facilities, and without a water container, alternatives may be limited, especially when engaged in a sporting activity. This may present an even larger challenge at outdoor events, sports field and otherwise, where no water filling stations are available. To assist, should Council approve this option, a limited inventory of water containers will be made available for purchase in key City concessions.

In response to this environmental initiative, Council may choose as part of the 2020-2022 Menu List to advance the discontinuation of bottled water sales (M4). This would have an estimated \$25,000 net budget impact or approximately a 0.03% tax impact.

Other impacts, such as increased product costs in recognition of decreased beverage sales/volumes holistically with the vendor, would be passed onto the consumer. Should this option and related budget menu item not be approved by Council, the sale of bottled water will continue in an effort to ensure food services budget targets are met.

As information and in addition to this menu item, the City's food service section continues to review additional options that support a sustainable environment. To date, the section has already implemented the use of biodegradable and compostable service wares such as bamboo plates, cutlery and paper drink straws.

**Key Points:**

- As part of vending and concession services the City offers the sale of bottled water.
- Recognizing the environmental benefits, as part of the 2020-2022 operating budget, Council may choose to advance the discontinuation of bottled water sales menu item (M4).
- The estimated net budget impact would be \$25,000.

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Prepared By:	Beth Rajnovich beth.rajanovich@waterloo.ca 519-747-8770	<b>Page:</b>	1 of 2
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## **BUDGET MENU PAPER: In-Kind Community Event Supports Funding (M5)**

### **Related Budget Request(s):**

- N/A

### **Issue/Background:**

The Council-approved Fees and Charges bylaw and the Facility Rental Discount (“FRD”) policy outline the expected charges for use of City facilities and amenities by the community. The City of Waterloo provides \$2.2M annually in FRD support to various community groups. However, staff regularly receives requests to provide additional fee reductions and in-kind services for a wide range of instances, as exceptions to the existing policy. While there is budget allocated for the FRD, there is no existing budget allocated to respond to requests for discounts or in-kind provision of facility spaces and amenities that do not comply with the FRD policy.

Staff is seeing an increasing number of these requests from the community and Council. These requests seek discounted or free facility rentals, such as meeting rooms and sport fields, as well as discounted equipment and amenities such as garbage cans and people fencing. These requests are related to supporting a wide-range of community initiatives, such as charity fundraising events or other types of events that align with Council priorities. In the past, where possible these costs have been absorbed within existing budgets. However, this approach is no longer sustainable, since operating budgets have not increased in line with the increased service level and volume of requests being received.

In response to the growing number of community event support requests, Council may choose as part of the 2020-2022 Menu List to advance the In-Kind Community Event Supports Funding (M5). The In-Kind Community Event Supports Funding menu item is valued at \$30,000 in 2020 or approximately a 0.04% tax impact. This amount represents the estimated annual amount of community event support that has been requested.

This menu would be required if Council wishes to continue to provide support for these ad-hoc requests for fee reductions and in-kind support without impacting core services. If advanced, staff would do additional work to determine and implement a consistent and transparent approach regarding the use and allocation of these funds.

**Key Points:**

- Staff is seeing an increasing number of requests from the community and Council to provide fee reductions and in-kind (free) facility rentals and event amenities, beyond what is provided through existing policy
- Historically, these costs have been absorbed within existing budgets, but this approach is no longer sustainable
- As part of the 2020-2022 operating budget, Council may choose to advance the In-Kind Community Event Supports Funding menu item (M5) valued at \$30,000

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Prepared By:	Beth Rajnovich beth.rajnovich@waterloo.ca 519-747-8770	<b>Page:</b>	1 of 2
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## **BUDGET MENU PAPER: Increase Foundational Operating Grant Funding for Affiliated Community Organizations (M6)**

### **Related Budget Request(s):**

- N/A

### **Issue/Background:**

The Community Services Department in partnership with Economic Development administers the Foundational Operating Grant program for Affiliated Organizations in the area of Sports/Recreation, Arts/Culture, Festivals/Events and Neighbourhoods that have demonstrated long-term commitment and value to the community.

Each qualifying organization as per the Community, Culture and Recreation Services Affiliation Policy is eligible to receive foundational funding through a multi-year service agreement with the City of Waterloo. Service agreements outline the responsibilities of each affiliate with regards to service delivery, governance, and reporting, as well as outlining the supports from the City. In addition to foundational operating funding, the City provides supports such as the Facility Rental Discount, and staff expertise. The Foundational Operating Grant program is also distinct from the Community Cash Grants Program, which is focused on project funding and operating funding for non-affiliates, and has a budget of \$100,000.

Foundational funding is a cost-effective way to support the sustainability of the services these organizations provide to the community. Without these organizations, there would likely be a pressure on the municipality to address the gap through direct service provision, which would incur a much higher cost. Many of these organizations provide low or no cost opportunities for the community, thereby supporting an equitable and inclusive community.

Increased funding is required to address a number of shortfalls in the program. The Foundational Operating Grant program has not received a funding increase since 2012. Due to the effects of inflation, this has resulted in a diminished buying power for our affiliates and reduced impact of this program.

In addition, as the community grows, new affiliates are providing new services, and programs emerge to meet community needs. Without additional funding, the City will be limited in its ability to support these efforts. Currently, the total amount of Foundational Operating Funding budgeted is \$418,068. These funds are allocated to approximately 80 affiliates.

In response to the pressures the Foundational Operating Grant program faces, Council may choose as part of the 2020-2022 Menu List to advance the Increase Foundational Operating Grant Funding for Affiliated Community Organizations menu item (M6). The Foundational Operating Grant Funding menu item is valued at \$80,000 in 2020 or approximately a 0.1% tax impact. This amount represents an annual inflationary catch-up to the Foundational Operating Grant budget which has been static since 2012. By advancing this menu item, Council would be approving better support for our affiliated organizations to continue to sustainably provide programming to the community, and to enable support for new affiliate organizations that align with the goals of this affiliate program.

**Key Points:**

- The Foundational Operating Grant Program provides financial support to Affiliated Organizations in the area of Sports/Recreation, Arts/Culture, Festivals/Events and Neighbourhoods that have demonstrated long-term commitment and value to the community
- Currently a total of \$418,068 in foundational operating funding is allocated to more than 80 organizations annually
- Program funding has not increased to address inflationary increases or to address the needs of new affiliates as our community grows since 2012
- As part of the 2020-2022 operating budget, Council may choose to advance the Increase Foundational Operating Grant Funding for Affiliated Community Organizations menu item (M6) valued at \$80,000 to better support community organizations through this program

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Prepared By:	Dean Vieira Dean.Vieira@waterloo.ca 519-747-8779	<b>Page:</b>	1 of 2
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## **BUDGET MENU PAPER: Hourly/Part-Time Wage Increase (Living Wage) (M7) or (M7a)**

### **Related Budget Request(s):**

- B23 - In Camera

### **Issue/Background:**

This budget menu paper is for two different Hourly/Part-Time Wage Increase (Living Wage) scenarios. If Council wishes to enact a living wage, only one of the two menu item scenarios (M7 or M7a) should be approved. The difference between the menu item scenarios is the timing of when the living wage would be enacted.

A living wage is the hourly wage a worker needs to earn to cover their basic expenses and participate in their community. It is re-calculated periodically to ensure that it accurately reflects changing living expenses. The living wage is calculated based on the expenses and pressures within geographic areas, Waterloo Region has its own. It is based on the needs of a two-parent family with young children, but would also support a family throughout the life cycle. In Waterloo Region, the 2020 Living Wage rate is \$16.35 per hour.

In order to prevent compression within the job grid this menu item includes increases in the wages for similar hourly jobs at the city to ensure that positions with more responsibilities and/or certifications is compensated accordingly.

In 2019 the City of Waterloo's starting rate for some of the hourly positions within the city is the minimum wage of \$14/hr. The base budget for 2020 includes an increase in these positions to the previously announced \$15 minimum wage along with increases in similar positions to avoid compression in the pay structure. The budgeted increases thereafter in 2021 and 2022 include the incremental cost of living increase.

Council may choose as part of the 2020-2022 Menu List to advance (M7); if approved the living wage would be phased in over 2020-2022. The increase in 2020 is shown as \$0 as there is already an increase in the base budget for the part-time wage grid bringing the minimum wage to \$15 per hour. The balance of the living wage increase would then be phased in during 2021 and 2022 as mentioned earlier. The menu item impact would be \$110,764 or 0.1% in 2021 and \$110,841 or 0.1% in 2022.

**Or** Council may choose as part of the 2020-2022 Menu List to advance (M7a), if approved the living wage would be enacted in 2020. The menu item impact would be \$210,578 or 0.3% in 2020, with inflationary increases of \$5,082 in 2021 and \$5,944 in 2022.

### Key Points:

- If as part of the 2020-2022 operating budget, Council wishes to advance the living wage only **one** of the menu item scenarios (M7) or (M7a) needs to be approved
- Living wage is calculated based on the expenses and pressures within geographic areas, for Waterloo Region, the 2020 living wage rate is \$16.35 per hour
- It is based on the needs of a two-parent family with young children
- Menu item (M7) phases the living wage in over 2020-2022 (3 years)
- Menu item (M7a) would enact the living wage in 2020 (1 year)

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Prepared By:	Brad Witzel Brad.Witzel@waterloo.ca 519-747-6075	<b>Page:</b>	1 of 2
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## **BUDGET MENU PAPER: Physician Recruitment - Permanent Funding (M8)**

### **Related Budget Request(s):**

- B26 - Physician Recruitment

### **Issue/Background:**

For over a decade, the Greater Kitchener-Waterloo Chamber of Commerce (Chamber) has recognized that family physician recruitment is critical in meeting the primary health care needs of our rapidly growing community. Lack of access to family practitioners and specialist is not only a serious community health care issue impacting our citizens; it is also an economic development issue impacting our business community.

The physician recruitment efforts are split between the Chamber who is responsible for the family physician recruitment and the recruitment of specialist which is managed by the area hospitals.

Since 2009, the City of Waterloo has been providing one-time financial support for these ongoing recruitment efforts in the amount of \$20,000 (\$10,000 for each initiative) funded by Council's Community Priority and Contingency Reserve (CCPC). Each budget cycle, a one-time request has been brought forward for Council consideration to continue providing this level of financial support. A similar one-time request has been included in the 2020-2022 operating budget via budget request B26 - Physician Recruitment.

Denial or deferral of this request would result in the Chamber and the area hospitals not being adequately funded to continue their ongoing family physician and specialist recruitment leading to an increased wait list for those individuals looking for a family physician or increased wait times for those individuals in need of specialist services.

In response to these challenges, Council may choose as part of the 2020-2022 Menu List to advance the physician recruitment – permanent funding menu item (M8) for inclusion in the ongoing base budget. This would provide ongoing certainty and financial support to the Chamber and the area hospitals for this critical community work.

The physician recruitment – permanent funding menu item is valued at \$20,000 in 2020 or approximately a 0.03% tax impact.

Alternatively, Council may choose to add the physician recruitment – permanent funding to the ongoing base budget via a Council approved ‘net zero’ budget adjustments. Currently Council's Community Priority and Contingency Reserve (CCPC) receives an annual allocation from the tax base in the amount of \$200,000. Established in 2009, the CCPC provides funding for items that are not a part of the approved base budget but that Council determines to be necessary or of considerable merit. Council may choose to reduce the annual allocation to the CCPC by \$20,000 in order to permanently fund the physician recruitment.

**Key Points:**

- The Greater Kitchener-Waterloo Chamber of Commerce and the area hospitals have been providing much needed ongoing family physician and specialist recruitment for over a decade
- Council has been supporting these efforts since 2009 via one-time financial support in the amount of \$20,000 funded by Council's Community Priority and Contingency Reserve
- As part of the 2020-2022 operating budget, Council may choose to advance the physician recruitment – permanent funding menu item (M8) for inclusion in the ongoing base budget valued at \$20,000
- Alternatively, Council may choose to add the physician recruitment – permanent funding to the ongoing base budget via a Council approved ‘net zero’ budget adjustments reducing the annual allocation to the CCPC by \$20,000 as an offset

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Prepared By:	Brad Witzel brad.witzel@waterloo.ca 519-747-6075	<b>Page:</b>	1 of 3
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## **BUDGET MENU PAPER: Increased Infrastructure Funding as per the LTFP - Additional Increase (M9)**

### **Related Budget Request(s):**

- I6 - Increased Infrastructure Funding as per LTFP

### **Issue/Background:**

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 Long Term Financial Plan (LTFP).

In accordance with the City's first Long Term Financial Plan (LTFP) report (CORP2018-011) 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.

For 2020, a 0.8% increase in infrastructure funding (allocated to CIRRF) is being recommended with 0.3% funded from a tax increase above inflation and 0.5% funded through a portion of Waterloo North Hydro Dividend revenue being directed to CIRRF. For 2021 a 0.9% increase and 2022 a 1.5% increase in infrastructure funding (allocated to CIRRF) is being recommended both funded from a tax increase above inflation. This is outlined in greater detail as part of report CORP2019-075 Long Term Financial Plan – Update, which is being tabled with the proposed 2020-2022 budget release along with Issue Paper - Increased Infrastructure Investment (IP4).

The recommended Increased Infrastructure funding as per the LTFP is proposed via budget request (I6), and if approved would see a net increase for CIRRF of \$2.5 million by 2022, as noted in Table 1 below. In addition, the 2020-2022 proposed budget also includes staff resources required to support the increased infrastructure and preventative maintenance activities funded by the Infrastructure Investment category.

**Table #1 – Increased CIRRF Allocation Summary:**

Category	Ref #	Budget Request Name	Net Annual Impact 2020 (\$)	Net Annual Impact 2020 (%)	Net Annual Impact 2021 (\$)	Net Annual Impact 2021 (%)	Net Annual Impact 2022 (\$)	Net Annual Impact 2022 (%)	2020-2022 Total Impact (\$)	FTE	
Infrastructure Investment	11	Asset Management Analyst	-	0.0%	54,851	0.1%	-	0.0%	54,851	1.0	
	12	Data Management Analyst	54,851	0.1%	-	0.0%	-	0.0%	54,851	1.0	
	13	Increased Preventative Mtc Funding for Env & Parks	135,000	0.2%	-	0.0%	-	0.0%	135,000		
	14	Increase Preventative Maintenance Funding for Facilities	-	0.0%	-	0.0%	145,000	0.2%	145,000	1.0	
	15	Procurement Specialist Position	92,806	0.1%	-	0.0%	-	0.0%	92,806	1.0	
	16	Increased Infrastructure Funding as per LTFP (CIRRF)	601,993	0.8%	721,832	0.9%	1,211,536	1.5%	2,535,361		
		Increased Infrastructure Funding as per LTFP (WNH Div)	(374,825)	-0.5%	-	0.0%	-	0.0%	(374,825)		
	17	Increased Preventative Mtc Funding for Transportation	-	0.0%	140,000	0.2%	-	0.0%	140,000	1.0	
	<b>Infrastructure Investment Total</b>			<b>509,825</b>	<b>0.7%</b>	<b>916,683</b>	<b>1.2%</b>	<b>1,356,536</b>	<b>1.6%</b>	<b>2,783,044</b>	<b>5.0</b>

The Increased Infrastructure funding being proposed as part of the 2020-2022 budget is a more moderate approach relative to report CORP2018-011 Long Term Financial Plan – Staff Scenario. This report recommended a 1.5% dedicated increased infrastructure funding amount allocated to CIRRF annually over 2020-2030. When preparing the 2020-2022 proposed budget, staff took into consideration all of the proposed items including base needs, operating impacts of capital & growth and service level increases (as per previous Council commitment or in alignment with the 2019-2022 Strategic Plan). When including all of these factors, staff determined that a phased approach for the 2020-2022 proposed Increased Infrastructure funding was the preferred method.

Alternatively, Council may choose as part of the 2020-2022 Menu List to advance the Increased Infrastructure Funding as per the LTFP - Additional Increase (M9). This additional increased infrastructure funding item is valued at \$374,825 in 2020 or approximately a 0.5% tax impact and \$388,350 in 2021 or approximately a 0.5% tax impact. The total contribution to CIRRF from taxes would increase from the proposed amount of \$2.5 million over the 3 year budget period to \$3.3M.

This Menu List item (M9) if approved, would align the 2020-2022 increased infrastructure funding allocated to CIRRF with the percentages recommended as part of first LTFP as per report CORP2018-011 Long Term Financial Plan – Staff Scenario and assist with achieving the long term increased infrastructure funding target level sooner.

**Key Points:**

- 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 as per the LTFP.
- Report CORP2019-075 Long Term Financial Plan – Update, which is being tabled with the proposed 2020-2022 budget release, outlines the proposed 2020-2022 budget increased infrastructure reinvestment proposed to be funded through tax increases above inflation and through a portion of the Waterloo North Hydro Dividend revenue being directed to CIRRF.
- As part of the 2020-2022 Menu List, Council may choose to advance the Increased Infrastructure Funding as per the LTFP - Additional Increase (M9) increasing the proposed investment even further.
- This additional increased infrastructure funding item is valued at \$374,825 in 2020 or approximately a 0.5% tax impact and \$388,350 in 2021 or approximately a 0.5% tax impact and would align with the recommendations included as part of the first LTFP report CORP2018-011.
- This would increase the contribution to CIRRF from \$2.5 million as proposed in the 3 year budget to \$3.3M, thereby investing in addressing the infrastructure deficit faster.

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Copies To:	CMT, OLT	<b>Approval:</b>	Keshwer Patel, Commissioner Corp. Services, CFO & Treasurer
Prepared By:	Paul Hettinga paul.hettinga@waterloo.ca 519-747-8765	<b>Page:</b>	1 of 2
Date:	December 9, 2019		

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## **BUDGET MENU PAPER: Additional Assessment Growth 2020 (M10, M10a, M10b)**

### **Related Budget Request(s):**

- B13 - Assessment Growth Projection 2020-2022

### **Issue/Background:**

For the 2020-2022 proposed budget, staff included an assessment growth estimate of 2.4% or \$1,797,108 for 2020, 1.4% or \$1,100,000 for 2021 and 1.3% or \$1,100,000 2022. The 2020 estimate was based on actual growth to date as of October 4, 2019, which was relied upon in order to allow for final balancing of the overall proposed budget. Internal budget deliberation around the proposed operating and capital budget often occurs before the final Assessment Growth figure is fully available in early November.

The final assessment growth number for 2019 is now known to be 2.8% and is \$2,078,669 or \$281,561 greater than the 2020 proposed budget amount. However staff are aware of a large expected adjustment from Municipal Property Assessment Corporation (MPAC) relating to 2019 that will impact the 2020 assessment growth calculations. After accounting for this adjustment, the final assessment growth amount available as part of the 2020-2022 Menu List is \$(167,047).

As per Policy FC-013 Use of Budgeted Assessment Growth Revenue, 10% of budgeted assessment growth goes to the Capital Reserve Fund (CRF) and 30% goes to the Capital Infrastructure Reinvestment Reserve Fund (CIRRF) with 60% being allocated to operating. The assessment growth revenue menu item (M10) is valued at \$(167,047) for 2020 with the associated transfers to CRF being \$16,705 (M10a) and transfers to CIRRF being \$50,114 (M10b) with \$100,228 remaining as funding in the operating budget or approximately a net -0.1% tax impact per year.

Council may choose as part of the 2020-2022 Menu List to advance the Additional Assessment Growth 2020 revenue (M10, M10a, and M10b). This would result in a net property reduction of \$100,228 or approximately a net -0.1% tax impact per year.

If this menu item is not advanced, the additional assessment growth will be allocated to Budget Contingency (as per policy FC-011) and used to minimize the impact of unforeseen expenses or shortfalls in assessment growth in 2021 and 2022 until it can be incorporated into the next budget cycle in 2023.

**Key Points:**

- Final Assessment Growth is 281,561 greater than included in the proposed budget.
- For the 2020-2022 budget cycle, Council may choose to advance the Additional Assessment Growth 2020 revenue (M10, M10a, and M10b), which would result in a net property reduction of \$100,228 or approximately a net -0.1% tax impact.

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Copies To:	CMT, OLT	<b>Approval:</b>	Keshwer Patel, Commissioner Corp. Services, CFO & Treasurer
Prepared By:	Paul Hettinga paul.hettinga@waterloo.ca 519-747-8765	<b>Page:</b>	1 of 2
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## **BUDGET MENU PAPER: Penalty and Interest Revenue (M11)**

### **Related Budget Request(s):**

- N/A

### **Issue/Background:**

The City of Waterloo charges penalties and interest at a rate of 1.25% per month on past due accounts. This rate is consistent across the province for almost all municipalities. The City of Waterloo bills their residents for taxes due to the Region, School Boards and the City's share. The City is required to make full payments to the Region and the School Boards at determined intervals during the year irrespective of the amounts collected for tax. The penalties and interest charged on accounts past due compensates the City for collection efforts and timing of receipt impacts.

At the end of 2018 approximately 5% of current combined levy (city, regional and education) was past due. By the end of January 2019 this amount had decreased to 2.1% of the 2018 combined levy. In 2018, past due amounts generated a surplus of \$1,137,000 on a budget of \$1,290,000. Collection efforts have been increased and 2019 surplus is anticipated to be \$930,000 on the budget of \$1,290,000. Due to the downward trend and the uncertainty of sustainability of these levels of penalty and interest revenue, no changes have been included in the 2020-2022 proposed budgets.

Council may choose as part of the 2020-2022 Menu List to advance the Penalty and Interest Revenue menu item (M11). The penalty and interest revenue menu item is valued at \$(100,000) annually for 2020-2022 or approximately a -0.01% tax impact per year. Should Council wish to advance this menu item, it is anticipated that the base revenue increase could be accommodated as long as past due amounts do not decrease significantly in the coming years.

**Key Points:**

- Penalty and Interest Revenue has historically exceeded budget.
- Collection efforts by Revenue staff have increased and are resulting in a downward trend on surplus penalty and interest revenue.
- Revenue levels can likely accommodate this menu list increase of \$(100,000) a year for 2020-2022 budgets, as long as past due amounts do not decrease significantly in the coming years.

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Prepared By:	Filipa Reynolds Filipa.Reynolds@waterloo.ca 519-747-8711	<b>Page:</b>	1 of 3
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## **BUDGET MENU PAPER: Reduction of Proposed New Positions (M12)**

### **Related Budget Request(s):**

- B10, B27, B30, B31, B32, B34, B39, B40, B46, G8, S3, S4, S5, S8, I1, I2, I4, I5, I7

### **Issue/Background:**

The City of Waterloo is a service provider and as such, labour constitutes the single largest expense. As the population within the city's boundaries continues to grow, new assets are built, and additional labour is needed to maintain those new assets. For example; new roads to maintain, more bike lanes to plow, more grass to cut in new parks, etc... with resulting staffing requests including Transportation Operations Analyst, Supervisor of Parks Operations, Traffic Technician and Fire Prevention Officer.

As the needs and desires of our population (regardless of population growth) changes and additional programs/services are added by Council, staff resources are needed to run the new programs and deliver the new services. Examples include; the Neighbourhood Development Coordinator, Director of Innovation and Strategic Initiatives and AMCC Part-time Customer Service.

As the need to address existing ageing infrastructure becomes more pronounced, additional staff resources are included in the proposed budget in order to support a larger capital program on account of mounting infrastructure rehabilitation. Examples include; Data Management Analyst, Asset Management Analyst, Procurement Specialist, Supervisor Building Maintenance, Transportation Operations Analyst and Facility Maintenance position.

It is equally important to fund business support function as the investment in operational staffing is increased. These include core business functions such as IT, Procurement, Asset Management, and Legal Services as examples. As operational investment grows, the business support functions are able to absorb incremental work through implementing efficiencies but over time this becomes unsustainable increasing the risk to the organization. The 2020-2022 proposed budget includes staffing request for;

Network Analyst, Systems Analyst, Real Estate and Property Management Position and Part-time Associate City Solicitor/Prosecutor as examples.

As context, the City of Waterloo currently has approximately 740 full time equivalent (FTE) complement, with approximately 630 FTE's being Tax Base funded and approximately 110 being Enterprise funded. Applying an inflationary increase of 2% to the Tax Base FTE's would result in approximately 12.5 additional FTE's annually, or 37.5 positions in total over the three year period. For 2020-2022, an average of 5.9 Tax Base FTE's is proposed as summarized in Table 1.

Table #1 – 2020-2022 Proposed FTE's by Budget Category:

Budget Category	2020 Proposed FTE's	2021 Proposed FTE's	2022 Proposed FTE's	TOTAL Proposed FTE's
Base Budget	4.0	3.0	1.4	8.4
Operating Impact of Capital & Growth	-	0.6	0.6	1.2
Service Level Changes	2.6	0.4	-	3.0
Infrastructure Investment	2.0	2.0	1.0	5.0
<b>TOTAL</b>	<b>8.6</b>	<b>6.0</b>	<b>3.0</b>	<b>17.6</b>

As part of the 2020-2022 Menu List, Council may choose to advance all or a portion of M12 - Reduction of Proposed New Positions. M12 provides an opportunity for Council to reduce new position proposed in the 2020-2022 budget. While the cost of each position proposed in the 2020-2022 budget varies, the average cost including benefits and at the top of the range for budget purposes is \$120,000. Council may choose as part of the 2020-2022 Menu List to activate M12 and potentially direct staff on which specific positions to remove. If approved, the menu item impact would be approximately \$(120,000) or -0.16% in 2020, \$(120,000) or -0.15% in 2021 and \$(120,000) or -0.14% in 2022. Should Council select specific positions to remove, staff would advise on the exact tax impact.

Should some proposed staff resources not be approved, it will be important to assess and acknowledge the impact to the viability and expectations to the service level of the program/service impacted.

**Key Points:**

- The City of Waterloo is a service provider which means that staff is a critical resource.
- As the population within the city's boundaries continues to grow, as needs and desires of citizens change, as addressing the backlog of existing ageing infrastructure becomes more critical, additional staff resources are required.
- With consistent efficiencies and capacity building efforts staff have been able to defer financial impacts; with sustained increased expectations for changing service levels/programs/services there is a need for additional staff resources.
- A 2% inflationary increase in existing Tax Base FTE would result in approximately 12.5 additional positions per year. Proposed budget includes an increase of 5.9 positions per year on average for base budget operations, operating impact of capital program, service level changes and investment in infrastructure.
- Should Council choose to reduce up to three of the proposed positions from the 2020-2022 budget, staff will advise on the exact tax impact.

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Copies To:	CMT, OLT	<b>Approval:</b>	Keshwer Patel, Commissioner Corp. Services, CFO & Treasurer
Prepared By:	Brad Witzel brad.witzel@waterloo.ca 519-747-6075	<b>Page:</b>	1 of 3
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## **BUDGET MENU PAPER: Increased Infrastructure Funding as per the LTFP - Reduction (M13)**

### **Related Budget Request(s):**

- I6 - Increased Infrastructure Funding as per LTFP

### **Issue/Background:**

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 Long Term Financial Plan (LTFP).

In accordance with the City's first LTFP report (CORP2018-011) 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.

For 2020, a 0.8% increase in infrastructure funding (allocated to CIRRF) is being recommended with 0.3% funded from a tax increase above inflation and 0.5% funded through a portion of Waterloo North Hydro Dividend revenue being directed to CIRRF. For 2021 a 0.9% increase and 2022 a 1.5% increase in infrastructure funding (allocated to CIRRF) is being recommended both funded from a tax increase above inflation. This is outlined in greater detail as part of report CORP2019-075 Long Term Financial Plan – Update, which is being tabled with the proposed 2020-2022 budget release.

The recommended Increased Infrastructure funding as per the LTFP is proposed via budget request (I6), and if approved would see a net increase for CIRRF of \$2.5 million by 2022, as noted in Table 1 below. In addition, the 2020-2022 proposed budget also includes staff resources required to support the increased infrastructure and preventative maintenance activities funded by the Infrastructure Investment category.

**Table #1 – Increased CIRRF Allocation Summary:**

Category	Ref #	Budget Request Name	Net Annual Impact 2020 (\$)	Net Annual Impact 2020 (%)	Net Annual Impact 2021 (\$)	Net Annual Impact 2021 (%)	Net Annual Impact 2022 (\$)	Net Annual Impact 2022 (%)	2020-2022 Total Impact (\$)	FTE
Infrastructure Investment	11	Asset Management Analyst	-	0.0%	54,851	0.1%	-	0.0%	54,851	1.0
	12	Data Management Analyst	54,851	0.1%	-	0.0%	-	0.0%	54,851	1.0
	13	Increased Preventative Mtc Funding for Env & Parks	135,000	0.2%	-	0.0%	-	0.0%	135,000	
	14	Increase Preventative Maintenance Funding for Facilities	-	0.0%	-	0.0%	145,000	0.2%	145,000	1.0
	15	Procurement Specialist Position	92,806	0.1%	-	0.0%	-	0.0%	92,806	1.0
	16	Increased Infrastructure Funding as per LTFP (CIRRF)	601,993	0.8%	721,832	0.9%	1,211,536	1.5%	2,535,361	
		Increased Infrastructure Funding as per LTFP (WNH Div)	(374,825)	-0.5%	-	0.0%	-	0.0%	(374,825)	
	17	Increased Preventative Mtc Funding for Transportation	-	0.0%	140,000	0.2%	-	0.0%	140,000	1.0
<b>Infrastructure Investment Total</b>			<b>509,825</b>	<b>0.7%</b>	<b>916,683</b>	<b>1.2%</b>	<b>1,356,536</b>	<b>1.6%</b>	<b>2,783,044</b>	<b>5.0</b>

The Increased Infrastructure funding being proposed as part of the 2020-2022 budget is a more moderate approach relative to report CORP2018-011 Long Term Financial Plan – Staff Scenario. This report recommended a 1.5% dedicated increased infrastructure funding amount allocated to CIRRF annually over 2020-2030.

When preparing the 2020-2022 proposed budget, staff took into consideration all of the proposed items including base needs, operating impacts of capital & growth and service level increases (as per previous Council commitment or in alignment with the 2019-2022 Strategic Plan). When including all of these factors, staff determined that a phased approach for the 2020-2022 proposed Increased Infrastructure funding was the preferred method.

Alternatively, Council may choose as part of the 2020-2022 Menu List to advance the Increased Infrastructure Funding as per the LTFP - **Reduction** (M13). This reduction of increased infrastructure funding is valued at \$(374,825) in 2020 or approximately a -0.5% tax impact, \$(388,350) in 2021 or approximately a -0.5% tax impact and \$(403,845) in 2022 or approximately a -0.5% tax impact.

The contribution to CIRRF over the 3 year budget period would be reduced from the proposed \$2.5 million to \$1.4M. Also, it would reduce the 2020-2022 increased tax based infrastructure funding allocated to CIRRF to 0.3%, 0.4% and 1.0% compared to the 1.5% increase annually recommended as part of first LTFP as per report CORP2018-011 Long Term Financial Plan – Staff Scenario. It would result in a reduction to planned future capital projects to address the infrastructure deficit resulting in a further decline in our overall asset condition.

**Key Points:**

- 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 annual infrastructure funding level to be achieved as per the LTFP.
- Report CORP2019-075 Long Term Financial Plan – Update, which is being tabled with the proposed 2020-2022 budget release, outlines the measured increased infrastructure reinvestment proposed to be funded through tax increases above inflation and through a portion of the Waterloo North Hydro Dividend revenue being directed to CIRRF, in the 2020-2022 budget.
- As part of the 2020-2022 Menu List, Council may choose to advance the Increased Infrastructure Funding as per the LTFP - **Reduction** (M13).
- This reduced level of increased infrastructure funding item is valued at \$(374,825) in 2020 or approximately a -0.5% tax impact, \$(388,350) in 2021 or approximately a -0.5% tax impact and \$(403,845) in 2022 or approximately a -0.5% tax impact.
- If approved, the 2020-2022 increased infrastructure funding allocated to CIRRF would be reduced to 0.3%, 0.4% and 1.0% compared to the 1.5% increase annually recommended as part of first LTFP report CORP2018-011, resulting in a reduction to planned increased infrastructure investment and overall asset condition will decrease further.