

Q2 2020 Financial Update

Corporate Services Committee
CSD 56-2020

September 9, 2020

Melanie Steele, Associate Director, Reporting & Analysis

NIAGARA REGION

2020

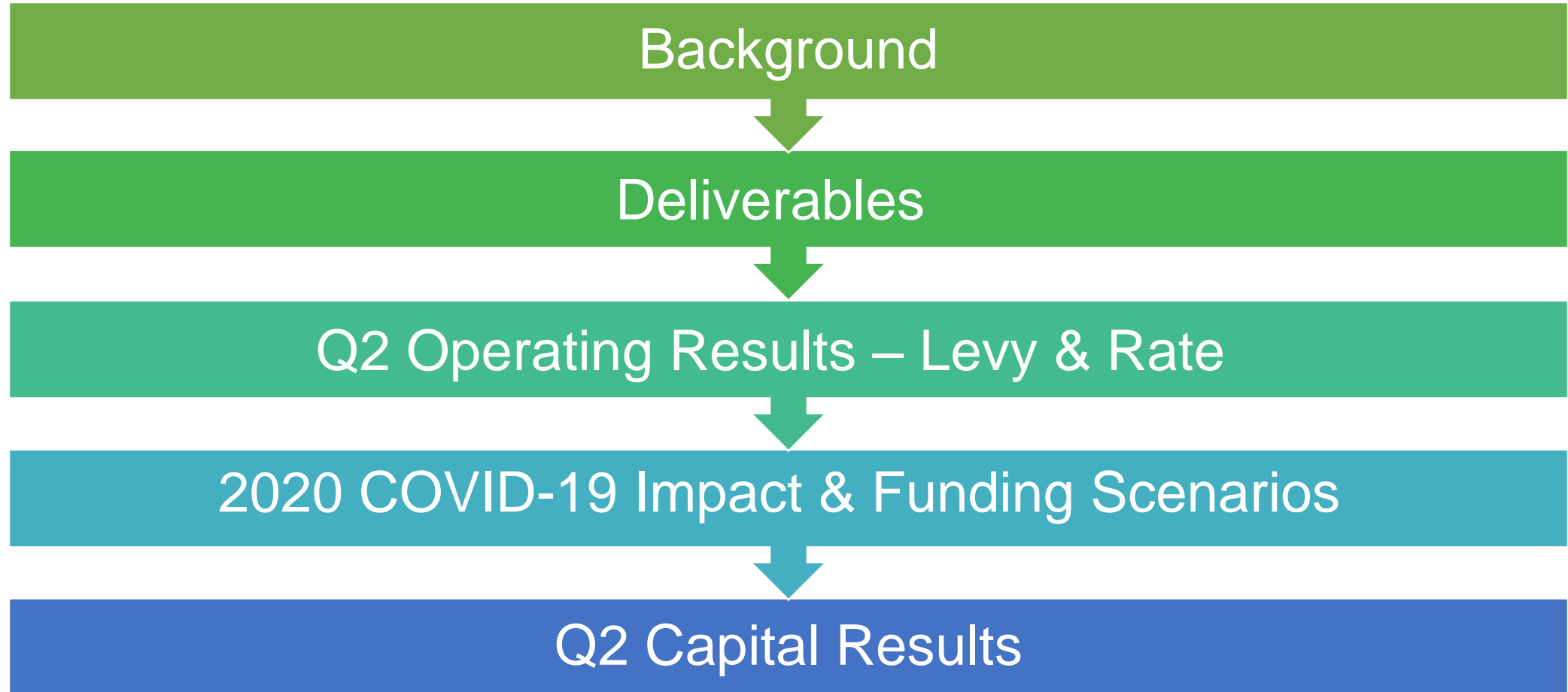
Q2 FINANCIAL UPDATE
JUNE

Q2 2020 Financial Update

Corporate Services Committee
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Agenda

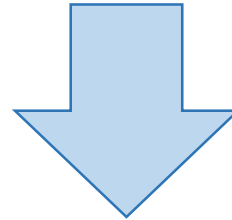


Background

Policies that guide our **financial strategy** and how we allocate resources:

Budget Planning By-Law

Capital Financing Policy



Policies that guide our **financial reporting** requirements:

Budget
Control By-
Law

Reserve and
Reserve
Fund Policy

Operating
Surplus /
Deficit
Policy

Financial
Reporting
and
Forecasting
Policy

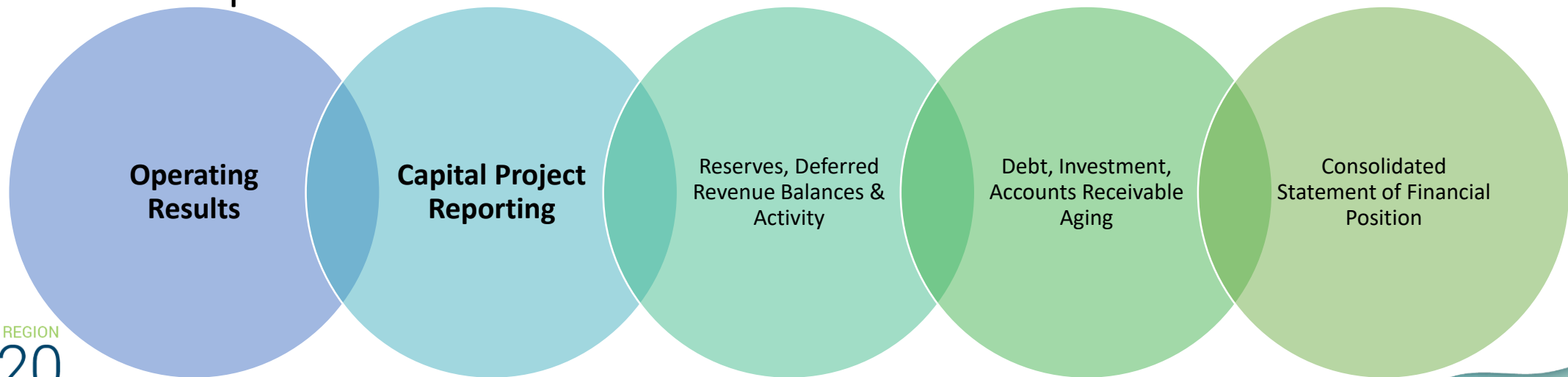
Deliverables

Q2 2020 Financial Update is available on the Niagara Region's external website:

[June 2020 Financial Report](https://www.niagararegion.ca/business/finance/quarterly-reports/default.aspx)

(<https://www.niagararegion.ca/business/finance/quarterly-reports/default.aspx>)

The report contains information on:



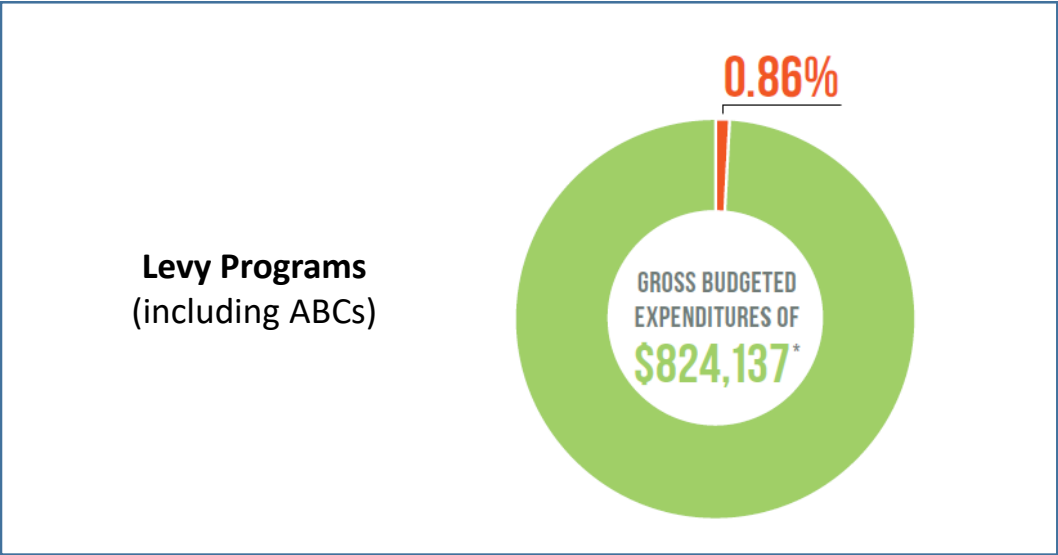
2020 Key Assumptions

- Assumptions built into this forecast are fluid and changing rapidly
- Recovery planning is underway. This forecast incorporates increased resourcing costs and ending some mitigation strategies.
 - Actual final recovery plans may result in financial variances in future reports.
- Does not include additional operating funding for Public Health that may be announced
- Forecasted results are before applying \$12.1 million in general municipal funding
 - All other confirmed program specific funding (e.g. Transit and Homelessness) has been included in the forecast

Q2 Summary Results

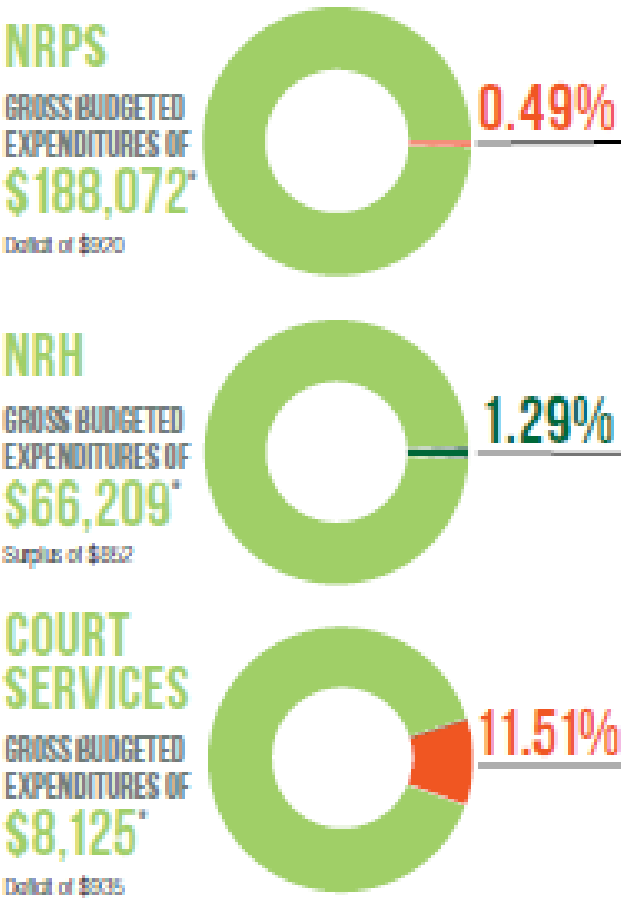
Levy Programs

(in thousands)	Forecasted Surplus / (Deficit) (after indirect allocations)	Percentage of Gross Budget
Regional Departments and General Government	(6,066)	-1.09%
Agencies, Boards and Commissions (ABCs)	(1,003)	-0.37%
Total Levy Supported Programs	(7,069)	-0.86%



* Includes transfer, intercompany charges and indirect allocations

Financial Results of ABCs



Q2 Summary Results

Levy Drivers

(in thousands)	Forecasted Surplus / (Deficit) (after indirect allocations)	Percentage of Gross Budget
Regional Departments and General Government Agencies, Boards and Commissions (ABCs)	(6,066) (1,003)	-1.09% -0.37%
Total Levy Supported Programs	(7,069)	-0.86%

Factors impacting Regional Departments (Deficit of **-\$6,066**):

- Additional staffing costs (**-\$10,680**) and additional supplies and personal protective equipment (**-\$5,542**) in Public Health & Community Services due to COVID-19 pandemic
- Labour-related costs - staffing vacancies (**+\$3,366**)
- Decrease in supplemental tax revenue (**-\$1,035**) and decrease investment income (**-\$1,034**)
- NRT/NST COVID-19 service impacts (**+\$5,602**) and reduced ridership (**-\$2,966**)
- Incentive grant program uptake (**+\$1,244**) and development charge grants (**+\$1,120**)

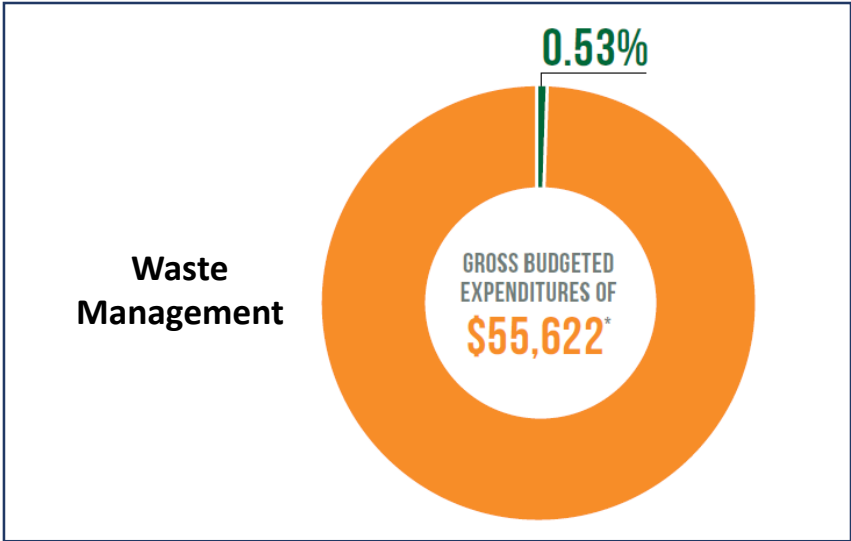
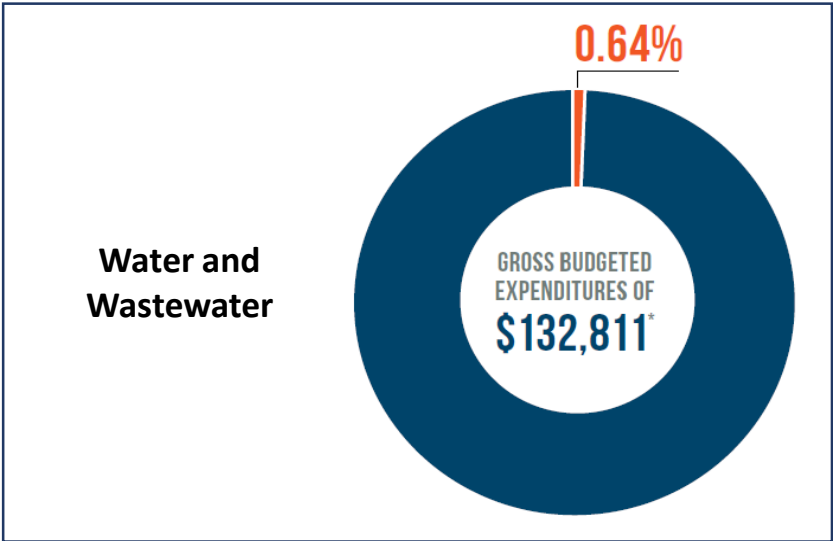
Factors impacting ABCs (Deficit of **-\$1,003**):

- Court Services – Decreased revenues (**-\$2,577**), labour-related costs (**+\$278**), decreased court costs (**+\$527**), reduced distribution to LAMs (**+\$705**)
- NRH – Labour-related costs (**+\$207**), natural gas savings (**+\$200**), investment income (**+\$234**)
- NRPS – Revenue decrease due to Casino closures (**-\$3,383**), labour-related costs (**+\$2,226**)

Q2 Summary Results

Rate Programs

(in thousands)	Deficit After Indirect Allocations	Percentage of Gross Budget
Water and Wastewater	\$ (854)	-0.64%
Waste Management	\$ 293	0.53%
Total Rate Supported Programs	\$ (561)	-0.30%



* Includes transfer, intercompany charges and indirect allocations

Q2 Summary Results

Rate Drivers

(in thousands)	Deficit After Indirect Allocations	Percentage of Gross Budget
Water and Wastewater	\$ (854)	-0.64%
Waste Management	\$ 293	0.53%
Total Rate Supported Programs	\$ (561)	-0.30%

Factors Impacting Water & Wastewater (Deficit of +\$854):

- Water sales (-\$1,337)
- Sludge disposal and management (-\$843)
- Chemical costs (-\$462)
- Labour-related costs (+\$774)
- Natural gas and utility rebates (+\$373)

Factors Impacting Waste Management (Surplus of +\$293):

- Recycling commodity market revenue (-\$725)
- Tipping fee revenue (-\$157)
- Labour-related costs including MRF (+\$381)
- Environmental monitoring costs (+\$155)
- Collection contract costs (+\$130)

2020 COVID-19 Impact & Funding Scenarios

- \$55.3 million in gross COVID-19 costs (\$53.5 levy-related)
- \$38.5 million in net COVID-19 costs after confirmed funding (\$36.7 levy-related)
- \$7.6 million forecasted deficit after mitigations (\$7.1 levy-related)

(in thousands)	Worst Case		Likely Case		Best Case	
Total Levy Supported Programs	\$	(7,069)	\$	(7,069)	\$	(7,069)
Public Health Funding		-		5,934		5,934
Transit Funding		-		-		609
Safe Restart Municipal Funding - Phase 1		12,185		12,185		12,185
Safe Restart Municipal Funding - Phase 2						12,185
2020 Funds available for 2021 Budget	\$	5,116	\$	11,050	\$	23,844

Stabilization Reserve Targets

Target per Policy is 10% to 15% of operating expense

Balances below target impact the ability to manage operational risks

(in thousands)	Reserve Balance	Reserve Target Balance		Conclusion
	forecasted at December 31, 2020	Low (10%)	High (15%)	
Taxpayer Relief (*)	\$ 21,924	\$57,289	\$85,933	Underfunded
Water Stabilization	\$ 2,775	\$2,387	\$3,581	Sufficiently Funded
Wastewater Stabilization	\$ 833	\$6,476	\$9,715	Underfunded
Waste Management Stabilization	\$ 5,103	\$5,296	\$7,944	Underfunded
Police Contingency	\$ 250	Assessed by NRPS		
Police Services Board Contingency	\$ 153			

* - Niagara Region considers all levy gross expenditures, excluding ABCs, when setting targets for Taxpayer Relief Reserve; forecasted balance assumes that any unused Safe Re-Start funding at the end of 2020 will be fully utilized in the 2021 budget

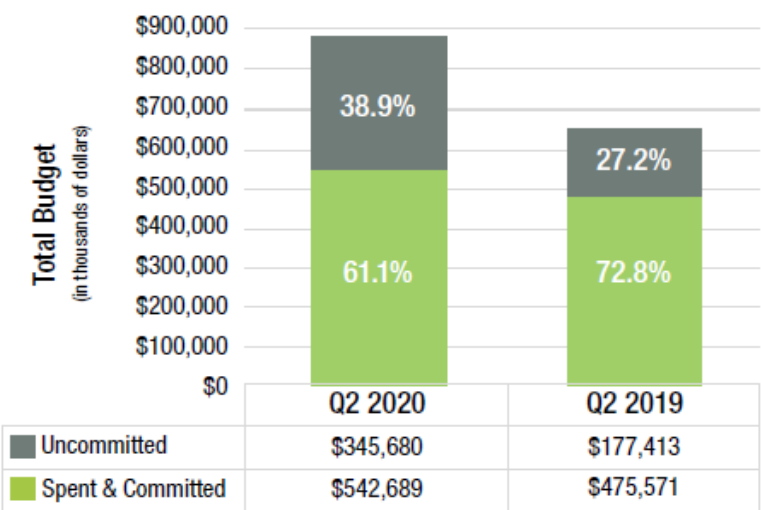
Capital Project Status

Projects with budgets greater than \$1 million

LEVY

PROJECT BUDGETS SPENT AND/OR COMMITTED AT QUARTER END

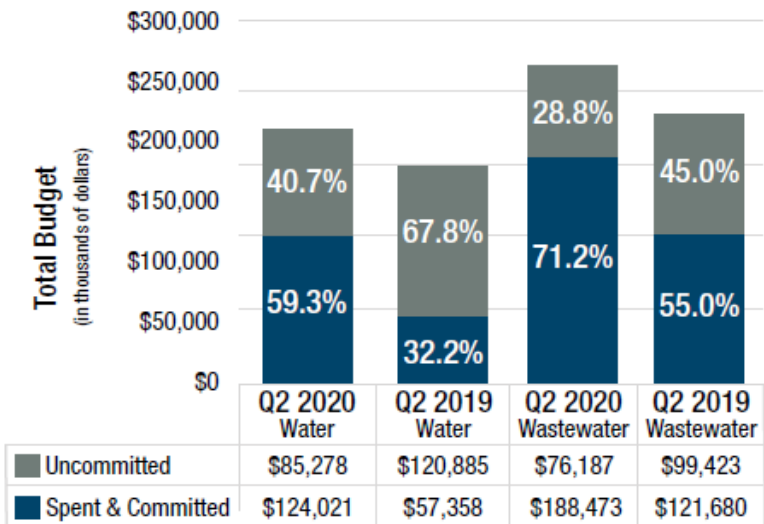
Total projects with budgets greater than \$1 million.



WATER & WASTEWATER

PROJECT BUDGETS SPENT AND/OR COMMITTED AT QUARTER END

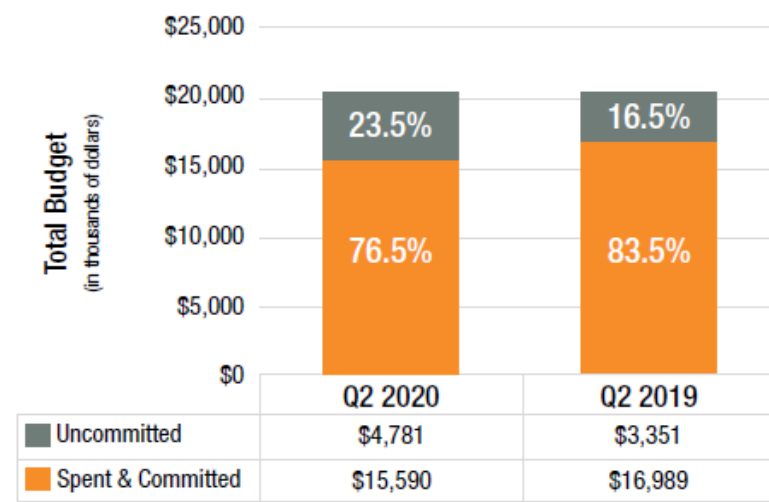
Total projects with budgets greater than \$1 million.



WASTE MANAGEMENT

PROJECT BUDGETS SPENT AND/OR COMMITTED AT QUARTER END

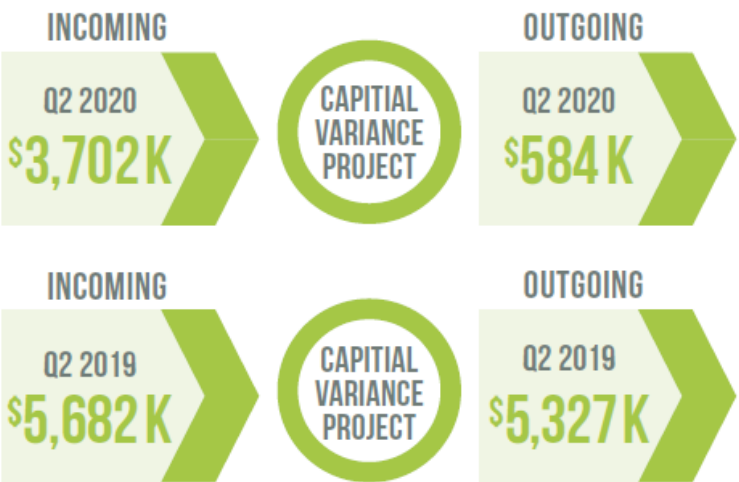
Total projects with budgets greater than \$1 million.



Capital Variance Project

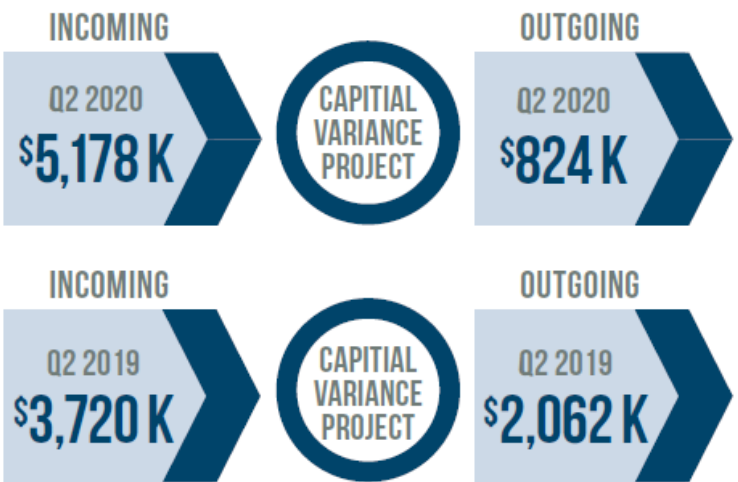
LEVY

CAPITAL VARIANCE PROJECT TRANSFERS
AT QUARTER END



WATER & WASTEWATER

CAPITAL VARIANCE PROJECT TRANSFERS
AT QUARTER END



WASTE MANAGEMENT

CAPITAL VARIANCE PROJECT TRANSFERS
AT QUARTER END



As of Q2 2020, **\$8.7 Million** has been made available for future capital

Next Steps

- Staff continue to identify preliminary 2021 COVID related pressures which are outlined in CSD 56-2020.
- These estimates continue to be refined as recovery planning activities continue and details on funding is received.
- Final estimates will be incorporated into the 2021 budget planning currently underway to be presented to Council in January 2021.

Questions?

Melanie Steele
Associate Director, Reporting & Analysis