



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

BRCOTW 06-2019

Thursday, June 20, 2019

4:00 p.m.

Council Chamber

Niagara Region Headquarters, Campbell West

1815 Sir Isaac Brock Way, Thorold, ON

	Pages
1. <u>CALL TO ORDER</u>	
2. <u>DISCLOSURES OF PECUNIARY INTEREST</u>	
3. <u>PRESENTATIONS</u> None.	
4. <u>DELEGATIONS</u> None.	
5. <u>ITEMS FOR CONSIDERATION</u>	
5.1 <u>CSD 40-2019</u> 2020 Budget Planning	3 - 37
A presentation will precede the discussion of this item.	
6. <u>CONSENT ITEMS FOR INFORMATION</u>	
6.1 <u>CSD 49-2019</u> Q1 Financial Update	38 - 49
7. <u>OTHER BUSINESS</u>	
8. <u>NEXT MEETING</u> The next meeting will be held on Thursday October 10, 2019 at 6:30 p.m. in the Council Chamber, Regional Headquarters.	

9. ADJOURNMENT

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

NIAGARA REGION BUDGET

2020

BUDGET

PLANNING

June 20th, 2019

2020 Budget Planning

What we're going to cover tonight:

- Budget Overview
- 2020 Budget Plan
 - Base Services
 - Capital Requirements
 - New and Enhanced Services
 - Assessment Growth
- Budget Schedule
- Next Steps

Budget Overview

YOUR TAX DOLLARS DELIVER

***The budget process** reflects Niagara Regional Council's commitment to delivering services that matter most to our citizens and ensuring that critical infrastructure is kept in a state of good repair.*

With an aim to strike a balance between sustainability and affordability the Region continues to invest every tax dollar in high-quality service and securing a stronger future for our residents.



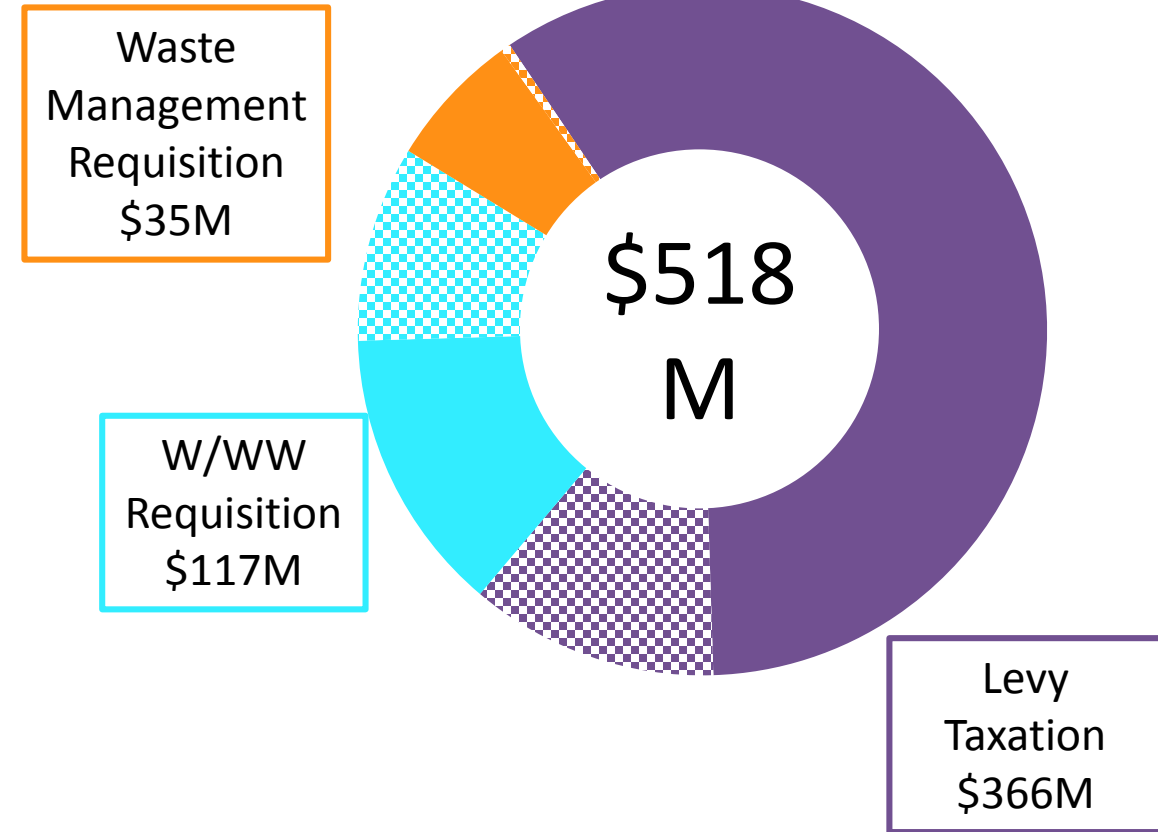
Budget Overview

2019 Gross Operating and Capital Budget of \$1.25 Billion

$\frac{1}{2}$ is funded from...

- Federal and provincial grants
- Fees, charges and sales
- Other revenues (investment income, rent etc.)
- Reserves
- Debentures

The balance is made up of
taxation and rates



Note: Hashed areas represent funds supporting capital

Budget Development

As Per CSD 41-2019, Budget Planning Policy Review

- Guiding Principles will be established
 - Use of current year results, compliance with policies, use of business cases
- Recommendations made regarding four components of budget
 - Base Budget, Capital Financing, New Programs, and Assessment Growth

Resulting in greater sustainability and transparency

Base Budget Development

As Per CSD 41-2019, Budget Planning Policy Review

- 2020 guided by Regional **Municipal Price Index (MPI)**
 - vs Core CPI used historically as a hard cap to the budget increase
 - MPI is an inflation index based on the Region's 5 year historical actual expenditure mix and type as calculated by the Conference Board of Canada
- Unique index for each operating budget
 - Departments = 2.7%, ABCs = 3.0%, Waste Mgmt = 2.1%
- Does take into consideration:
 - 2019 ongoing cost pressures, new 2020 other service delivery pressures including compensation and benefits, contracts, utilities etc., cost saving strategies from targeted efficiencies
- Does not consider changes in revenue i.e. Provincial download

Base Budget Development

Guiding Principles – 2019 Year-to-date Levy

- Forecasted 2019 operating variances of \$9.45 M pressure
 - \$7.77 M or 2.12% will continue into 2020 comprised of:
 - \$0.6 M - SAEO Provincial Funding Changes
 - \$5.0 M - Development Charge Exemptions
 - \$0.7 M - Emergency Medical Services, Staff Overtime & WSIB
 - \$0.5 M – Transportation External Signal Revenue
 - \$0.6 M – Seniors Staff Overtime/2019 Case Mix Index (CMI) results
- As per CSD 49-2019 Q1 Results
 - Provides detail on the \$1.68 M in one-time pressures
 - 2019 mitigation strategies with in year savings and DC Reserve payback
 - Net zero deficit forecast at Q1 for year end 2019

Base Budget Development

Guiding Principles – 2020 Levy Pressures

- 2019 Provincial budget announcements deferred to 2020
 - \$2.70 M – EMS, Public Health and Long term care funding
 - In addition to \$7.77 M from 2019 is a impact of \$10.47 million or 2.86%
- New 2020 Pressures - pressures related to Compensation, Transportation, Long-term Care, Homelessness contracts etc. total \$22.38 million or 6.12%
 - \$17.95 M or 4.91% Expenses (appendix 3)
 - \$4.43 M or 1.21% Revenues (appendix 4)

Base Budget Development

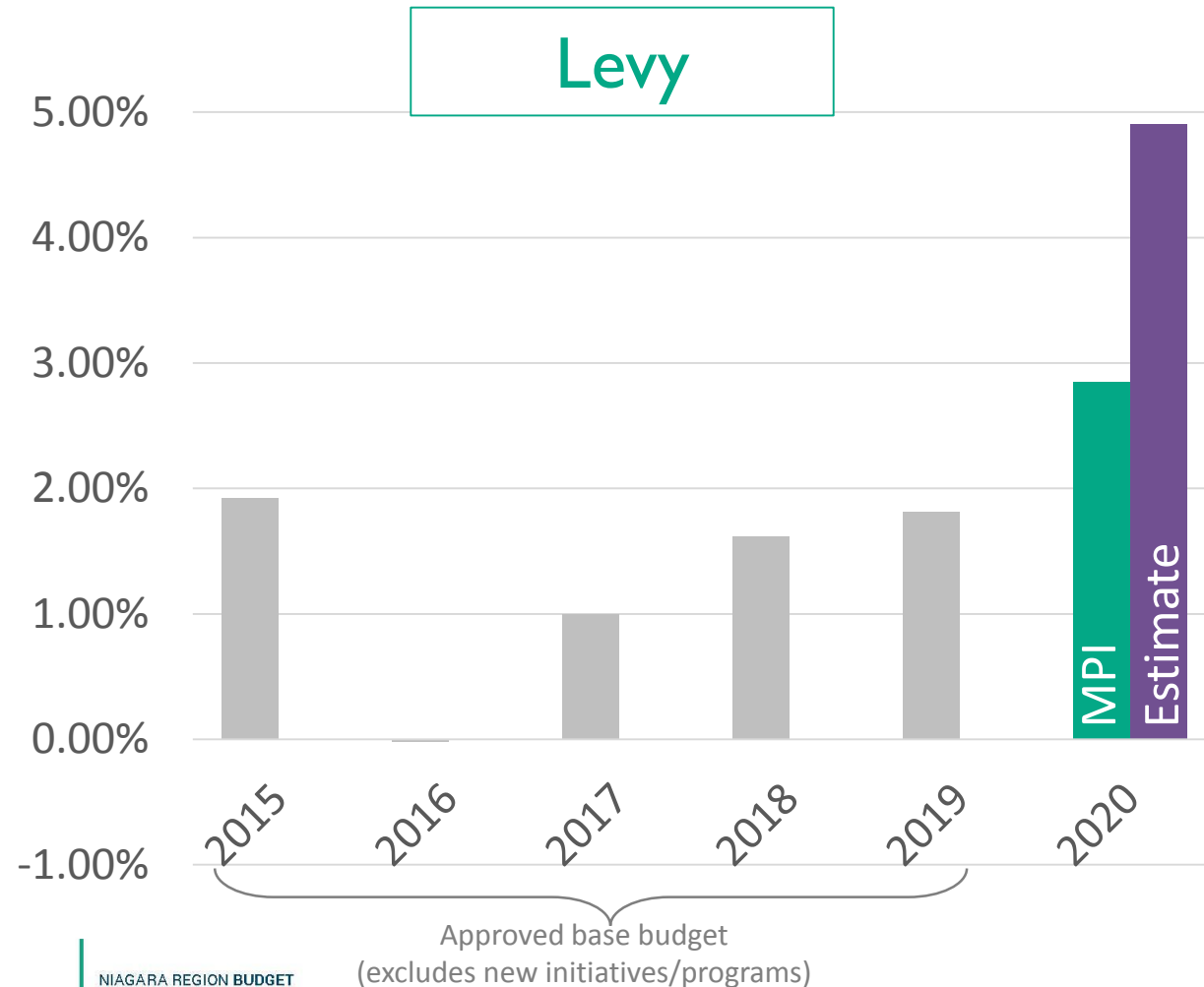
Guiding Principles – 2019 and New 2020 Rate Pressures

Forecasted 2019 Rate operating variances:

- Waste Management Forecast operating variance is \$3.30 M
 - 2019 into 2020 - \$2.18 M or 6.16% –End Market Revenue
 - New 2020 - \$0.50 M or 1.40% –Collections contract
- Water/Wastewater Forecast operating variance is \$1.38 M
 - 2019 into 2020 \$0.38 M or 0.32% - Chemical Costs

Base Budget Development

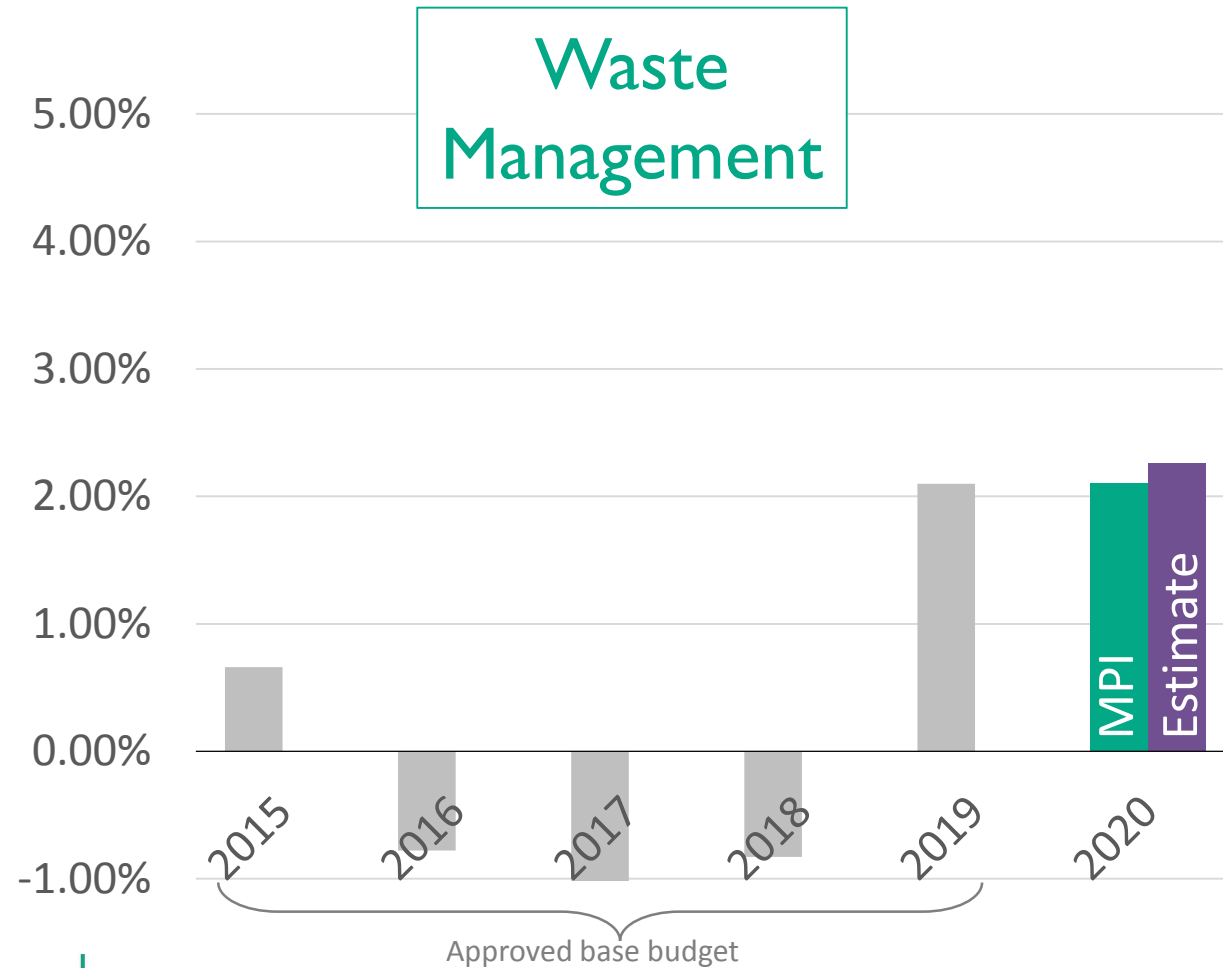
Pressure on Current Service Delivery



- Staff due diligence to contain pressures is underway
- Where expense pressures estimated at 4.91% cannot be mitigated:
 - Risks will be identified
 - Business cases will be provided for transparency and Council consideration
- Pursue other sources of revenue

Base Budget Development

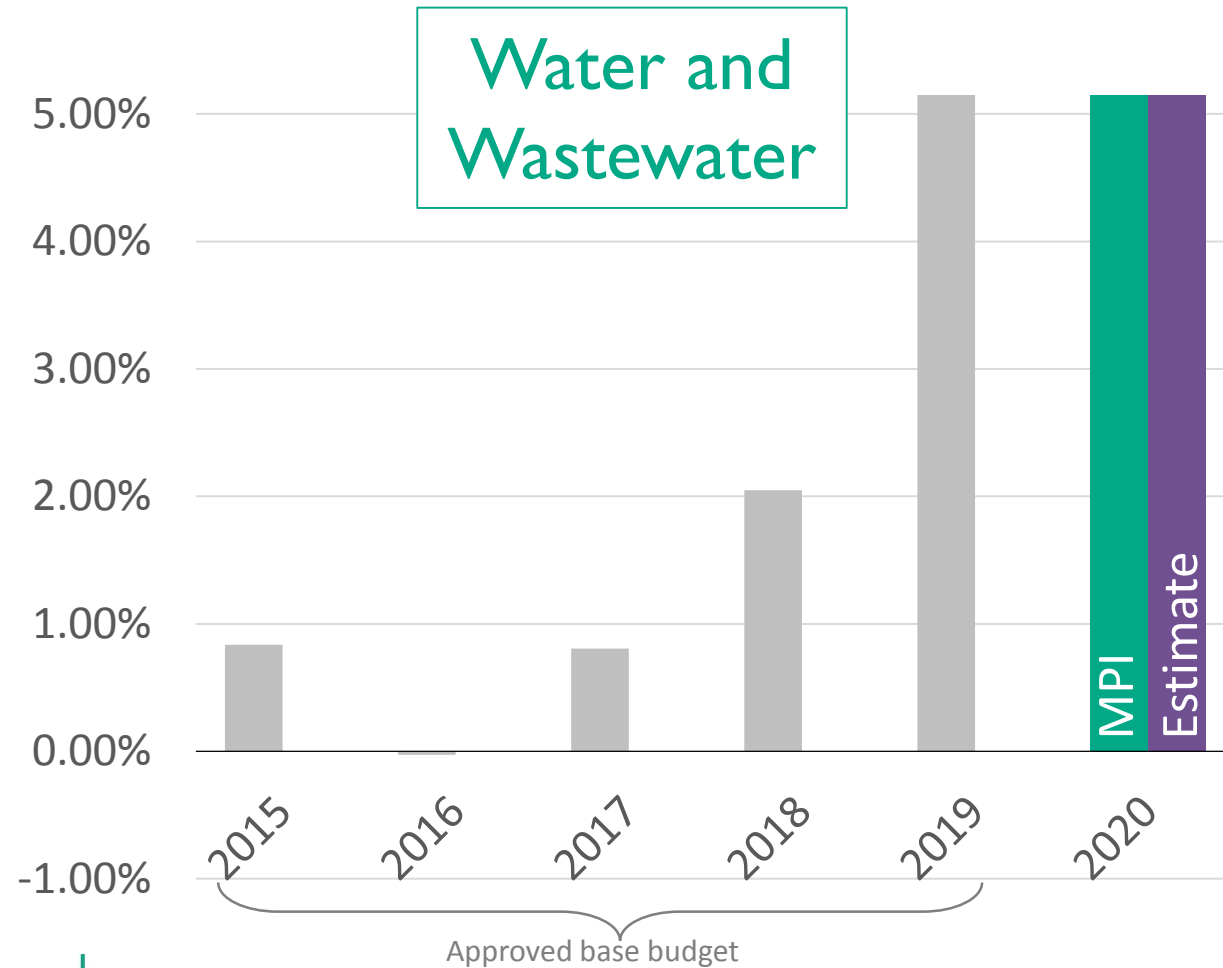
Pressure on Current Service Delivery



- Staff due diligence to contain pressures is underway
- Where expense pressures estimated at 2.26% cannot be mitigated:
 - Risks will be identified
 - Business cases will be provided for transparency and Council consideration
- Pursue other sources of revenue

Base Budget Development

Pressure on Current Service Delivery



- Staff due diligence to contain pressures is underway
- Where expense pressures cannot be mitigated:
 - Risks will be identified
 - Business cases will be provided for transparency and Council consideration
- Pursue other sources of revenue

Building the Budget

Base Budget Preliminary Estimates

Budget Item	Levy	Waste Management	Water and Wastewater
Municipal Price Index	\$5.0 M	\$0.7 M	
MPI for ABCs	\$5.4 M		
Water Wastewater Financial Strategy			\$6.0 M
Expense Subtotal	\$10.4 M	\$0.7 M	\$6.0 M
Expense Increase %	2.85%	2.10%	5.15%
Revenue pressures	\$4.4 M	\$2.2 M	
Subtotal	\$14.8 M	\$2.9 M	\$6.0 M
Increase %	4.06%	8.26%	5.15%

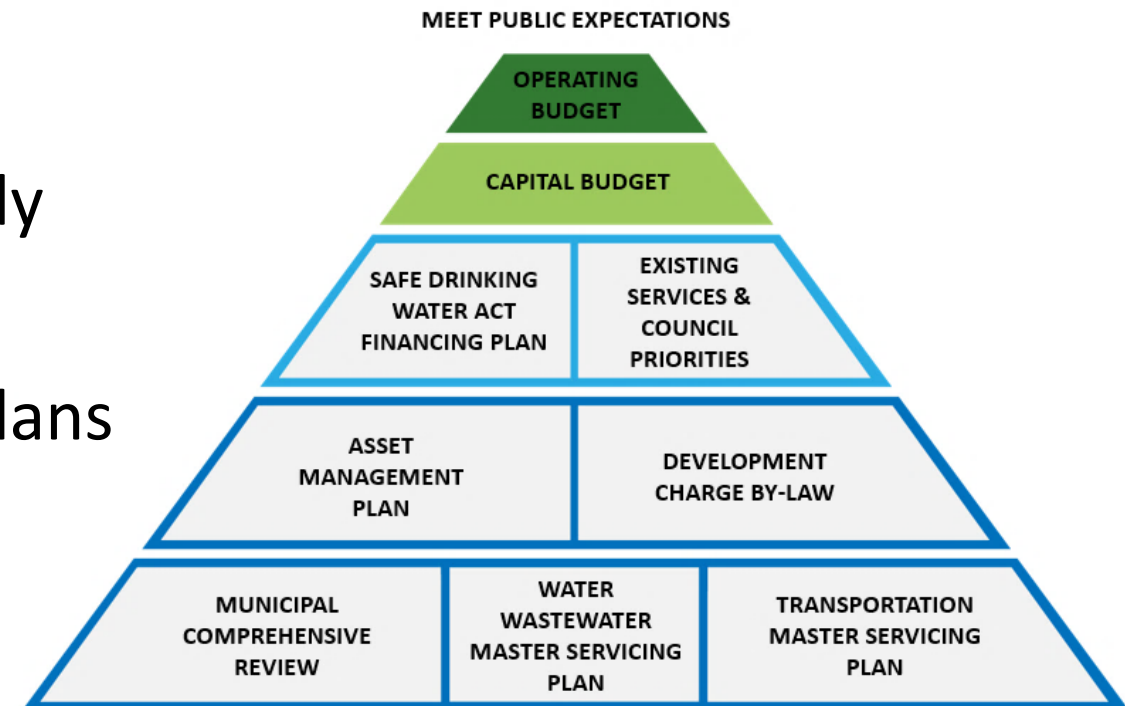
- MPI is a benchmark for expense pressures
 - Currently expense pressures estimated in excess of MPI
- Revenues are not incorporated into the MPI
 - Decisions regarding continuity of service have incremental impacts
 - Continued advocacy regarding provincial download

Capital Expenditure

Based on Established Strategies

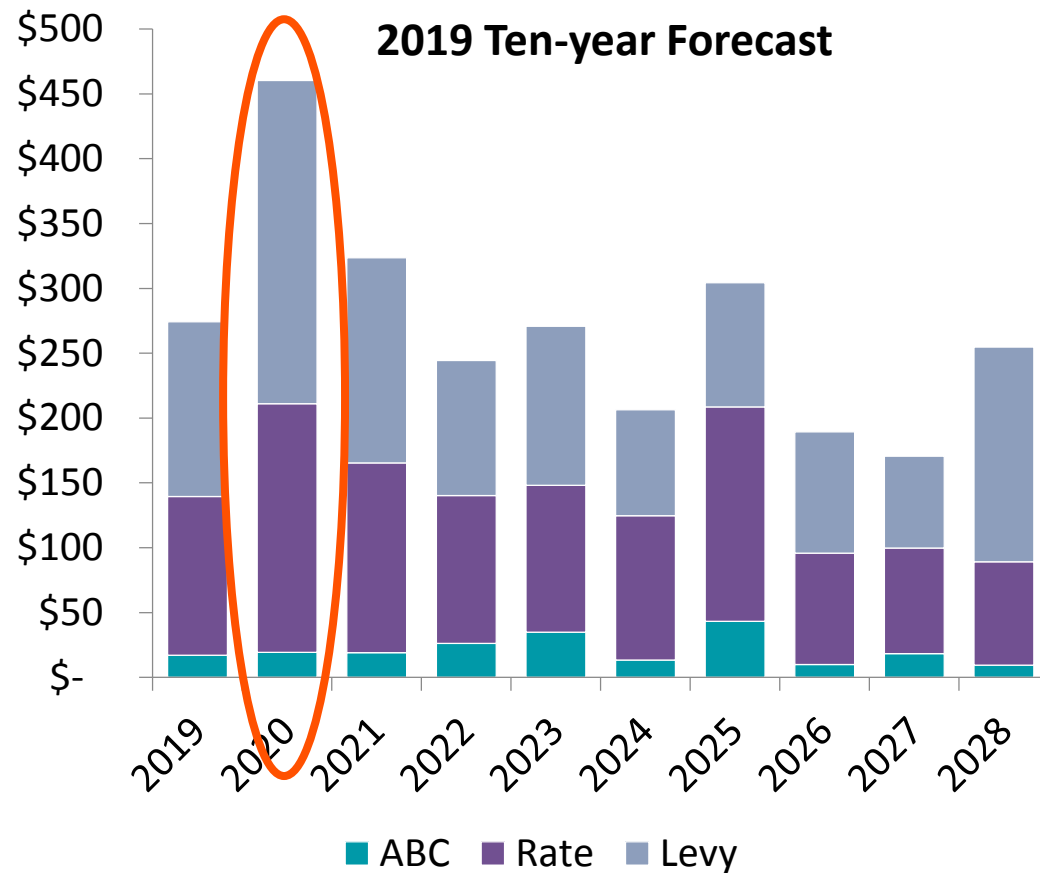
Approved strategies are the basis for long-term sustainability and growth strategies for the Region:

- Asset Management Plan (AMP)
- Development Charge background study
- Growth Plan (MCR)
- Water Wastewater Master Servicing Plans
- Transportation Master Servicing Plan



Capital Financing

Require Sustained Increases to Fund AMP Gap



- AMP identified a \$546 million backlog
- Asset Management Office will provide long-range strategies to mitigate but won't fully address shortfalls
- Estimate 2.0% increase each year for 10 years to close the gap
 - 1% (2012,2017), 1.3% (2015,2016)
- Or continue to defer renewal

Building the Budget

Capital financing requirements

Budget Item	Levy	Waste Management	Water and Wastewater
Expense Subtotal	\$10.4 M	\$0.7 M	\$6.0 M
Revenue pressures	\$4.4 M	\$2.2 M	
Base Subtotal	\$14.8 M	\$2.9 M	\$6.0 M
Base Increase %	4.06%	8.26%	5.15%
Capital financing	\$7.3 M		See above
Subtotal	\$22.1 M	\$2.9 M	\$6.0 M
Increase %	6.04%	8.26%	5.15%

- Transparent Capital funding strategy
- Added onto Base funding
 - Does not erode funding for current service delivery
 - May support pay as you go or
 - Reserves for on-going sustainability
- Capital expenditure will be driven by AMP and growth strategies

New Initiatives and Programs

Transparency for Council Decision Making

- New and enhanced programs of \$16.5M:
 - Niagara Regional Transit, long-term care homes, airports, GO Transit, affordable housing, Waterfront Investment Program
 - Refer to table 1 of the report (page 5)
- New programs will be considered at appropriate committee or COTW
- financial requirements referred to Budget Review Committee for a complete view of corporate need
- Budget Review Committee will make all funding decisions



Building the Budget

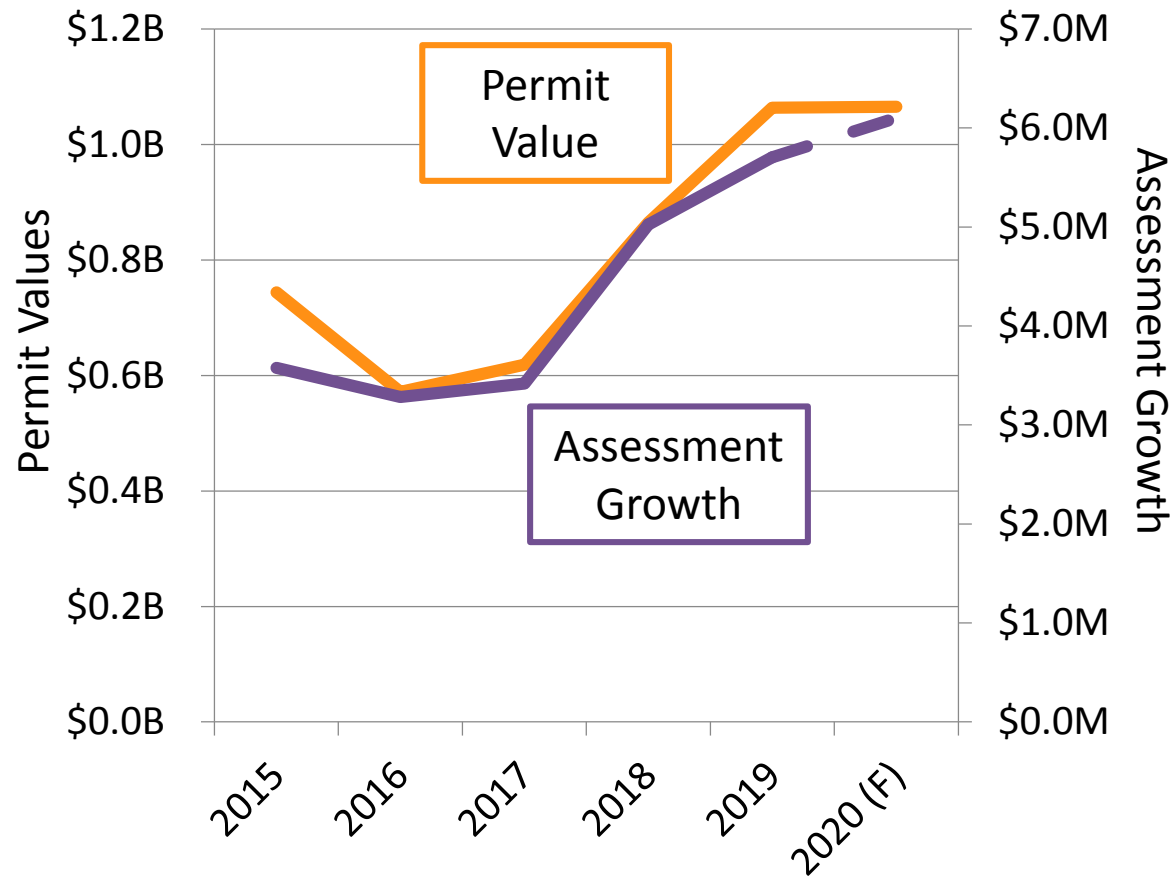
New Initiatives and Programs

Budget Item	Levy	Waste Management	Water and Wastewater
Expense Subtotal	\$10.4 M	\$0.7 M	\$6.0 M
Revenue pressures	\$4.4 M	\$2.2 M	
Capital financing	\$7.3 M		See above
Subtotal	\$22.1 M	\$2.9 M	\$6.0 M
Increase %	6.04%	8.26%	5.15%
New Programs	\$16.5 M		
Total	\$38.6 M	\$2.9 M	\$6.0 M
Increase %	10.55%	8.26%	5.15%

- Transparent funding for new programs
- Added onto Base funding
 - Does not erode funding for current service delivery
 - May recommend phasing options
 - costs will be refined and business cases completed

Assessment Growth

1.65% or \$6.1 million new tax revenue from growth



- Experiencing sustained higher growth
- Incentives have contributed to growth (including Tax Increment Grants of \$1.3 million for 2020)
- Balance of revenue (after funding TIGs) should support growth operating and capital costs
- Net zero impact on taxes

Proposed 2020 Budget Schedule

Budget deliberations begin with **Capital**, then **Rates**, then **ABCs**, and finish with **Levy** prior to the end of the year.

OCTOBER						
S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

NOVEMBER						
S	M	T	W	T	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30

DECEMBER						
S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				



Budget Workshop



BRCOTW Meeting



Council/Committee/Committee of the Whole

Next Steps

- Discussion, review and approval of CSD 40-2019 today
 - Staff will incorporate BRC direction from today into developing the budget
- Budget process will be based on guiding principles and concepts of new policy as approved in CSD 41-2019, June 12, 2019
 - possible sustainability review options for 2020 and forecast
 - asset management strategies for 2021 and forecast
- Capital first to be considered with BRC on October 10
- Preceded by Committee of the Whole on October 3 to review
 - Budget Planning By-law and
 - Capital Financing Policy



Questions?



Subject: 2020 Budget Planning

Report to: Budget Review Committee of the Whole

Report date: Thursday, June 20, 2019

Recommendations

1. That the 2020 base budget for existing services **BE PREPARED** with consideration of the Municipal Price Index as calculated in appendix 1 in accordance with recommendations in report CSD 41-2019 Budget Planning Policy Review as follows:
 - a. 2.7% for Regional Departments
 - b. 3.0% for Agencies, Boards, and Commissions
 - c. 2.1% for Waste Management
2. That consideration of a separate levy increase for capital **BE REFERRED** to the Capital Budget - Budget Review Committee of the Whole.
3. That the estimated assessment growth of 1.65% **BE APPORTIONED** to
 - i. tax increment grants estimated at 0.35% and
 - ii. that the remaining net assessment growth of 1.30% support growth related operating and capital costs requested by Regional Departments and ABCs through business cases.
4. That consideration of a separate levy increase for enhancements to or new programs **BE REFERRED** to the Operating Budget - Budget Review Committee of the Whole.
5. That the 2020 budget for Water and Wastewater **BE PREPARED** with an increase of 5.15% in accordance with recommendation in report PW 4-2019 Water and Wastewater Financial Plan for O.Reg. 453/07.
6. That the 2020 budget schedule per appendix 2 **BE APPROVED**.
7. That this report **BE CIRCULATED** to agencies, boards and commissions (ABC's) in accordance with the Budget Control By-law.

Key Facts

- The purpose of this report is to inform Council of the opportunities and pressures impacting service delivery in order to establish consistent expectations for Council and staff in the preparation of the 2020 Tax Levy and Water, Wastewater and Waste Management Operating and Capital Budgets.
- The recommendations in this report and the guidance for preparing the 2020 budget are consistent with the recommendations and guiding principles in CSD 41-2019 Budget Planning Policy Review.
- The Conference Board of Canada created a unique Municipal Price Index in accordance with their methodology.
- Assessment Growth is forecasted at 1.65% reflecting the recent growth pattern in building permit activity as described in the Financial Considerations below. MPAC data will be used to monitor this estimate and update as the budget is developed.
- Recent provincial announcements will have impacts on the 2020 budget. Staff continue to research the implications of these announcements and will communicate to Council as information becomes available.

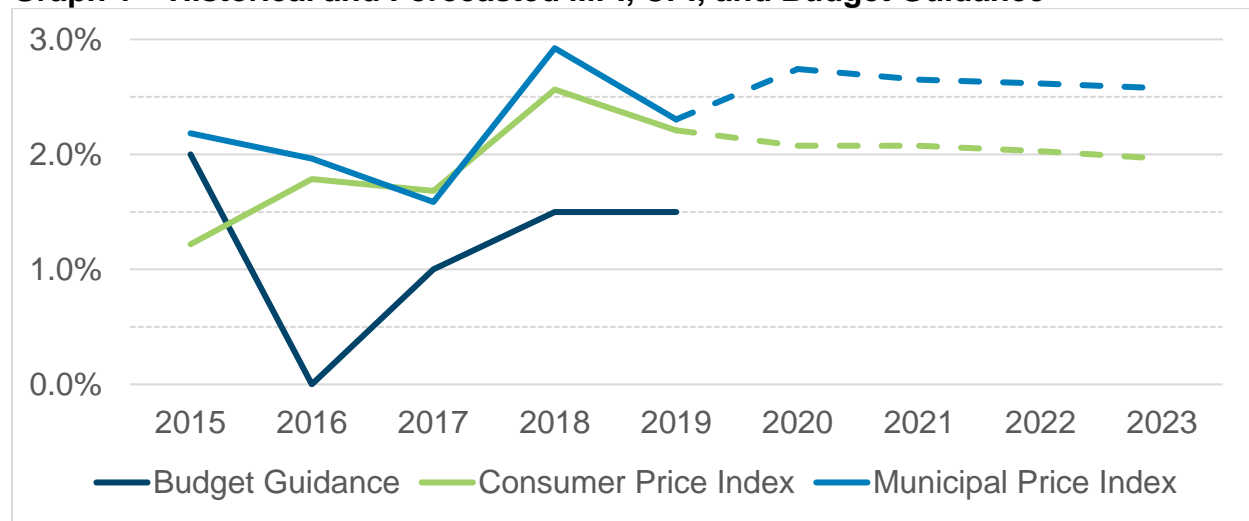
Financial Considerations

Base Services Budget

Recommendations presented in report CSD 41-2019 Budget Planning Policy Review suggest the use of a Municipal Price Index (MPI) as a method for budget development, moving away from the traditional core Consumer Price Index (CPI) target. The MPI is not a prescriptive instrument that mandates operating budget expenditures to increase by a designated amount annually; the index helps better inform staff and Council of external economic conditions that will require appropriate fiscal consideration. Sources, factors, and MPI calculations can be found in Appendix 1. Use of an MPI gives consideration to pressures of fuel, utilities and compensation; however some factors are not included such as revenue assumptions, capital financing, impacts from population growth, and new service initiatives. Staff will be able to report to Council on line items increasing in excess of the MPI factors.

Graph 1 demonstrates the alignment between CPI, MPI, and historical guidance for base services, as well as a forecast of CPI and MPI to 2023.

Graph 1 – Historical and Forecasted MPI, CPI, and Budget Guidance



Levy Budget

Appendices 3 and 4 are a summary of pressures and mitigations that have been quantified for the 2020 levy budget. Staff will undertake mitigation measures to accommodate these items within the calculated MPI. If not all pressures can be accommodated within this index, business cases for additional increases may be considered by Council in particular for revenue pressures which are not factored into the MPI methodology.

Waste Management Budget

The pressures impacting the 2020 Waste Management budget are primarily related to net recycling sales revenue decrease of \$2.17 million. Revenues are not considered in the development of the MPI and will be supported by business cases for Council consideration. Further, the collection contract is an extraordinary expense with an estimated pressure of \$0.50 million. As such, the MPI may not be able to address the pressures facing the budget development. Staff will work to mitigate the budget pressures and be prepared to respond with business cases in the event increases are required in excess of the MPI.

Water and Wastewater Budget

The Water and Wastewater capital financing tied to the 2016 AMP was considered through the preparation of the Safe Drinking Water Act pro-forma financial statements presented to Public Works Committee in February 2019. The pro-forma statements were prepared for a ten year period and identified a 5.15% increase annually for the years 2019-2028, covering base service costs and capital financing requirements. Council approved a 2019 budget increase of 5.15% in alignment with the recommendations in PW 4-2019 Water and Wastewater Financial Plan for O.Reg. 453/07. The financial plan was approved for use in the development of the 2020 and future budgets.

Capital Financing

As identified through the 2016 Asset Management Plan (AMP), the target average annual renewal investment (AARI) for the Region to sustain current infrastructure and clear the infrastructure gap within fifty years is \$185.9 million. Current sustainment funding has averaged \$169.1 million over five years. Some investments to infrastructure have been made through the 1% infrastructure deficit reduction reserve approved in 2017, and the Safe Drinking Water Act financial plan recommendations, but further funding is necessary.

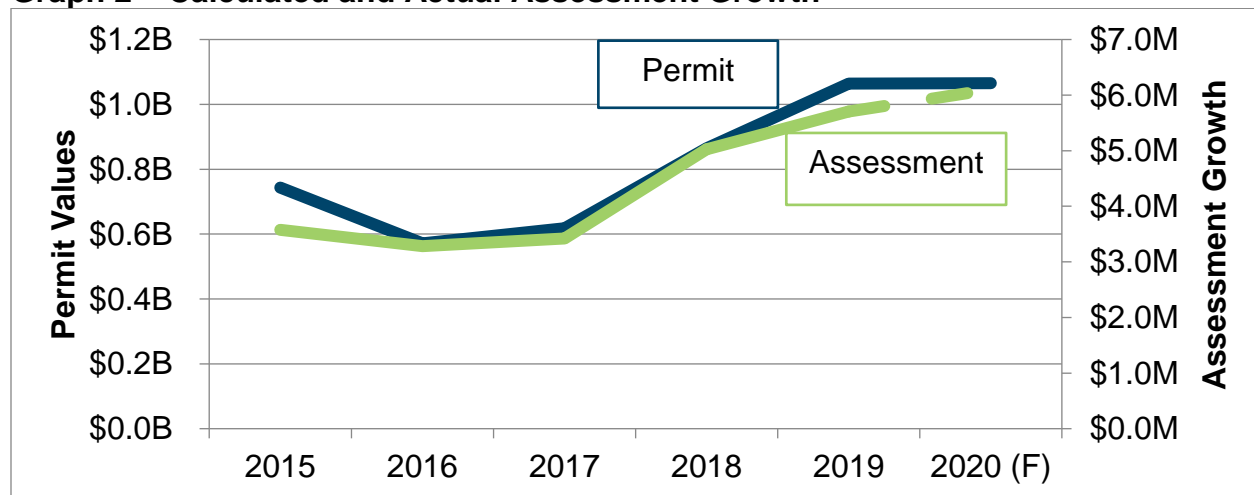
The preliminary estimate for 2020 indicates a levy capital financing increase of 2.0% annually for the next ten (10) years to reduce the funding gap. Staff reported that the annual levy requirement each year for ten years to close the forecasted capital gap was 1% (2012), 1.3% (2015), 1.3% (2016) 1% (2017) in contrast to the 1% one-time addition to the base in 2017 that still continues. Therefore the gap has continued to increase and projects have continued to be deferred.

A Capital Financing policy is being drafted for Council consideration in the fall to establish a strategy for financing capital sustainably. The policy will employ decision criteria to determine the funding mix of pay-as-you-go, reserves, and debt financing. Separate levy and requisition requirements will be presented to Council at the Capital BRCOTW meeting, proposed for October 10th.

Assessment Growth Predictions

Niagara has seen a correlation between permit issuance and assessment growth, typically with a two year lag. Permit issuance remained stable between 2017 and 2018, reaffirming trending forecasts calculating a 1.65% growth factor for 2020. Graph 2 provides a comparison of estimated assessment growth to permit values.

Graph 2 – Calculated and Actual Assessment Growth



Timing of assessment growth is largely dependent on MPAC resources and process, as such staff will continue to monitor the trend throughout the year.

Some of the growth realized each year is tied to development for which Council has committed tax increment grants (TIGs). It is important that growth dollars be allocated to honour these commitments before allocating to other priorities. The estimate of TIGs is open to variability, and will be reviewed to determine impact on the 2020 budget, or other timing as added to the tax roll. The projected net growth after funding tax increment grants would be 1.3% or \$4.8 million.

The net assessment growth funding will be available to fund capital and operating costs of growth supported by business cases as submitted by Regional Departments and ABCs.

Analysis

New Programs

Staff have identified several strategic initiatives for Council's approval which are currently estimated and will be built into the 2020 budget pending approval of separate levy increases. New requests will be considered at committees and be referred for consideration to the 2020 budget approval process. Table 1 includes details of currently known initiatives.

Table 1 – Strategic Initiatives

Initiative	Description	2020 Estimate
Niagara Regional Transit	To complete the enhancements to the Niagara Regional Transit routes an additional \$3.2 million is required annually. \$3.0 million of the annual costs to operate the Niagara Regional Transit was deferred through transfer from reserve.	\$6.2M
Airports	Governance and funding changes with respect to the Niagara District Airport and Niagara Central Dorothy Rungeling Airport requires annual funding to support operations and capital requirements	\$2.2M
Suicide Preventative Initiative	Increasing Capacity for Suicide Prevention Efforts in Niagara, the Region will have two additional resources for suicide prevention.	\$0.2M
Waterfront Investment Program	The Waterfront Investment Program was deferred for a period of one (1) year through approval of the 2019 budget. This was previously funded through capital levy reserve funding.	\$1.0M

Initiative	Description	2020 Estimate
Smarter Niagara Incentive Program	Base funding for the Smarter Niagara Incentive Program was deferred for a period of one (1) year through approval of the 2019 budget. Regional Council approved a transfer from 2018 surplus to continue offering the grant program in 2019.	\$0.6M
Long-term Care Home Redevelopment	Debt servicing costs for long-term care home redevelopment.	\$3.6M
EMS Central Hub Accommodations	Debt servicing costs for land purchase at the site of the EMS Central Hub.	\$0.4M
NRPS 2019 Position hiring deferral	The Niagara Region Police Service Board approved the deferral of funding for new position hires in 2019, which will require funding in 2020.	\$0.7M
Brock LINC Partnership	A request from Brock University was received for a partnership in the Learn, Innovate, Network, and Commercialize (LINC) program to support post-secondary education and economic development.	\$1.5M
GO Station Infrastructure	When the \$40 million Regional investment in GO train infrastructure is allocated, there may be operating costs associated with the stations.	TBD
Canada Summer Games	The Canada Summer Games Board is finalizing its business plan. The funding request will be determined with the finalization of the legacy capital projects.	TBD
Total		\$16.5M

The above new and enhanced programs equate to 4.51% of the tax levy and are not included in the Municipal Price Index as they are not a part of current base services.

Table 2 summarizes all budgetary factors as identified in this report. It does not include the current estimate of \$17.95 million of base budget pressures in appendix 3 which staff will undertake to accommodate within the MPI. The rigorous budget process over the next few months will update and refine the current estimates and pursue all mitigation options in order to present Council with budget decisions for a sustainable and transparent budget that delivers program and services expected by the public and in alignment with Council's strategic priorities.

Table 2 – 2020 Budget Impacts (in millions)

Budgetary Item	Levy	Waste Management	Water and Wastewater
Municipal Price Index for base expenses (Appendix 1)	\$5.0	\$0.7	\$-
MPI for base expenses (ABCs)	5.4	-	-
As per Water Wastewater financial strategy	-	-	6.0
Revenue pressures (Appendix 4)	4.4	2.2	-
Capital Financing	7.3	-	Included in PW 4-2019
New/Enhanced Programs (Table 1)	16.5	-	-
Total Budget Pressure	\$38.6	\$2.9	\$6.0
Total Budget Pressure %	10.55%	8.26%	5.15%

Budget Timetable

The budget timetable as detailed in appendix 2, was developed with the objective of approving the 2020 budget before the turn of the year. To accommodate this, Budget Review Committee of the Whole meetings have been recommended on Thursdays throughout the last quarter of 2019. Care has been exercised in aligning meeting dates with Council and Committee meeting dates as best possible.

Alternatives Reviewed

The purpose of this report is to inform Council of the 2020 initiatives and service delivery environment to support operating budget development for 2020. Staff has provided Council with information known at this time which will continue to be developed, analyzed, and prioritized, to be delivered to Budget Review Committee to facilitate decision making in accordance with the proposed budget timetable.

Relationship to Council Strategic Priorities

The 2020 Budget will provide the financial framework to achieve Council's Strategic Priorities.

Other Pertinent Reports

PW 4-2019	Water and Wastewater Financial Plan for O.Reg. 453/07
CSD 41-2019	Budget Planning Policy Review

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Ron Tripp, P.Eng.
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This report was prepared in consultation with Tyler Potts, Senior Budget Analyst, and reviewed by Margaret Murphy, Associate Director Budget Planning and Strategy.

Appendices

Appendix 1	Municipal Price Index
Appendix 2	2020 Budget Schedule
Appendix 3	2020 Levy Budget Pressures - Expenses
Appendix 4	2020 Levy Budget Pressures - Revenues

Appendix 1 – Municipal Price Index

2020 Niagara Municipal Price Index

Expenditure Category	Category Increase	Levy Department Weighting	Agencies, Boards, and Commissions Weighting	Water and Wastewater Weighting	Waste Management Weighting
Compensation	3.3%	47.5%	72.1%	29.6%	7.3%
Professional and Contractual Services	2.0%	8.2%	2.1%	13.4%	81.4%
Telecommunications	2.4%	0.3%	0.5%	0.7%	0.1%
Materials and Commodities	2.1%	2.1%	1.0%	5.2%	1.2%
Asset Maintenance and Rental	2.1%	1.3%	4.5%	7.7%	1.7%
Fuel, Oil, and Natural Gas	1.8%	0.6%	1.3%	0.8%	0.5%
Electricity and Water	1.9%	1.0%	1.7%	13.7%	1.3%
Equipment, Vehicle, and Technology	2.0%	1.3%	0.2%	8.4%	1.8%
Housing, Childcare, Other Benefits	2.0%	32.9%	14.2%	0.0%	0.0%
Rebates and Grants	2.1%	4.5%	2.5%	20.4%	0.7%
Other	2.1%	0.2%	0.0%	0.1%	4.2%
Total		100.0%	100.0%	100.0%	100.0%
Municipal Price Index		2.7%	3.0%	2.4%	2.1%
Core Consumer Price Index Target*		2.0%	2.0%	2.0%	2.0%
Difference (percentage points)		0.7%	1.0%	0.4%	0.1%

*in use in the current guidance policy

Municipal Price Index Inflation Factor Sources

Expenditure Category	Inflation Factor	Geographical Area	Source/Publisher
Compensation	Average Weekly Wages, Public Administration	Canada	Conference Board of Canada (CBOC)
Professional and Contractual Services	Consumption Deflator, Services, Insurance, financial and legal services	Canada	CBOC
Telecommunications	Consumption Deflator, Services, Communication, Recreation and culture services	Canada	CBOC
Materials and Commodities	Consumer Price Index	St. Catharines-Niagara	CBOC
Asset Maintenance and Rental	Consumer Price Index	St. Catharines-Niagara	CBOC
Fuel, Oil, and Natural Gas	Consumption Expenditures, Non-durable goods, Motor fuels and lubricants	Canada	CBOC
Electricity and Water	Electricity Power Price Index	Canada	CBOC
Equipment, Vehicle, and Technology	Consumption Deflator, Durable Goods, Vehicles and parts	Canada	CBOC
Housing, Childcare, Other Benefits	Consumption Expenditures, Services, Education, health and other personal services	Canada	CBOC
Rebates and Grants	Consumer Price Index	St. Catharines-Niagara	CBOC
Other	Consumer Price Index	St. Catharines-Niagara	CBOC

Appendix 2 – 2020 Budget Schedule

Date	Meeting Type	Subject/Topic
Thurs Oct 3, 4 p.m.	Workshop	Capital for information and education
Thurs Oct 10, 6:30 p.m.	BRCOTW	Capital
Thurs Oct 31, 4 p.m.	Workshop	Rates for information and education
Thurs Nov 7, 6:30 p.m.	BRCOTW	Rates
Thurs Nov 14, 4 p.m.	Workshop	Council Authority over ABCs
Thurs Nov 14, 6:30 p.m.	Council	Rate By-laws
Thurs Nov 21, 9 a.m.*	Workshop	Levy for information and education
Thurs Nov 21, 6:30 p.m.*	BRCOTW	ABCs
Thurs Nov 28, 9 a.m.	Workshop	Levy for information and education (if required)
Thurs Dec 5, 6:30 p.m.	BRCOTW	Levy
Thurs Dec 12, 6:30 p.m.	Council	Levy, Capital, User Fee By-laws

*all dates align with Council and Committee meeting weeks but for November 21st.

Appendix 3 – 2020 Levy Budget Pressures - Expenses

Expense related pressures – considered in the MPI

Budget Pressures	2020 (\$ million)	Tax Impact %
Development charge grants	5.00	1.37%
Healthcare spending	0.22	0.06%
Long-term Care summer staffing	0.36	0.10%
EMS WSIB presumptive legislation	0.50	0.14%
EMS overtime increase	0.20	0.05%
Other items less than \$100 thousand	0.11	0.03%
Total of 2019 Expense Pressures affecting 2020	6.39	1.75%
Base compensation increases (includes ABCs)	8.42	2.30%
Additional working day (includes ABCs)	1.06	0.29%
Homelessness shelter contracts	0.80	0.22%
Employee Engagement Survey	0.15	0.04%
Road crack sealing	0.25	0.07%
Emerald ash borer tree removal	0.50	0.14%
Impacts of Bill 108	TBD	TBD
Other items less than \$100 thousand	0.38	0.10%
Total of 2020 Expense Pressures	11.56	3.16%
Total Expense Pressures	17.95	4.91%

Appendix 4 – 2020 Levy Budget Pressures - Revenues

Revenue related pressures – not considered in the MPI

Budget Pressures	2020 (\$ million)	Tax Impact %
Provincial funding cap for Ontario Works cost of administration*	\$0.60	0.16%
Long-term Care Case Mix Index results	0.26	0.07%
Long-term Care Structural Compliance Program funding*	0.16	0.04%
Long-term Care Resident Co-payment increase*	(0.14)	-0.04%
External signal maintenance revenue pressure	0.50	0.14%
Total of 2019 Revenue Pressures affecting 2020	1.38	0.38%
Long-term Care Case Mix Index results	0.36	0.10%
Long-term Care Structural Compliance Program funding*	0.23	0.06%
Long-term Care Resident Co-payment increase*	(0.14)	-0.04%
Changes to the Public Health Provincial/Municipal cost-sharing formula*	0.94	0.26%
EMS Land Ambulance Provincial funding freeze*	1.68	0.46%
Niagara Regional Housing funding reductions	TBD	TBD
SAEO Employment Contract changes	TBD	TBD
SAEO Reductions to direct client benefits	TBD	TBD
Total of 2020 Revenue Pressures	3.05	0.83%
Total Revenue Pressures	\$4.43	1.21%

*pressures related to provincial funding announcements total \$3.3 million, and are provided further detail in appendix 1 of CSD 49-2019

Subject: Q1 Financial Update

Report to: Budget Review Committee of the Whole

Report date: Thursday, June 20, 2019

Recommendations

That this report **BE RECEIVED** for information.

Key Facts

- The purpose of this report is to forecast operating variances to year-end based on actual results as of March 31, 2019 and to outline pressures resulting from both corporate activities and the 2019 Ontario Budget. Many of these pressures will continue to impact 2020 and the preparation of the 2020 Regional budget.
- This report provides an overview of changes to Provincial funding identified to date with estimated impacts to the 2019 Council approved budget ("levy") as well as anticipated impacts on the 2020 budget (appendix 1)
- Staff are forecasting an in year unfavorable levy variance ("pressure") of \$0.62 million as a result of the 2019 Ontario Budget (based on best available information received to date) in addition to other corporate levy in year pressures of \$8.83 million for a total 2019 forecasted levy pressure of \$9.45 million
- Staff are forecasting unfavourable variances of \$4.68 million for rate supported services (\$1.38 million for water and wastewater services and \$3.30 million for waste management)
- This report outlines mitigation strategies identified by staff

Financial Considerations

This report provides a financial update on the forecasted year-end financial position of the Niagara Region.

<i>(in millions)</i>	Surplus/ (Deficit)	% of Gross Budget Expenditures	<i>(in millions)</i>	Surplus/ (Deficit)	% of Gross Budget Expenditures
Departments & General Government	(9.28)	-1.85%	Water & Wastewater	(1.38)	-1.58%
NRPS	-	0.00%	Waste Management	(3.30)	-6.49%
Court Services	-	0.00%			
NRH	(0.17)	-0.30%			
NPCA	-	0.00%			
Levy Supported	(9.45)	-1.29%			

There are no immediate financial considerations, however in accordance with the Surplus/Deficit policy, actual year-end results are balanced to the Taxpayer Relief Reserve (levy supported services) and the Rate Stabilization Reserves (rate supported services).

Stabilization Reserves

Stabilization reserves are to be used to stabilize rate or levy requirements due to unanticipated changes in operational requirements (which would include uncertainty in provincial funding).

<i>in millions</i>	Balance as of 12/31/18	% of Gross Operating Expenditures	Target Balance as of 12/31/18*	% of Gross Operating Expenditures	Shortfall
Levy (Taxpayer Relief Reserve)	24.71	5%	73.80	15%	(49.09)
Water Stabilization Reserve	3.44	15%	3.44	15%	-
Wastewater Stabilization Reserve	2.98	5%	8.85	15%	(5.87)
Waste Management Stabilization Reserve	7.43	15%	7.43	15%	-

*Target balance = 15% of gross operating expenditures

Updates will be provided in conjunction with the second and third quarter financial reports. In addition, further information regarding the implications of the 2019 Ontario budget on programs and services will be brought forward to respective standing committees as appropriate.

Analysis

2019 Provincial Budget Pressure

Preliminary 2019 in year levy pressure as a result of the 2019 Ontario Budget is summarized in the chart below. As a result of the Province's deferral of the changes, staff are now estimating a reduction of the initial pressure related to the Provincial budget estimate from \$4.03 million to \$0.62 million. The full impact of these changes will remain a pressure on the 2020 operating budget. Details related to the proposed changes to the program funding models and impact to the levy are outlined in Appendix 1 of the report.

<i>(in millions)</i>			Estimated Pressure May 2019	Revised Estimated Pressure June 2019
Department	Division	Program		
Community Services	Childrens	Core Funding	1.25	-
	Seniors	Structural Compliance Funding		0.02
	SAEO	OW Admin Funding	0.60	0.60
Community Services Total			1.85	0.62
Public Health & Emergency Services	Public Health	Cost Sharing Formula for Mandatory and Related Programs	0.50	-
	EMS	Land Ambulance Grant	1.68	-
Public Health & Emergency Services Total			2.18	-
Total			4.03	0.62

Other Corporate Pressures

In addition to the \$0.62 million noted above, staff have identified in year corporate pressures estimated at \$8.83 million, key drivers are as follows –

- Development Charge Exemptions- \$5 million
- Legal Claim - \$1 million
- Emergency Medical Services – Staff Overtime & WSIB - \$0.7 million
- Transportation – External Signal Revenue - \$0.5 million
- Seniors – Staff Overtime & 2019 Case Mix Index (CMI) results - \$0.62 million
- NRH – Carlton Street Rent Revenue - \$0.17 million
- Public Health – Suicide Prevention Initiative - \$0.12 million

Mitigation Strategies

The combined pressures for 2019 are estimated at \$9.45 million for which staff have identified mitigation strategies estimated at \$9.45 million, key drivers are as follows –

- Utilization of the DC reserve payback to fund Development Charge Exemptions (per CSD 5-2019) - \$5 million
- Legal – 2018 legal claim payouts less than anticipated - \$1.53 million
- Identified Salary Gapping - \$1.0 million
- Investment Income - \$0.3 million
- Transportation – Delay of Street Lighting Program - \$0.3 million
- Seniors – Increased Accommodation Revenue - \$0.26 million
- Consulting Deferral - \$0.26 million
- NRH Provider Subsidy - \$0.17 million
- Other - \$.63 million

Risks to 2019 Levy Budget

In addition to the pressures disclosed in this report there are number of items that pose further risk to our 2019 levy. These items have not been confirmed and/or are not easily quantifiable, as such have not been included in the financial analysis.

- The Province is introducing a stronger approach to negotiating outcomes targets with delivery partners. 2018 actuals for the employment outcomes will be the forecasted baseline for 2019. Negotiated employment targets must be set at a minimum of 3% higher than the baseline. Underperforming may result in financial recoveries. The maximum recovery is 15% of the total upload funding, which would equate to an estimated \$1.2M for Niagara
- Changes to Ontario Works benefits (elimination of Transitional Child Benefit, changes to earnings exemption). Although no direct impact on levy, this changes could result in an impact on our clients/the community/agencies/shelters/etc. Further analysis is being prepared and will be provided in a report to PHSSC in July

Impacts on 2020 Levy Budget

Many of the 2019 Provincial budget pressures noted in this report will also impact 2020 (see appendix 1). In addition to the Provincial budget pressures the majority of the 2019 corporate pressures will also need to be incorporated into the 2020 budget, along with any incremental impacts which are not included in the table below. Impacts and strategies related to funding these estimated pressures will be brought forward to Council as part of the 2020 budget process in CSD 40-2019 2020 Budget Planning Report.

<i>(in millions)</i>	Pressures	
	2019	2020
Provincial Budget	0.62	0.62
Other Corporate	8.83	7.15
Total	9.45	7.77

Rate Supported Services

Staff are forecasting unfavourable variances of \$4.68 million for rate supported services (\$1.38 million for water and wastewater services and \$3.30 million for waste management). Budget pressures are driven by the volatility in the recycling commodity end market (\$3.30 million), water and wastewater chemical costs (\$0.38 million) and emergency wastewater repairs in Dain City (\$1.0 million). In addition to the pressures noted, there is additional risk that the 2019 repairs and maintenance budget might not be sufficient to cover anticipated costs. Mitigation options include anticipated reduction in the cost of end market material (\$1.13 million), salary gapping and reducing consultant spending by delaying projects. The net pressure is estimated at \$2.77

million (\$1.7 million for Waste Management and \$1.07 million for Water and Wastewater).

Any pressure that is not mitigated in year would be addressed through the year end transfer report, in alignment with the Surplus/Deficit policy, with the recommendation that the deficit be funded from the applicable Rate Stabilization Reserves.

Alternatives Reviewed

This report provides an update on the forecasted financial position of the Niagara Region and therefore alternatives were not required.

Relationship to Council Strategic Priorities

N/A - pending the development of Council Strategic Priorities.

Other Pertinent Reports

CSD 40-2019	2020 Budget Planning Report.
PDS 26-2019	Implications of Bill 108 "More Homes, More Choice Act, 2019

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This report was prepared in consultation with department program financial specialists and the corporate leadership team.

Appendices

Appendix 1	2019 Provincial Budget Implications
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Appendix 1 – 2019 Provincial Budget Implications

Area Impacted	Provincial Announcement	Description of Announcement and Financial Implications	Tax Levy Pressure (Funding) (in millions)	
			2019	2020
Public Health 2019 budget Gross: \$32.9 Net: \$8.9	Changes to the Provincial/Municipal Public Health Cost-Sharing Formula for Mandatory and Related Programs	<ul style="list-style-type: none"> The provincial funding for many public health programs will be moving to 70% of provincially approved expenditures for 2020-2021. Previously programs were funded at either 75% or 100% provincially. It is anticipated that the provincial funding will be reduced to 60% starting in 2021-2022, however it is not clear the impacts to Niagara as it will be consolidated into a new health unit (see next row). The Province stated that despite the provincial-municipal cost-sharing funding formula, health units are expected to maintain current service levels and accountabilities under the Ontario Public Health Standards. 	No impact anticipated	\$0.94
Public Health 2019 budget Gross: \$32.9 Net: \$8.9	Establishment of Regional Public Health Entities	<ul style="list-style-type: none"> The Province, as part of its commitment to "modernizing public health" also stated in the Budget that they will be establishing 10 regional public health entities (down from the current 35), and 10 	To be determined pending further information from Province	To be determined pending further information from Province

Area Impacted	Provincial Announcement	Description of Announcement and Financial Implications	Tax Levy Pressure (Funding) (in millions)	
			2019	2020
		new regional boards of health with one governance model by 2020-21.		
Land Ambulance (NEMS) 2019 budget Gross: \$44.5 Net: \$20.6	Provincial Funding Freeze – Land Ambulance Grants	<ul style="list-style-type: none"> On April 26, 2019, the Ministry of Health and Long-Term Care (MOHLTC) advised Niagara of its land ambulance grant funding for 2019-20. MOHLTC advised that the Niagara Region will receive the same funding grant as in 2018-19, however the funding will not include a Cost of Living Allowance increase. Niagara Regions Paramedic Services estimate that having no Cost of Living Allowance increase in this year's Land Ambulance Grant would result in a cost pressure in 2020 to the Niagara Region of \$1.7 million Given the announced deferral of the funding reduction, impacts to Niagara are not clear for 2019 or 2020 	No impact anticipated (pending further information from Province)	Approx. \$1.68 (pending further information from Province)
Land Ambulance (NEMS) 2019 budget Gross: \$44.5	Regionalization of Ambulance Service	<ul style="list-style-type: none"> The Province has announced its intention to merge all local ambulance services into 10 regional providers. The objective of this amalgamation is to achieve potential efficiencies, however this 	To be determined pending further information from Province	To be determined pending further information

Area Impacted	Provincial Announcement	Description of Announcement and Financial Implications	Tax Levy Pressure (Funding) (in millions)	
			2019	2020
Net: \$20.6		is also anticipated to impact cost sharing of municipalities in the designated regions.		from Province
Children's Services 2019 budget Gross:\$59.6 Net: \$8.4	Child Care Municipal Cost Sharing Changes	<ul style="list-style-type: none"> It is anticipated in 2020 that: The new provincial funding model will expand expectation of an 80:20 cost share to other funding lines. All administration costs will be required to be cost shared at 50:50 to a cap of 5% of funding allocation in compared to 10% in prior years, however Niagara's practice already aligns with the 5% cap. 	No impact anticipated	To be determined pending further information from Province
Children's Services 2019 budget Gross:\$59.6 Net: \$8.4	Childcare Access and Relief from Expenses (CARE) Tax Credit	<ul style="list-style-type: none"> The Provincial government is planning to implement a change in policy in the way fee subsidy is being delivered and introduced a new CARE tax credit In 2018, approximately \$15.5 million was issued to fee subsidy families. Details regarding the implementation and transition of the CARE tax credit have not been released. Community Services will be providing a more fulsome report on 	No impact anticipated	To be determined pending further information from Province

Area Impacted	Provincial Announcement	Description of Announcement and Financial Implications	Tax Levy Pressure (Funding) (in millions)	
			2019	2020
		system impacts and mitigation strategies		
Senior's Services 2019 budget Gross:\$100.2 Net: \$18.2	Level-of-Care, or Per Diem, Rate Increase	<ul style="list-style-type: none"> A global per diem increase to the level-of-care per diem funding is provided to LTC homes to enhance direct care services as well as to support other operating costs within any of the four envelopes. Effective April 1, 2019 - The Level of Care Per Diem will increase by \$1.77 per resident per day, the increase is non-CMI adjusted. Senior's services plans to expend this additional funding in 2019 and 2020 to address resident acuity 	(\$0.47) <u>\$0.47</u> \$0.00	(\$0.62) <u>\$0.62</u> \$0.00
Senior's Services 2019 budget Gross:\$100.2 Net: \$18.2	Resident Co-Payment Increase	<ul style="list-style-type: none"> The resident co-payment increased by 2.3%. This increases the basic co-payment from \$60.78 to \$62.18 per day. Semi-Private and Private Accommodations have corresponding 2.3% increases on room premiums over and above the basic cost. 	(\$0.14)	(\$0.28)
Senior's Services 2019 budget Gross:\$100.2 Net: \$18.2	Supplementary Staffing and Convalescent Care Top-up	<ul style="list-style-type: none"> Small homes (those with 64 beds or less) will receive a fixed top-up that can be used for any direct care staff. 	(\$0.01) <u>\$0.01</u> \$0.00	(\$0.01) <u>\$0.01</u> \$0.00

Area Impacted	Provincial Announcement	Description of Announcement and Financial Implications	Tax Levy Pressure (Funding) (in millions)	
			2019	2020
		<ul style="list-style-type: none"> The region operates a 20-bed Convalescent Care Program and this program will receive an additional 1% in funding. Senior's services plans to expend this additional funding in 2019 and 2020 to address resident acuity 		
Senior's Services 2019 budget Gross:\$100.2 Net: \$18.2	Structural Compliance Program	<ul style="list-style-type: none"> Effective August 1, 2019, the Structural Compliance Premium will end. This program was initiated in 1998 to support eligible operators with complying with relevant design standards until such time that they were eligible for other Ministry support for developing and upgrading projects (i.e. the Construction Funding Subsidy Program). 	\$0.16	\$0.39
Social Assistance & Employment Opportunities 2019 budget Gross: \$133.0 Net: \$15.0	Provincial funding cap for the 2019 Ontario Works Cost of Administration	<ul style="list-style-type: none"> The Province has introduced a limit on the amount of administration subsidy supporting the Ontario Works program. The subsidy cap will equal each municipality's 2018 actual subsidy claim. 	\$0.60	\$0.60

Area Impacted	Provincial Announcement	Description of Announcement and Financial Implications	Tax Levy Pressure (Funding) (in millions)	
			2019	2020
Social Assistance & Employment Opportunities 2019 budget Gross: \$133.0 Net: \$15.0	Integration of Employment Services between Ontario Works, ODSP, and Employment Ontario	<ul style="list-style-type: none"> The Province reiterated commitments to reform the social assistance system (which includes Ontario Works and Ontario Disability Support Program) by simplifying the rate structure, reducing administration, cutting rules, and providing opportunities to achieve better employment outcomes for social assistance recipients. The Province expects these changes to result in estimated annual savings of over \$1 billion at maturity. Anticipated social assistance program design changes and reform efforts will likely result in reduced funding to the Niagara Region for Ontario Works program delivery and discretionary employment services and supports. 	To be determined pending further information from Province	To be determined pending further information from Province
Planning & Development Services	Bill 108 "More Homes, More Choice Act, 2019	<ul style="list-style-type: none"> On May 2, 2019, the Minister of Municipal Affairs and Housing introduced Bill 108, More Homes, More Choice Act, 2019, an omnibus bill intended to implement the Province's Ontario Housing Supply Action Plan. 	To be determined pending further information from Province	To be determined pending further information from Province

Area Impacted	Provincial Announcement	Description of Announcement and Financial Implications	Tax Levy Pressure (Funding) (in millions)	
			2019	2020
		<ul style="list-style-type: none"> For further information of the impacts of Bill 108 see PDS 26-2019 Staff will continue to provide additional comments as information becomes available 		
Niagara Regional Housing (NRH) 2019 budget Gross: \$66.1 Net: \$35.4	Community Housing Renewal Strategy Program Funding	<ul style="list-style-type: none"> Staff are working to understand the implications for 2020 based on the reduction of funding allocations, policy changes, and relationship between the provincial and federal program Funding announced for the next three years will not support substantial increased supply of affordable housing Further reporting will be brought forward to the Board/Committee/Council once further information is received and levy impacts are understood 	No impact anticipated	To be determined pending further information from Province
		Total	\$ 0.62	\$ 3.33