



**THE REGIONAL MUNICIPALITY OF NIAGARA
BUDGET REVIEW COMMITTEE OF THE WHOLE
AGENDA**

BRCOTW 3-2021

Thursday, June 17, 2021

6:30 p.m.

Meeting will be held by electronic participation only

This electronic meeting can be viewed on Niagara Region's Website at:

<https://www.niagararegion.ca/government/council/>

Due to the efforts to contain the spread of COVID-19 the Council Chamber will not be open to the public to attend Committee meetings until further notice. To view live stream meeting proceedings, please visit: [niagararegion.ca/government/council](https://www.niagararegion.ca/government/council)

	Pages
1. <u>CALL TO ORDER</u>	
2. <u>DISCLOSURES OF PECUNIARY INTEREST</u>	
3. <u>PRESENTATIONS</u>	
4. <u>DELEGATIONS</u>	
5. <u>ITEMS FOR CONSIDERATION</u>	
5.1. <u>CSD 40-2021</u> 2022 Budget Planning and Timetable	3 - 33
A presentation will precede the consideration of this item.	
5.2. <u>CSD 36-2021</u> Hospital Financing Strategy	34 - 40
6. <u>CONSENT ITEMS FOR INFORMATION</u>	
6.1. <u>BRC-C 7-2021</u> Update on Budget Engagement	41

6.2. BRC-C 8-2021
Health Equity-Informed Planning Project

7. OTHER BUSINESS

8. NEXT MEETING

The next meeting will be held on Thursday, October 7, 2021 at 6:30 p.m.

9. ADJOURNMENT

If you require any accommodations for a disability in order to attend or participate in meetings or events, please contact the Accessibility Advisor at 905-980-6000 ext. 3252 (office), 289-929-8376 (cellphone) or accessibility@niagararegion.ca (email).

2022 Budget Planning and Timetable

Budget Review Committee of the Whole
CSD 40-2021

June 17, 2021

Helen Chamberlain, Director Financial Management and Planning

TWENTY22

NIAGARA REGION BUDGET

2022 Budget Planning

June 17, 2021

2022 Budget Planning

What we're going to cover:

- Proposed Strategy for 2022 Budgets
 - Budget engagement
 - Budget Planning By-law application
 - COVID-19 implications
- Budget Timetable
- Conclusion/Next Steps

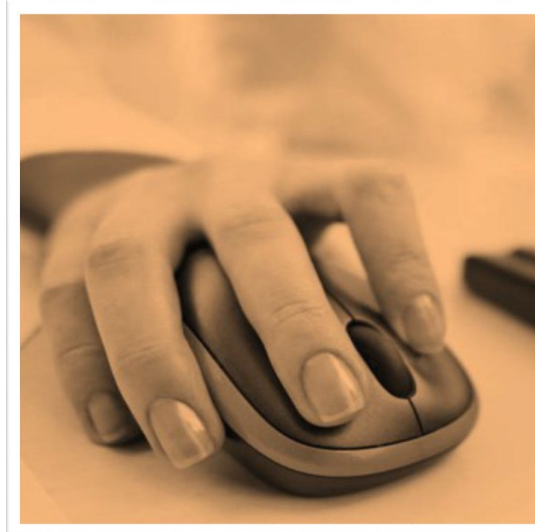
Niagara Region Budget Engagement

Presented October 15, 2020

Initiatives perceived to be top priorities for the Region:

- Affordable housing and homelessness
- Long term care homes
- GO transit and regional transit
- Infrastructure

2022 will focus on education and raising awareness about Regional services and budget planning



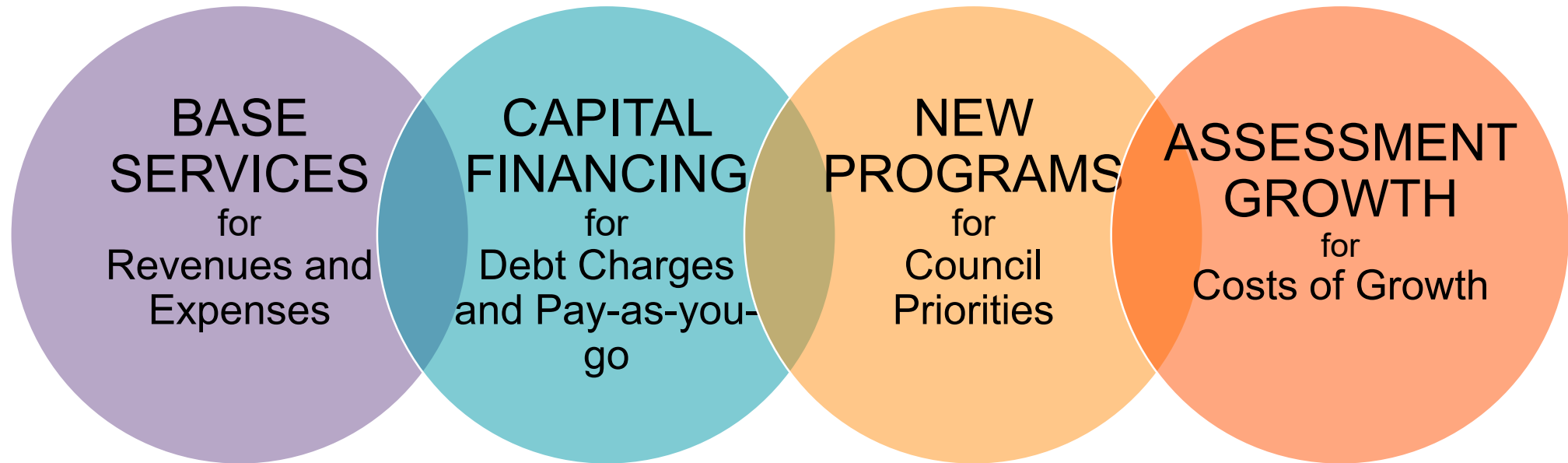
Online Survey



Third-party facilitated focus groups

Budget Planning By-law

Approved by Council on October 17, 2019



2022 Budget Strategy

Themes

Sustainability

- Reduce the reliance on reserves used to fund 2021 base services



Affordability

- Focus on new programs that encourage growth to support pandemic recovery

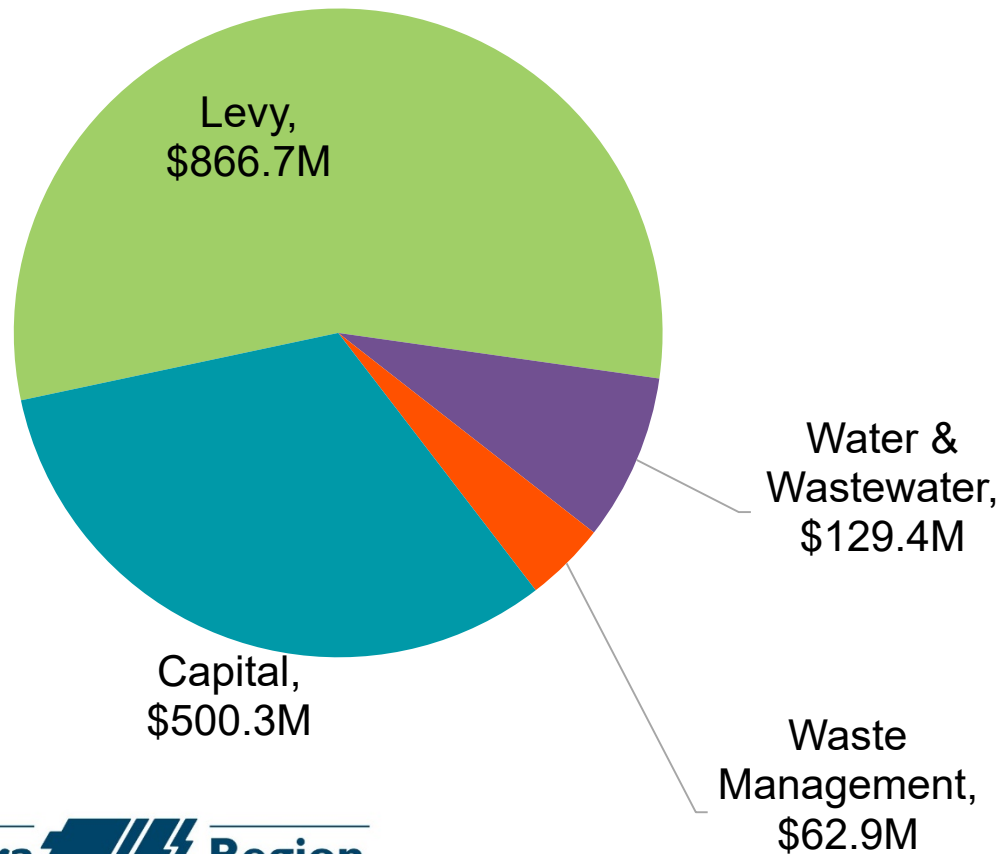
Transparency

- Inform each component of the Budget as per the Budget Planning By law

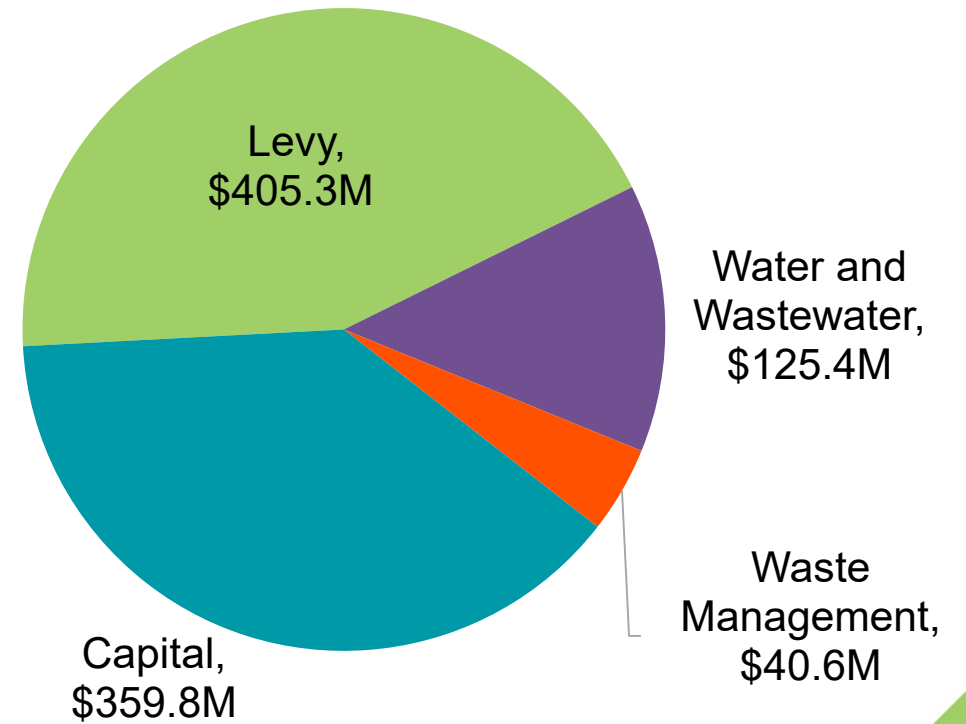
2021 Gross Budget of \$1.56 Billion

2021 Net Budget of \$931.1 Million

2021 Gross Budget



2021 Net Budget



Base Services

Impact of 2022 Inflation

- 2022 CPIX is targeted federally at 2.0%
- The 2021 Federal budget* has forecasted 2021 CPI at 1.7%
 - 2021 budget increase for base services was limited to 1.0%
- Further constraints to 2022 base may compound service delivery cost pressures from 2021

Base Services

Impact of 2021 Base Services Funding Decisions

2021 budget included one-time sources to fund base services:

Levy - \$4.3 million (1.1%) was drawn from the taxpayer relief reserve to:

- Mitigate NRPS increase of \$3.5 million
- Reduce Tax increase from 2.00% to 1.80%

Water/Wastewater - \$1.0 million was drawn from Capital to:

- Fund 50% of the CSO program, which was removed to mitigate to 2.00% strategy

Waste Management - \$3.4 million from the Waste Stabilization Reserve to:

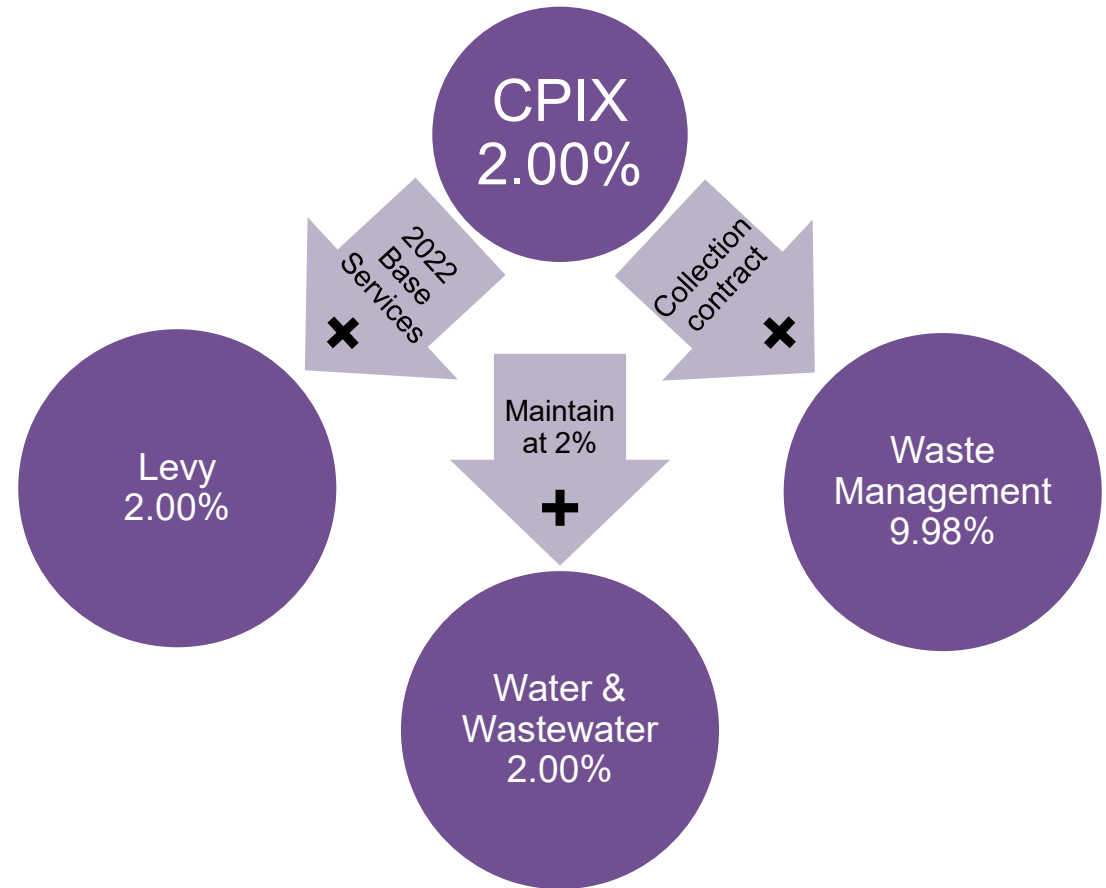
- Mitigate collection contract increases to 9.8% for three years.

Base Services

2022 Budget Strategy

Policy aligns base increase to inflation

- Core consumer price index (CPIX) target of 2.0%
- To cover labour related costs, operating expenses, contract escalations etc.
- With modifications to address prior year commitments/pressures



Capital Financing Strategy

Use of Reserve and Debt Funded From Operating Budgets

Reserves

Replacement of existing infrastructure to maintain level of service

Examples:

- Roads Rehabilitation and Reconstruction
- Ambulance Replacement

Debt

Use for new assets, strategic priorities and Region's share of growth assets

Examples:

- South Niagara Falls WWTP
- LTC Redevelopment

Development Charges

Used to fund growth assets

Capital Financing

2022 Budget Strategy

Levy

- From 2.16% to 1.89% for 10 years to provide sustainable reserve funding
- \$10M Debt available with no operating budget increase

Water and Wastewater

- 3.15% for 8 years provides sustainable reserve & debt funding
- Debt forecast in approved 10 year SDWA plan – (\$51M for Water and \$110M for Wastewater excluding SNF WWTP) included in 3.15%

Reserves – 2021 to 2029

\$21M → **\$94M Target**



Reserves – 2021 to 2029

\$37M → **\$80M Target**



Capital Financing

2022 Budget Strategy

Capital funding gap to be addressed separate from base services

- 2022 – propose 1% vs 1.89% for Levy
- 2021 – 1.00% of departmental budget increase allocated to fund the infrastructure gap
- 2021 – one-time doubling of Federal Gas Tax
- 2020 - 1.54% for long term care capital
- 2017 – 1.00% infrastructure levy

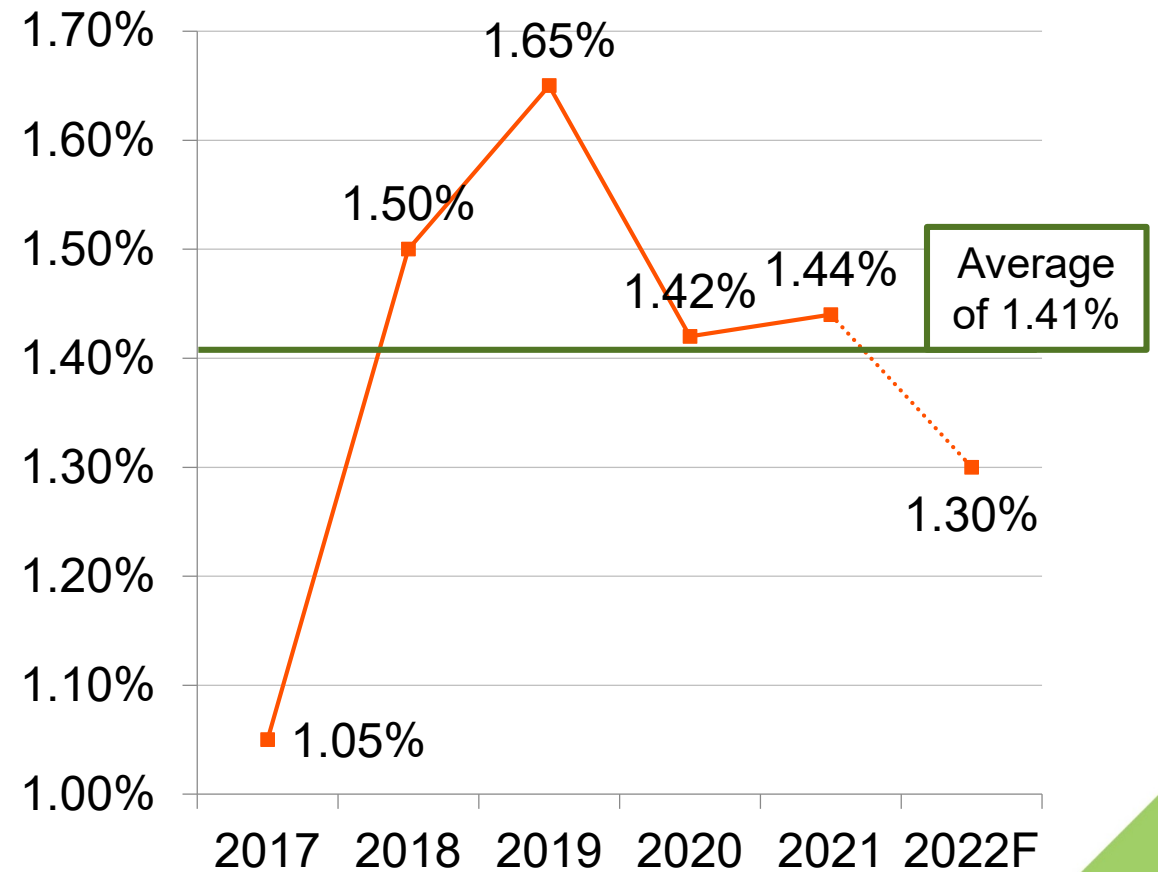


Growth Programs

Assessment Growth Consideration

- Pandemic restrictions from 2020/21 are expected to affect MPAC 2022 assessment growth
- Growth is estimated at 1.3%
- Staff will continue to monitor assessment growth results

Historical Assessment Growth



Assessment Growth

2022 Budget Strategy

Only programs that support growth will be recommended

- Funded from assessment growth for a net zero taxpayer impact
- No incremental impact from new programs
- 1.3% estimated assessment growth is \$5.3 million

GROWTH
PROGRAMS

1.30%

(1.30%)

Net 0.00%

COVID-19

2022 Budget Strategy

Net zero impact

- Continue strategy in 2021 budget
- Costs will be funded initially with Taxpayer Relief Reserve and substituted as other funding is confirmed in-year
- Costs to consider are long-term care, economic development, mental health programs, etc.

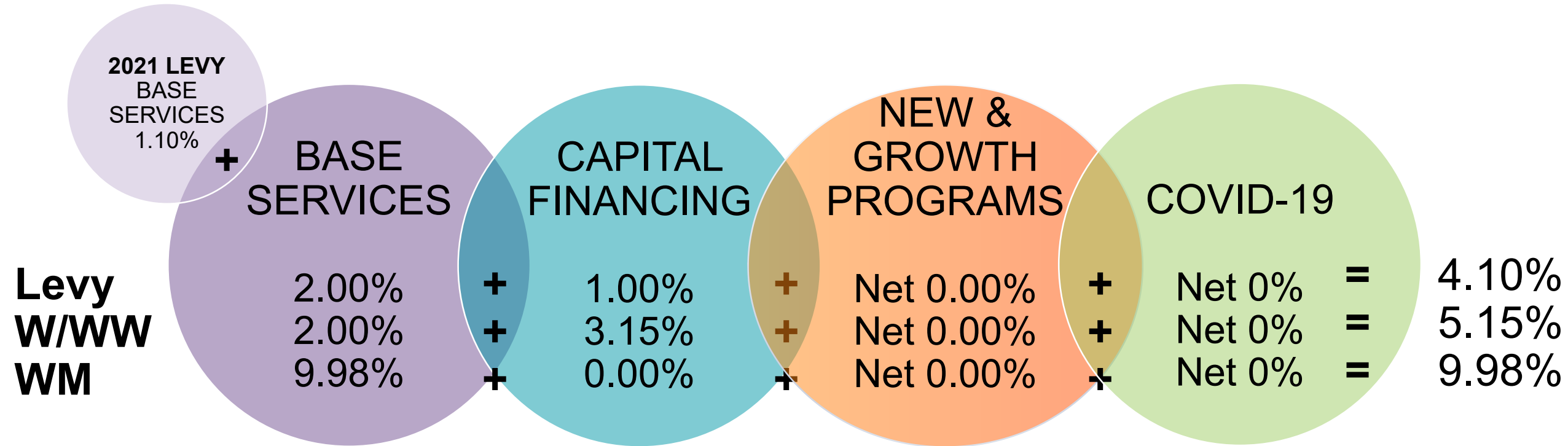


COVID-19

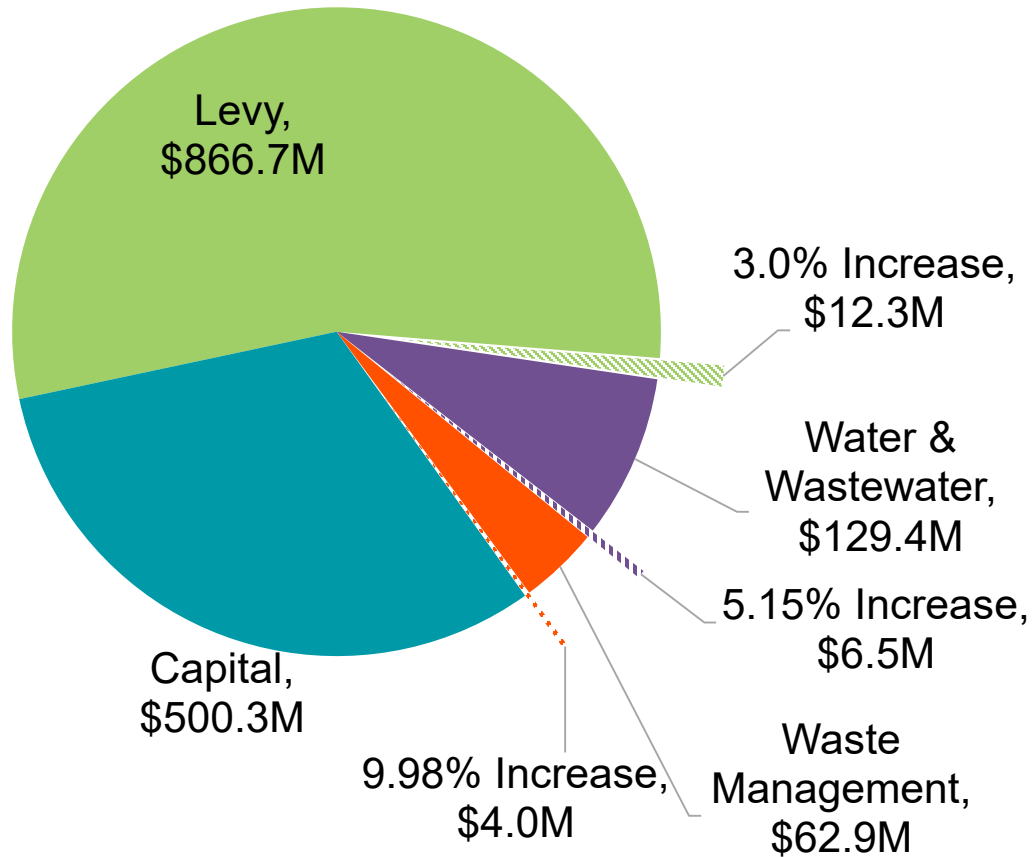
Net 0.0%

2022 Budget Strategy in Alignment with Policy

Budget Strategy Recap



2021 Gross Budget of \$1.56 Billion



2022 strategy provides:

	Operating	Capital
Levy *	\$8.2M	\$4.1M
Water/Wastewater	\$2.5M	\$4.0M
Waste Mgmt.	\$4.0M	n/a

Meeting Timetable

Meeting Type	Subject/Topic	Date
BRCOTW	Budget Planning	June 17, 2021, 6:30 p.m.
Budget Workshop	Capital	September 30, 2021, 4:00 p.m.
BRCOTW	Capital	October 7, 2021, 6:30 p.m.
Budget Workshop	Rate	October 28, 2021, 4:00 p.m.
BRCOTW	Rate	November 4, 2021, 6:30 p.m.
Council	Rate	November 18, 2021, 4:00 p.m.
Budget Workshop	Council Authority over ABCs	November 18, 2021, 6:30 p.m.
BRCOTW	ABCs	November 25, 2021, 6:30 p.m.
Budget Workshop	Levy	December 2, 2021, 9:00 am
BRCOTW	Consolidated Levy	December 9, 2021, 6:30 p.m.
Council	Consolidated Levy, Capital, and User Fees	December 16, 2021, 6:30 p.m.

Next Steps

- Council approval of the Budget Timetable
- October 7th first Budget Review Committee to review Capital



Questions?



Subject: 2022 Budget Planning and Timetable

Report to: Budget Review Committee of the Whole

Report date: Thursday, June 17, 2021

Recommendations

1. That the 2022 budget timetable per Appendix 1 **BE APPROVED**; and
2. That this report **BE CIRCULATED** to agencies, boards and commissions (ABCs) in accordance with By-Law No. 2017-63 (Budget Control).

Key Facts

- The purpose of this report is to initiate the 2022 budget process, approve the Budget Review Committee of the Whole timetable, and to propose the strategy for the preparation and presentation of the 2022 Tax Levy, Water, Wastewater and Waste Management Operating and Capital Budgets.
- The focus of this budget will be to balance the Budget Planning By-law's priorities of sustainability and affordability and apply the capital financing principles of the Capital Financing Strategy.
- The 2022 budget strategy aims to address base services within 2.0% in alignment with the core CPI target, support capital funding gap, prioritize growth related expenditures and address the budget gap in 2021.
- Sustainability was impacted in the 2021 budget by one-time draws on reserves supporting permanent base services; affordability was prioritized in 2021 due to the economic climate as a result of the COVID-19 pandemic.
- New programs and COVID-19 budget impacts will be targeted for a net zero impact on the Niagara Region taxpayer; new programs will be recommended to Council if they meet the criteria in the Budget Planning By-law to be funded through assessment growth and COVID-19 costs will be funded from reserves until provincial funding is confirmed so not to affect the tax levy for 2022.

Financial Considerations

By-law 2019-79 Budget Planning was approved by Council on October 17, 2019 and has since been used to structure Niagara Region budget planning. To address the COVID-19 pandemic, reserve funding was used until confirmed provincial funding was secured. This same strategy to address COVID-19 in the 2021 budget is proposed to be

used in the 2022 budget. The four areas of budget development included in the by-law are:

1. Base services: Ongoing costs and revenues that are influenced by multi-year contracts, collective agreements and inflationary pressures and funded through sustainable budget increases.
2. Capital program: requirements of the Asset Management Plan should be funded in accordance with the Capital Financing Strategy and with a separate operating budget increase
3. New programs: should be funded through separate increases so not to erode ability to delivery base services.
4. Growth Funded Programs: After Tax Increment Grants (TIGs) are funded, consideration is given to fund both growth operating and capital programs, for a net impact of zero

Using the principles above, the proposed strategy for 2022 is increases not to exceed 4.1% for the tax levy, 5.15% for the combined Water and Wastewater rate requisition, and 9.98% for the Waste Management requisition. Table 1 summarizes the increases by the Budget Planning By-law category.

Table 1: Budget Planning Strategies

Budget Planning Category	Tax Levy Increase	Water & Wastewater Increase	Waste Management Increase
2022 Base Services	2.0%	~2.00%	9.98%
2021 Base Services ¹	1.1%	N/A	N/A
Base Services	3.1%	~2.00%	9.98%
Capital Program	1.0%	~3.15%	0.0%
New Programs	None	None	None
Growth Funded Programs	Net 0%	N/A	N/A
COVID-19	Net 0%	Net 0%	Net 0%
Strategy Total	4.1%	5.15%	9.98%

¹ 2021 Base Services is discussed in further detail within the Analysis section

Analysis

Budget for Base Services

According to the budget planning by-law, budgeting for operating costs of service delivery is generally influenced by inflation and collective agreements that are most often tied to inflation. The typical inflation index used by the Niagara Region in budget setting is the Core Consumer Price Index (CPIX), which the Bank of Canada has targeted at 2.0% for 2022.

To sustain base levy department services staff are recommending a 2022 Budget Strategy for base services of 2.0% for Levy departments and ABCs in alignment with the CPIX target and a separate increase of 1.1% for Levy departments to address the 2021 one-time draws on reserves supporting permanent services approved by BRCOTW. The 1.1 % increase is being proposed separately to not impact the ability to delivery core base services, which was kept below inflation in the 2021 budget to address the economic climate as a result of the COVID-19 pandemic.

The 2021 Levy budget was proposed in CSD 5-2021 with a 2.9% increase, composed of 0.5% for departmental base services, 0.5% for capital financing, and 1.9% for Agencies, Boards, and Commissions. The NRPS increase was \$3.5 million in excess of the budget strategy thus contributing to a 0.9% increase over the 2% strategy. The motion from BRCOTW to address the budget request was to draw \$4.3 million from the Taxpayer Relief Reserve to reduce the 2021 net levy operating budget to 1.8% or \$405.3 million. The 2021 proposed budget had already included \$2 million from the Taxpayer Relief Reserve to fund one-time items, this \$4.3 million draw was to support base services in 2021 and therefore requires sustainable funding in the 2022 budget.

The 2022 strategy for the combined Water and Wastewater budget is approximately 2% of the total 5.15% Council approved financial strategy from 2020. This represents a return to the financial plan presented in PW 4-2019 “Safe Drinking Water Act Financial Plan of O.Reg. 453/07” which identified the need for 10 years of 5.15% increases to address sustainable operations and capital funding needs, which was then reaffirmed in PW 39-2020 “South Niagara Falls Update” for 2022 through 2028. The Financial Plan was supported in the 2019 and 2020 budgets, with 5.15% increases in those years. Collective bargaining agreements, fluctuating energy costs, and the Council proposed mitigation strategy of funding half the combined sewer overflow program from capital reserve funds will be addressed through the budget for base services.

The 2022 strategy for Waste Management base services is to maintain the 9.98% strategy that was presented in 2020 to incorporate the additional costs of the collection contract. This strategy included significant use of Waste Management Stabilization reserve funding to phase-in the budget increase over three years; 2022 continues to use reserves as a part of this strategy.

Capital Program

According to the by-law, financing to address the capital funding gap in the Asset Management Plan (AMP), Safe Drinking Water Act Financial Plan and capital budget reports is presented separately from the base budget. By doing so, it allows for the transparent disclosure and separate request for sustainable funding of the infrastructure gap. Council approved a Capital Financing Policy in October 2019 that established additional guiding principles for the basis of the capital financing request in the operating budget.

A priority and area of focus identified during Budget engagement was infrastructure. Balancing the needs of a growing population while managing the Region's fiscal sustainability during a pandemic requires long term planning and a fiscal strategy. As a result, the capital financing strategies for Levy and Water/Wastewater were deferred for one year due to the pandemic. In order for the Region to continue to manage the existing assets to provide reliable service, invest in growth and save for the future, the return back to the previous capital financing strategies as approved is critical for long-term sustainability.

In alignment with Council's priority of responsible growth and infrastructure planning a 10 year financing plan was created to support the Asset Management Plan and the elimination of the \$546 million capital backlog identified in 2016. Table 2 compares the 2021 10-year capital forecast of \$3 billion to the principles of the Capital Financing Policy. The principles apply funding based on project type i.e. pay-as-you-go/reserves for AMP, development charges (DCs) for growth and debt for strategic investment. The result is a gap in reserves to fund renewal projects of approximately \$600 million over 10 years. Some progress has been made on the pay-as-you-go/reserves to fund capital with the 1% infrastructure levy in 2017 and 1% of the Regional departmental levy dedicated to infrastructure funding in 2021. The backlog as per the Asset Management Plan however remains as projects continue to be deferred. In addition, the strategy requires additional financing to support \$222 million of debt over 10 years for strategic investments to fund priority projects and Region's share of growth capital.

Table 2: 2021 Consolidated 10 Year Capital Forecast vs Current Funding (\$millions)

Source	AMP Expenditure	Growth Expenditure	Strategic Investment Expenditure	Total Expenditure	Current Funding available	Funding Strategy requirement
Reserve	1,413			1,413	809	604
Debt			794	794	572	222
DCs		493		493	493	
Other			181	181	181	
Gas Tax			148	148	148	
Total	1,413	493	1,123	3,029	2,203	826

The annual current contributions to capital reserves (levy and rate) is \$61 million (\$610 million over 10 years). This is not sufficient when compared to either the annual amortization (annual consumption of assets based on useful life and historical cost) of \$92 million or the 10-year Average Annual Renewal Investment (“AARI”) (annual investment needed to sustain existing assets based on replacement value) of \$225 million (Levy \$78M, ABCs \$9M, Waste Management \$3M, Water and Wastewater \$135M) or an average of \$2.2 billion exclusive of deferred capital gap. Thus, the capital program must continue to be supported by debt until the funding sources can be aligned in accordance with the capital financing strategy.

The following capital strategies have been developed to address the gap and achieve financial sustainability.

For the Levy capital program excluding ABCs, a modification to the capital financing strategy of 1% increase in 2022 is recommended in consideration of the economic climate in contrast to the required annual incremental capital levy contribution of 1.89%. A strategy of 1.89% increase, provides \$73 million per year at the end of 2029, which provides for an annual contribution for Levy to \$94 million for asset sustainment in accordance with our Capital Financing Strategy. The previous strategy of 2.16% annually has improved due to recent levy budget strategies however recent adjustments set out a target to the optimal funding in 11 years.

For the Water and Wastewater capital program, a strategy was developed in accordance with O.Reg. 453/07 Water and Wastewater financial plan. Due to the need for increased sustainable funding, the plan identified a need for an annual increase of 5.15% for 10 years to support operating and capital budgets (approximately 2% for operating and 3.15% for capital). At the end of the 10 years, the annual contribution to capital would be \$80 million for asset sustainment. When compared to the 2016 Asset

Management Plan 10-year Water and Wastewater AARI of \$140 million indexed to 2029 using the Non-Residential Building Construction Index, the AARI required to sustain existing infrastructure is \$214 million. Until annual capital reserve contributions are sufficient to support the AARI, the strategic use of debt will be needed to transition the Water and Wastewater capital program to financial sustainability. A 3.15% increase for water and wastewater as identified above is also required to return back to the requirements of the Safe Drinking Water Act and to support the significant required investments.

On March 25, 2021, the Federal government tabled bill C-25 that will provide a one-time doubling of Federal Gas Tax (Gas Tax) and renaming it as the Canada Community Building Fund. Currently the Region receives \$13.5 million and will double to \$27 million for the 2022 Capital Budget, which will assist with the funding gap. Current efforts are underway to lobby for permanence of the doubling. If this additional funding becomes permanent, the capital financing strategy will be revised to reflect the incremental funding source.

Last year, the Asset Management Office developed a capital asset management resource allocation model (CAMRA) to facilitate the prioritization of capital projects . This model was developed to assess projects based on level of risk and corporate priority to aid in transparent, objective and good decision-making. Projects that provided a greater risk based return on investment and had direct alignment to corporate priorities were ranked higher for inclusion in the Capital Budget. All capital projects will again be run through this model and those that are not included in the 2022 Budget due to low CAMRA ranking and funding constraints will be deferred into the 10-year forecast but will not reduce the 10-year funding gap.

In addition, a new pilot process to incorporate Health Equity Informed Planning is being implemented for the 2022 Capital Budget. More information on this project can be found in report CSD 32-2021 Health Equity-Informed Planning Update.

New Programs & Use of Assessment Growth Funding

Acknowledging the continued impacts of COVID-19 on a recovering economy, staff is proposing that no new programs be recommended for 2022. This will allow for continued focus on core service delivery during on-going management and recovery from the pandemic. Programs deferred in the 2021 budget will remain deferred in 2022 unless they support growth and can be funded through assessment growth.

The by-law prioritized growth revenue first to tax increment grants (TIGs), then operating growth costs and the Regional share of growth capital projects. Should there be any remaining assessment growth it would be used to help fund the capital financing gap. At this time priority programs identified to date are as follows, in no particular order:

- Hospital financing (CSD 36-2021 Hospital Funding Strategy)
- Hospice Niagara (CSD 24-2021 Hospice Niagara Request for Funding)
- Homelessness capital project operating costs (BRC-C 3-2021 Homelessness Capital Project - Provincial Social Services Relief Funding)
- Niagara Regional Transit governance transition (LNTC-C 2-2021 Niagara Governance Steering Committee Update)

The construction restrictions imposed during lockdowns in 2020 and the assessment valuation continuing at 2016 market values is expected to have a negative impact on assessment growth used in the 2022 budget, potentially reducing funding available to address the priority growth programs. The 2022 assessment growth estimate is 1.3% and is subject to change as information becomes available. The 2021 assessment growth included in the 2021 budget was 1.44% with the average assessment growth over the prior 5 years being 1.4%. The 2021 assessment growth is generally tied to 2019 construction activity. As 2020 construction activity did decline over 2019, we are forecasting a modest decline in the 2022 assessment growth reflecting the 2020 pandemic related construction restrictions. Staff will continue to monitor and report assessment growth estimates throughout the year.

Considerations for COVID-19

COVID-19 required a departure from the strategy proposed in by-law 2019-79 Budget Planning for the 2021 budget. The budgeting for the impacts of the pandemic was difficult, as new information was released and changing quickly. Services were also added to address the COVID-19 pandemic and some revenues were restricted for both regional departments and ABC's; these pressures amounted to \$20.3 million (net of already confirmed funding) and were funded initially through reserves and substituted in year with provincial Safe Restart and other funding.

For 2022, the recommended strategy is again to address COVID-19 pressures via funding from other levels of government to maintain taxpayer affordability, as most of these programs and expenses are not expected to remain permanent. The Pandemic Response Division was approved for 2021 and 2022. The second year of this program was estimated at \$13.5 million before business continuity savings. Since the pandemic

is still ongoing incremental costs are anticipated for the 2022 budget. Provincial funding is not yet confirmed for 2022; while the province has reacted to increased municipal pressures with additional funding, the Region should ensure there are sufficient reserve funds to manage risk.

Staff continue to assess financial impacts of the recovery phase which is defined as other impacts of the COVID-19 pandemic not necessarily related to health impacts. Public Health programs put on hold due to restrictions or to facilitate Pandemic Response have set some programs back with adverse community health impacts. Other areas of concerns include long-term care minimum service levels, community mental health programs, and economic development programs. Any permanent programs will require sustainable funding to operate.

Budget Timetable

The proposed timetable is provided in appendix 1, resulting in the 2022 Budget being approved before the end of the year, aligning with section 4.2. of the Budget Planning By-law. The order of meetings aligns to section 4.3. of the by-law, whereas the presentation order is Capital, Rate programs, ABCs, and the consolidated Tax Levy.

Alternatives Reviewed

The purpose of this report is to inform Council of the 2022 proposed strategy to support the development of the operating and capital budget for 2022. Information will continue to be developed, analysed and summarized for the Budget Review Committee to facilitate decision making. As staff are not making any recommendations with respect to increases for the 2022 budget, Council will have the opportunity to consider all options throughout the budget process.

Relationship to Council Strategic Priorities

The 2022 Budget will provide the financial framework to achieve Council's Strategic Priorities.

Other Pertinent Reports

CSD 32-2021	Health Equity-Informed Planning Update
CSD 36-2021	Hospital Funding Strategy
CSD 24-2021	CSD 24-2021 Hospice Niagara Request for Funding

PW 39-2020 South Niagara Falls Update
PW 4-2019 Safe Drinking Water Act Financial Plan of O.Reg. 453/07

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This report was prepared in consultation with Tyler Potts, Senior Budget Analyst, and Ricci Cheung, Senior Budget Analyst, and reviewed by Margaret Murphy, Associate Director Budget Planning and Strategy, and Carrie Sportel, Supervisor Corporate Budgets.

Appendices

Appendix 1 2022 Budget Timetable

Appendix 1 – 2022 Budget Timetable

Meeting Type	Subject/Topic	Date
BRCOTW	Budget Planning	June 17, 2021, 6:30 p.m.
Budget Workshop	Capital	September 30, 2021, 4:00 p.m.
BRCOTW	Capital	October 7, 2021, 6:30 p.m.
Budget Workshop	Rate	October 28, 2021, 4:00 p.m.
BRCOTW	Rate	November 4, 2021, 6:30 p.m.
Budget Workshop	Council Authority over ABCs	November 18, 2021, 4:00 p.m.
Council	Rate By-laws	November 18, 2021, 6:30 p.m.
BRCOTW	ABCs	November 25, 2021, 6:30 p.m.
Budget Workshop	Levy	December 2, 2021, 9:00 am
BRCOTW	Consolidated Levy	December 9, 2021, 6:30 p.m.
Council	Levy, Capital, User Fee By-laws	December 16, 2021, 6:30 p.m.

Subject: Hospital Financing Strategy

Report to: Budget Review Committee of the Whole

Report date: Thursday, June 17, 2021

Recommendations

1. That the hospital financing strategy **BE APPROVED**; and
2. That the operating budget requirement for the hospital financing strategy **BE CONSIDERED** as part of the 2022 budget process.

Key Facts

- The purpose of this report is to seek Council's approval of a hospital financing strategy to accommodate for the West Lincoln Memorial Hospital (WLMH) redevelopment and the new South Niagara (SN) Hospital Development which have requested \$10.5 million and \$44.5 million to assist with project funding by substantial completion planned for 2024 and 2026 respectively
- On the January 14, 2021 Budget Review Committee of Whole, staff were directed to develop a comprehensive financing strategy for Regional contributions to hospital projects and be completed as part of the 2022 Budget process.
- The proposed strategy balances the use of transfers to Hospital Reserve as well as long-term financing. To accommodate for both hospitals an incremental \$715,000 (0.2% of the levy) in addition to the base \$1.5 million approved in 2021 will be requested as part of the 2022 Operating Budget.

Financial Considerations

On January 14, 2021 Budget Review Committee of the Whole, Council approved a Regional contribution to a maximum of 21% of the local contribution and directed staff to develop a comprehensive financing strategy to accommodate.

Council has requested that staff develop a hospital financing strategy to accommodate \$55.0 million; \$10.5 million for WLMH and \$44.5 million for SN. Table 1 below breaks out the timing and amount requested for the two hospitals.

Table 1 Hospital Cost and Regional Share Summary (in millions)

Hospital	Estimated Total Hospital Cost	Local Share	Niagara Region Share	Year Payment Required
WLMH Redevelopment	\$250+	\$60	\$10.5 ¹	2024
SN Development	\$1,000+	\$212	\$44.5	2026
Total			\$55.0	

¹The original request was \$12.6 million; however, this has subsequently been revised to \$10.5 million.

As part of the 2021 Budget, a contribution to the newly created Hospital Contribution Reserve of \$1.5 million was approved by Council. In CSD 17-2021 2020 Year-End Results and Transfer Report, the hospital reserve received \$6.6 million of surplus from the 2020 year end results. The hospital reserve will continue to increase through the \$1.5 million annual transfers from the operating base budget for a balance at the end of 2024 of \$12.6 million; sufficient to provide an upfront contribution to the WLMH Redevelopment in 2024 of \$10.5 million.

The \$44.5 million request for the SN Development requires incremental funding. There is an opportunity to spread the SN Hospital contributions over 30 years. Niagara Health will debt finance at substantial completion and incur the financing costs. The Region would then provide an annual contribution to Niagara Health to cover the Regional portion of Niagara Health's debt servicing costs.

Based on the timing of when payment is required, it allows the Region to build up reserves to reduce the overall obligation at substantial completion as seen in the table below.

In summary, the proposed Hospital Financing Strategy is as follows:

- Contributions to reserves, after payment in full to the WLMH in 2024 leaves \$2.1 million remaining and a further \$1.5 million in 2025 for a total reserve of \$3.6 million.

- An incremental \$715,000 to the \$1.5 million as part of the 2022 budget or 0.2% of the levy.
 - Contributes additional \$2.9 million to reserve by 2026 for total reserve of \$6.5 million.
 - The incremental request will reduce the debt obligation required in 2026 for the South Niagara Hospital to \$38 million.
 - Current estimates provided by Niagara Health is that a 30-year contribution plan will be serviced at 4% to cover the financing cost that Niagara Health will incur. This commitment remaining at the end of 2025 will be serviced through contributions of \$2.2 million (\$1.5 million transfer to reserve repurposed to debt servicing plus \$715,000) annually over 30 years.

The full detailed annual cash flow is in Appendix 1 of this report. The following table breaks down the summary of the cash flows up until 2025. After 2025, annual contributions of \$2.2 million will continue to Niagara Health for 30 years to fund the remaining balance.

Table 2 Summary of Reserve Cash flows up to 2025

Description	Reserve Contributions (millions)	Hospital Request (millions)
WLMH & SN Request		\$55.0
Hospital Reserves at the end of 2021	\$8.1	
2022-2025 Approved Contribution (\$1.5M/year)	\$6.0	
2022-2025 ² One-time Incremental Request (\$715K/year)	\$2.9	
2024 WLMH substantial completion payment		(\$10.5)
Reserve contributions for SN		<u>(\$6.5)</u>
Balance Remaining at the end of 2025		\$38.0

²Contingent on 2022 Budget approval

The request for an annual \$715,000 is recommended to be referred to the 2022 levy operating budget. The strategy being proposed at 2022 Budget Planning is to fund this cost with assessment growth. In alignment with the By-law 2019-79 Budget Planning, assessment growth is utilized for programs aimed at driving growth or Council priorities; the hospitals align to Council's priority of a Healthy and Vibrant Community through new health services to the Region. A summary of new hospital services that will be incremental to the Region are as follows:

- Complex Care Centre of Excellence – 170 beds for inpatient and specialized complex care.
- Stroke Centre of Excellence.
- Geriatric/Geriatric Psychiatry Centre of Excellence.
- Wellness in Aging Centre of Excellence.
- Indigenous Health Centre.

Analysis

On September 9, 2020 and April 14, 2021, the Region formally received funding requests from Hamilton Health Sciences and Niagara Health respectively. As part of the hospital funding requests, Council directed staff to prepare a financing strategy.

The Hospital financing strategy incorporates principle of By-law 2019-79 Budget Planning that dictates that approvals of programs will ensure the full annual budget impact will be approved in the year of the program approval. The incremental \$715,000 will increase the annual operating contributions to the hospital reserve to match the annual contributions required to fund both hospitals.

Alternatives Reviewed

Other alternatives were reviewed in addition to the proposed Hospital financing strategy:

- Fund with reserves at substantial completion - This would require an increase of \$10,225,000 or 2.5% increase of the levy in incremental annual transfers from the operating base budget. This is not proposed due to taxpayer affordability.
- Phase in the increases over multiple councils and multiple years - This is not recommended as it is not aligned with the By-law 2019-79 that dictates that the full budget impact be approved in the year of the program approval. In addition,

with an upcoming election year and new Council transition, there are restrictions to multi-year budgeting, which are outlined in the Municipal Act under section 291(2).

- Debt financing both hospitals – This strategy is not recommended as debt financing for both hospitals would cost more in interest since the existing base budget is already sufficient to pay for the WLMH upfront (without the requirement of debt) in 2024 at substantial completion. In addition, there are no financing options available through Hamilton Health Sciences and thus the Region would need to debenture for the cost of the Regional contribution. This would increase the Region’s annual repayment limit which lowers the maximum amount for new long-term debt that the Region can approve.

Relationship to Council Strategic Priorities

The West Lincoln Memorial Hospital redevelopment and the new South Niagara Hospital development supports a Healthy and Vibrant Community by enhancing community wellbeing. The hospitals will increase the capacity of health services to meet the needs of the aging population.

Other Pertinent Reports

CSC-C 18-2020	Financing Request to Support West Lincoln Memorial Hospital
CSD 13-2021	Hospital Financing Contribution Policy
CSC Presentation	Partnering Together for the Future South Niagara Hospital

Prepared by:

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Recommended by:

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Commissioner Corporate Services/
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Submitted by:

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Acting Chief Administrative Officer

This report was prepared with Ricci Cheung, Senior Budget Analyst, and reviewed by Carrie Sportel, Supervisor Corporate Budgets, Margaret Murphy, Associate Director Budget Planning & Strategy.

Appendices

Appendix 1 Hospital Financing Strategy Detailed Annual Cash flow

Interest Rate Assumption: 4%

Increase on Levy Required: \$715,000

Year	Inflows Description	WLMH	SN	SN 30 year contributions	Total Inflows	Outflow Description	WLMH	SN	SN 30 year contributions	Total Outflows	Reserve Balance
N/A						Hospital - Regional Share	10,500,000	44,500,000			
2020	Year end Surplus	6,600,000			6,600,000					-	6,600,000
2021	Transfer from Operating	1,500,000			1,500,000					-	8,100,000
2022	Transfer from Operating	1,500,000	715,000		2,215,000					-	10,315,000
2023	Transfer from Operating	900,000	1,315,000		2,215,000					-	12,530,000
2024	Transfer from Operating		2,215,000		2,215,000	WLMH Substantial Completion	(10,500,000)			(10,500,000)	4,245,000
2025	Transfer from Operating		2,215,000		2,215,000					-	6,460,000
2026-2055	Transfer from Operating			65,995,710	65,995,710	SN Substantial Completion		(6,460,000)	(65,995,710)	(72,455,710)	-
						Contribution Balance Remaining at year 2025					<u>- 38,040,000</u>

MEMORANDUM

BRC-C 7-2021

Subject: Update on Budget Engagement

Date: June 17, 2021

To: Regional Council

From: Peter Criscione, Communications Consultant

In the fall of 2020, the Region undertook a comprehensive public engagement campaign on the 2021 Budget. Engagement activities were held over several weeks starting in early September and included facilitated focus groups and an online survey.

Budget engagement activities gave a better understanding of our community's needs during the COVID-19 pandemic. They also probed opinions on select investment areas identified by the Region's 2019 Sustainability Review. A year into the pandemic crisis, the insights gathered from residents and the business community still resonate and will help inform staff's approach to budget planning for the coming year. Participants identified maintenance of essential services, the safety of seniors, mental health programs, caring for the homeless and helping businesses during this challenging period as the top five priorities for the Region. Residents also rated several existing Regional projects and initiatives on their order of importance. Transit, housing affordability, long-term care homes ranked at the top of the list of what existing initiatives the Region should continue to support.

Engagement on the 2022 budget will primarily focus on education and raising awareness about Regional services and budget planning. This will be achieved through an extensive campaign including social media, advertising and promotion, and media relations.

Respectfully submitted and signed by

Peter Criscione

Communications Consultant

MEMORANDUM

BRC-C 8-2021

Subject: Health Equity-Informed Planning Update

Date: June 17, 2021

To: Budget Review Committee of the Whole

From: Dr. Mustafa Hirji, Medical Officer of Health & Commissioner (Acting)

Background

The Health Equity-Informed Planning (HEIP) Project was approved as part of the 2019-2022 Regional Strategic Plan. It aims to embed health equity and consideration of the social determinants of health (SDOH) into Regional planning by addressing the unintended health impacts of decisions made in non-health sectors.

As a reminder, SDOH are the non-biological factors in our lives that determine 60% of health outcomes. These include our income, education, working and housing conditions, race/ethnicity, gender, sexuality, level of social supports, and more. We know these factors are not distributed equally across all people in society, and therefore not everyone has the same opportunity to achieve good health. Health equity is the state where these differences in the SDOH would be eliminated, so that only biological variation would then determine differences in our health outcomes.

Because the SDOH are affected by all policies in society, not just health policies, health equity can only be achieved by addressing policies in all sectors. Integrating considerations for health and health equity into planning processes within the Region supports Council Strategic Priority Two: Healthy and Vibrant Community.

The outcomes identified in the implementation plan include

- Increased access to health equity data and partnerships to drive decisions
- Increased consideration of health and health equity impacts in community and infrastructure design
- Greater organizational and public awareness of how the SDOH impact individual health outcomes

This will be accomplished through integrating Health Impact Assessments (HIAs) into planning processes for initiatives across the corporation with the aim for Niagara to become one of the 25 healthiest communities in Canada.

An HIA is a combination of procedures, methods and tools by which a policy, program or project may be judged as to its potential effects on population health. They are frequently used to assess work outside of the traditional health sector. Other municipalities in Canada, such as Toronto, Vancouver, and Quebec City, have also incorporated HIAs across their organizations.

Based on the timelines in the HEIP Project, we aim to incorporate HIAs into Regional planning processes by June 2022. This is also aligned with the budget planning bylaw “to establish social determinants of health as a consideration in program and budget decisions”.

Health Impact Assessment (HIA) Process at Niagara Region

The first step of the HIA process is to utilize a screening tool to identify the potential impact a project or initiative may have on various social determinants, with a rating capturing both negative and positive impact on a scale of -3 to 3. The cumulative score then identifies whether an HIA would be a worthwhile endeavour, and if so, which level (rapid, intermediate, comprehensive).

Following this, the HIA process works through a number of evidence-informed, standardized steps that work to identify health outcomes that stem from the project/initiative actions. The HIA process will be embedded within existing planning processes with support from the Project/Program Manager and internal and external stakeholders. HIAs collect and synthesize best available data as it relates to the actions and needs of the project/initiative. This data is then used to create recommendations that maximize positive health impacts and mitigate negative health impacts.

Status of 2021 HIA Pilot Project

A cross-sectional interdepartmental team of staff have been guiding the HIA pilot project through 2021 and meet monthly. The HIA project is focused on capital projects at this time, and is being supported with resources from Public Health. A position has been created for 2021 to complete the majority of the HIA planning work, with guidance from the Strategic Initiatives Coordinator in Public Health. There are two aspects to the pilot project:

- Aspect 1 of the pilot project is focused on the development of the HIA guidebook and suite of supplementary tools that complement existing departmental processes. Throughout the pilot, work is being done to understand how best to align the HIA work with existing processes in each department. Four projects were identified as being suitable for an HIA trial run after undergoing the screening process with support from Public Works and Planning & Development.
- Aspect 2 develops an HIA screening process along with the Capital Budget Process. The HIA screen will provide information to aid in the understanding of what SDOH the capital project may impact. In addition, to strengthen health considerations, SDOH have been included as one of the risk factors assessed by the corporate prioritization process for capital projects. In alignment with corporate/Council priorities and project risk factors such as SDOH, the corporate prioritization process optimizes the projects included in the 2022 Capital Budget.

Next Steps

The Next steps for each aspect are as follows:

Aspect 1

The anticipated deliverables (HIA guidebook and supplementary tools) of Aspect 1 of the pilot project will be presented in a report to Council through the committee structure. Four projects that have gone through the full pilot HIA process as a trial will also be presented with recommendations stemming from the HIAs: how best to amplify or mitigate the health outcomes of these projects. As part of the recommendations, there will be a better understanding of financial and resource needs to conduct HIAs. Best efforts are being made to leverage existing Regional processes to minimize additional needs.

Aspect 2

Aspect 2 of the pilot project will be integrated into the budget planning process for the 2022 Capital Budget. For the first year of implementation, projects will be assessed based on the following factors to determine a project's eligibility by filtering for

- Projects in design/planning phase that can address potential HIA recommendations
- Projects with large budget impacts

- Projects that provide a new/incremental level of service

Capital projects selected will be done in coordination with departments. Projects selected based on the filtering above will be put through the HIA screening tool as the first step of an HIA. The intent of the information provided from this initial screen is to aid in the understanding of what SDOH the capital project may impact. These SDOH summarized with their positive/negative impacts will accompany the 2022 Capital Budget report as an appendix. This appendix will flag potential health considerations for projects that will be discussed in depth through the completion of a full HIA. The recommendations from a full HIA will amplify positive health impacts of a project and mitigate negative health outcomes.

Supplementary Education Session

A more detailed presentation will be provided in late summer at PHSSC to further expand on the HEIP and HIA work.

Respectfully submitted and signed by

M. Mustafa Hirji, MD MPH FRCPC
Medical Officer of Health & Commissioner (Acting)
Public Health & Emergency Services