TWENTY21
NIAGARA REGION BUDGET

2021 Capital Budget

Oct 15, 2020

Key Themes

1. Projects prioritized using new Asset Management Office methodology.
2. Funding assigned using approved Capital Financing Policy.
3. Projects recommended for proposed 1% of 2021 operating budget.
4. Projects support Council Strategic Priorities

2021 Capital Budget

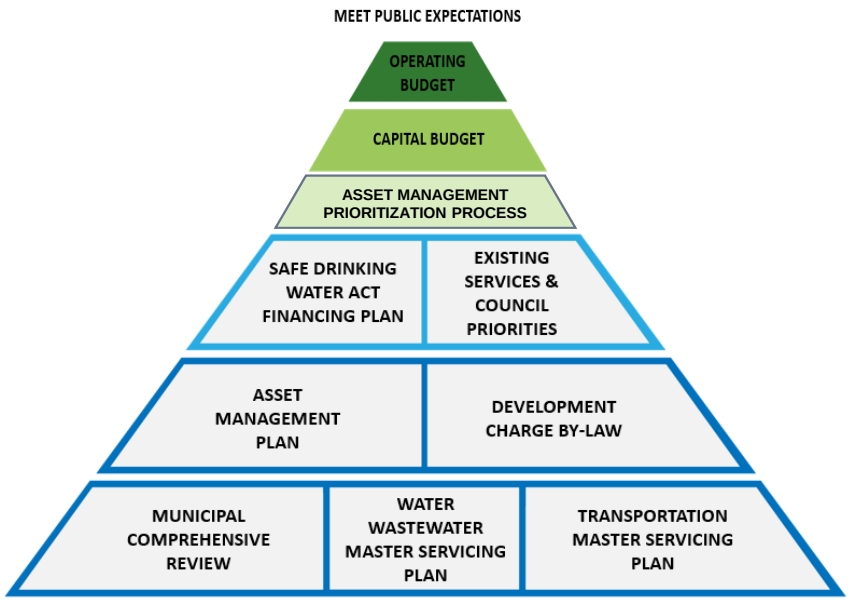
What we're going to cover:

- Financing Strategy
- 2021 Capital Expenditure
- Multi-year Overview
- Outcomes
- Next Steps

2021 Capital Budget

How we identified capital projects?

- Depts/Asset Managers recommend projects
- Asset Management Office evaluated and prioritized projects
- Finance applied funding in accordance with the Capital Financing Policy
- Capital Workshop provided education and information.
- BRC approval required.
  - Subject to additional operating budget considerations



Capital Financing Strategy

Niagara Region's Capital Plan

Project Type

Asset Management Plan
- Responsible Growth and Infrastructure Planning
- Current tax base maintaining existing level of service

Strategic Investments
- Debt required to support projects with future beneficiaries

Growth
- Business/Economic Growth
- Growth pays for growth

Funding Source

Other External Sources
- Grants, Subsidies, Local Area Municipal Cost Share etc.

Pay as you go (Reserves)
- Utilize funds set aside from Operating budgets

Federal Gas Tax
- Federal Funding to support local infrastructure priorities

Debt
- Funds raised from creditors for Capital projects
- Required to transition to the policy

Development Charges
- Used for Growth projects based on DC study & receipts

Recommended for 2021

1% Operating Increase for Capital

- 2021 Budget Planning Strategy recommended in June
  - 1% of departmental share of levy (no ABCs) dedicated to capital financing
  - Provides $2M of reserve funding
  - 0.52% of the consolidated tax levy

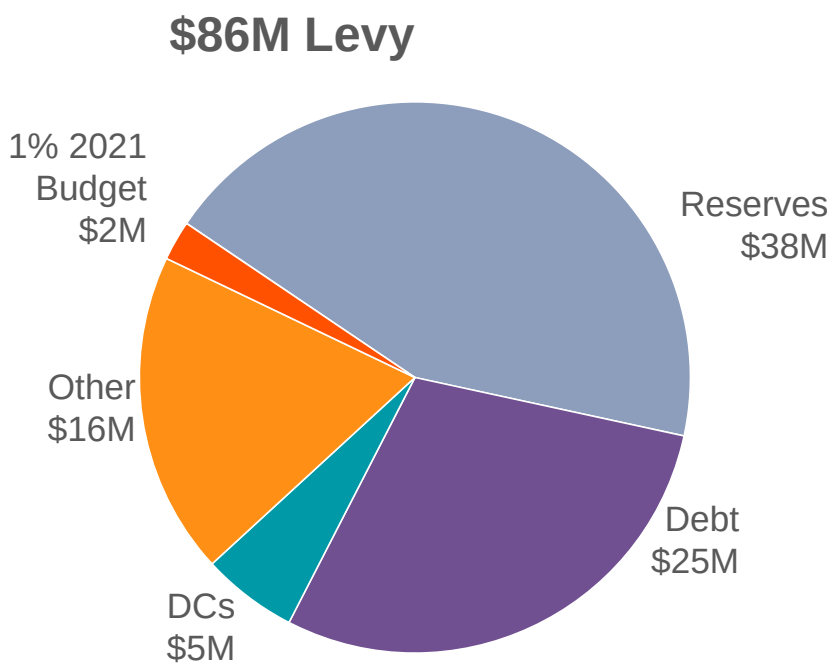
- Recognizing COVID-19 pressures. Deferred previous recommendations of:
  - 2.16% annual increase for levy
  - 3.15% annual increase for rate

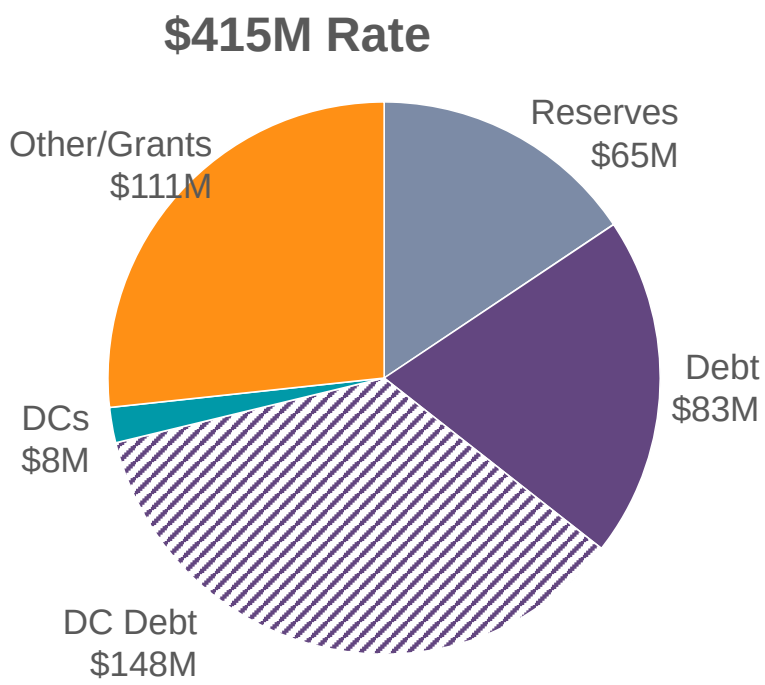
Funding Strategy Methodology

- Type of funding allocated based on Capital Financing Policy

FINANCING TYPE	USE
Reserves	Infrastructure Renewal
1% from 2021 Budget Planning (subject to council approval)	Infrastructure Renewal
Debt	Growth/ Net-new projects
DC and Other	Growth/Project specific

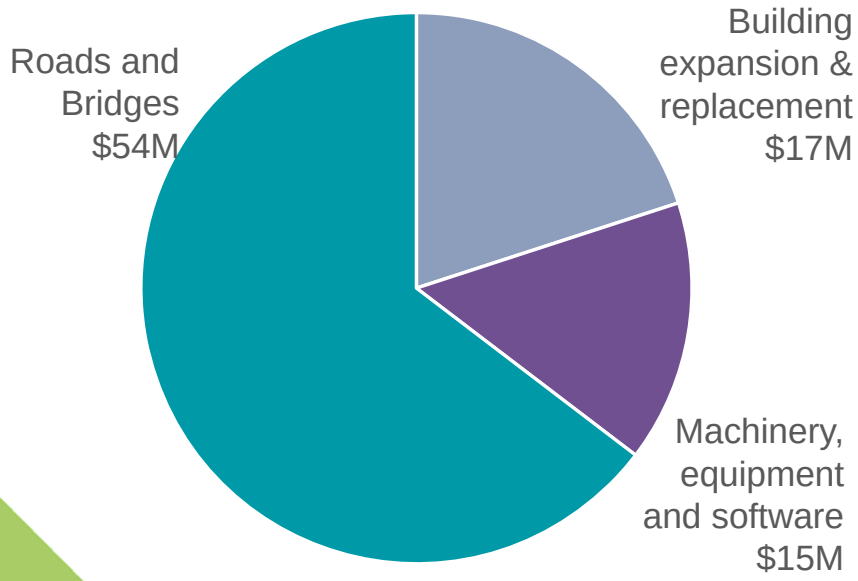
Funding Summary - $502 Million Funded



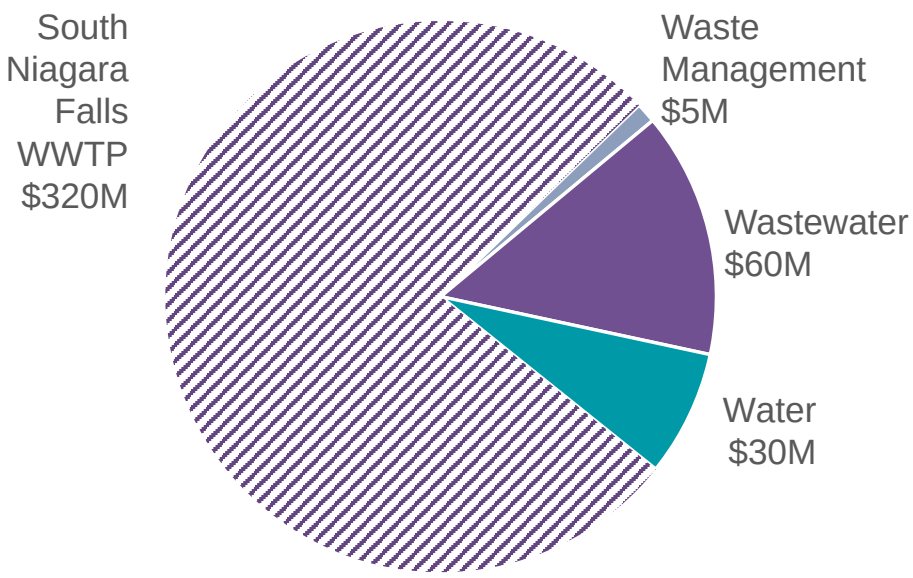


$502 Million Capital Expenditure Summary

$86M Levy

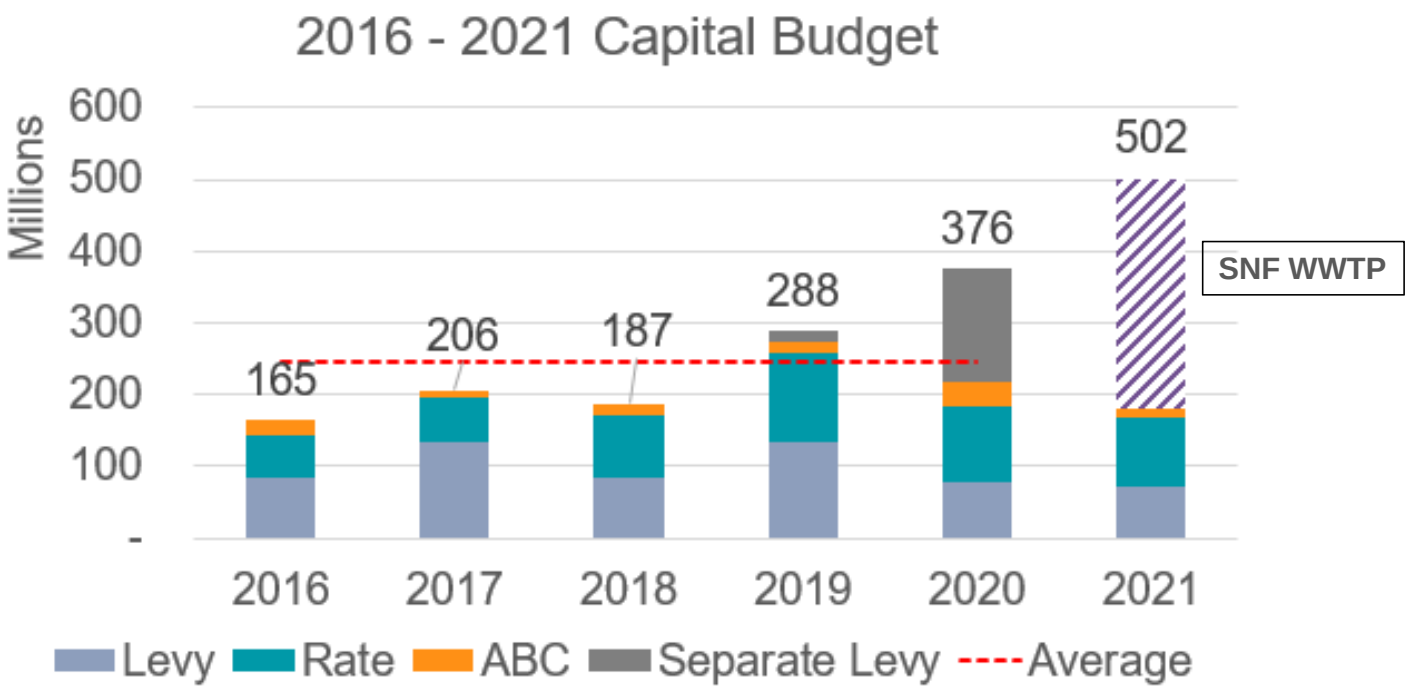


$415M Rate



Capital Budget Trend

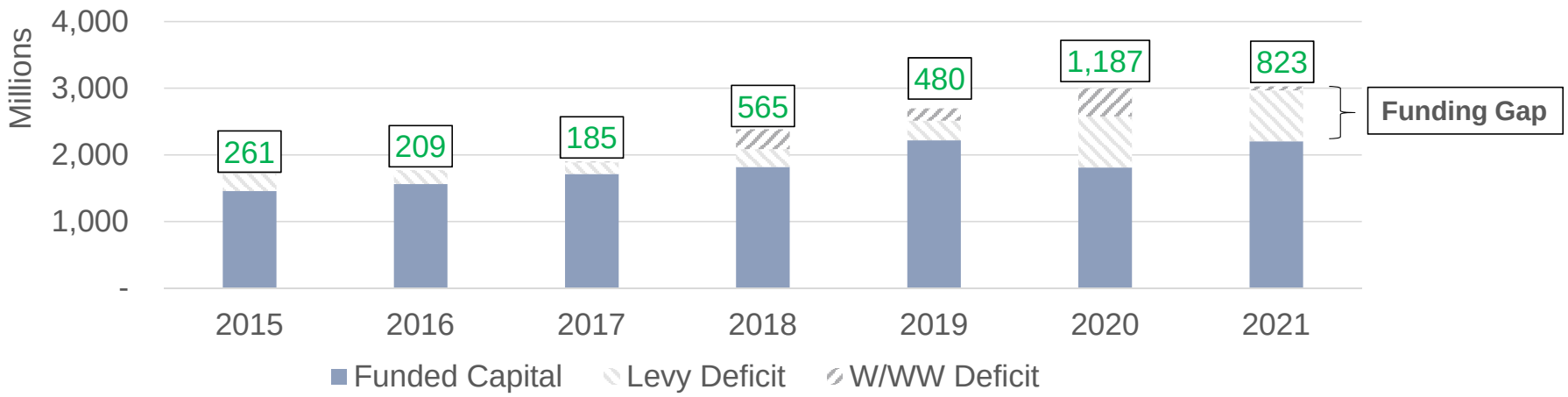
5-year historical and 2021 recommended



Multi-year Financing Strategy

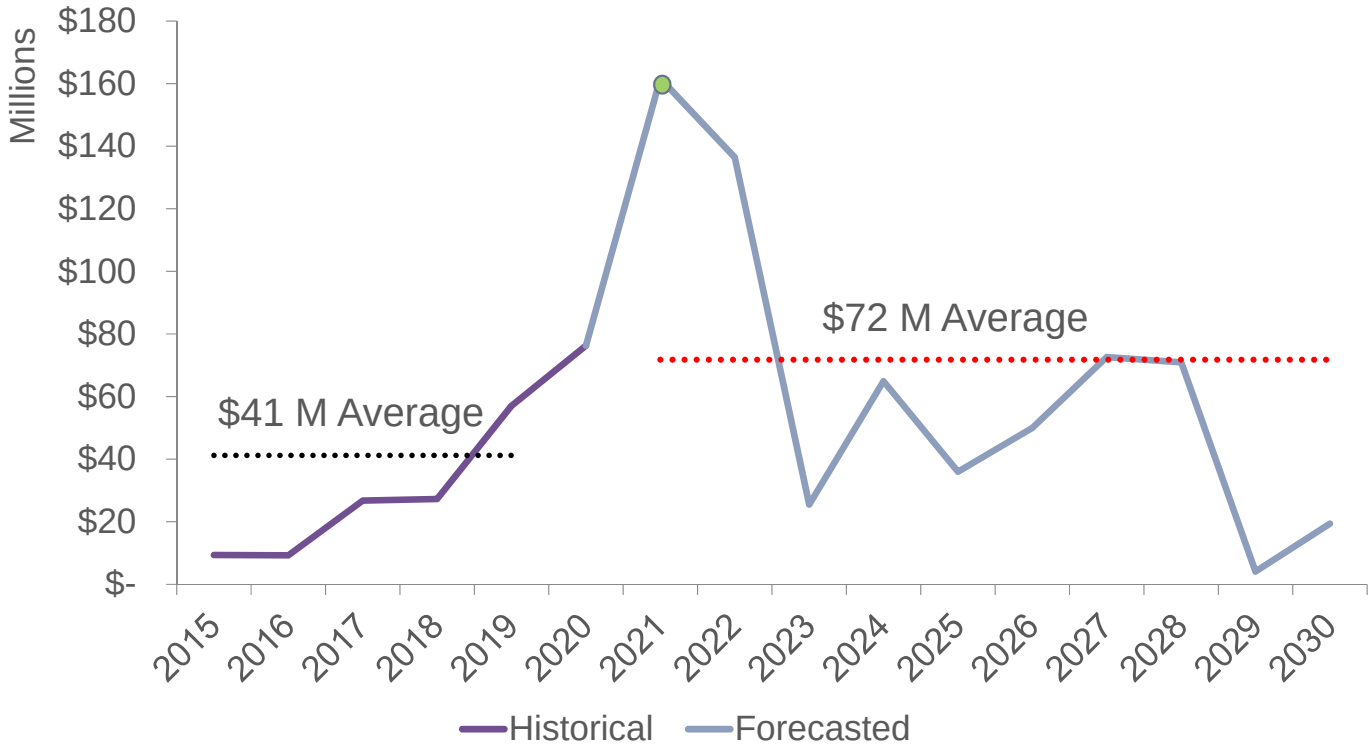
For $7.4 Billion in Regional Levy and Rate capital assets

10-year infrastructure Gap is decreasing



Investing in Growth

$162 Million Development Charges for 2021 growth projects



Investing in Growth

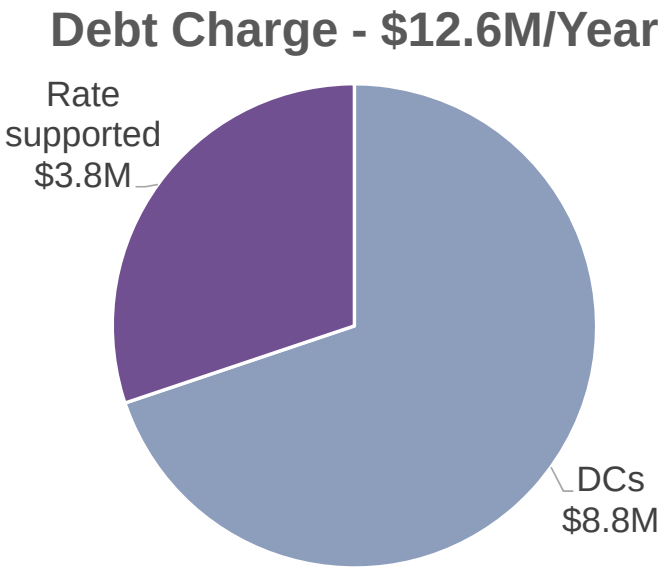
Largest Growth Projects – Gross Total of $337M in 2021

PROJECT	GROWTH SHARE	% OF PROJECT BUDGET	IMPACT
South Niagara Falls WWTP Projects	$148M	46.3%	Anticipated growth of up to 97,000 people and jobs
Grimsby Watermain Replacement	$3M	50.0%	Anticipated growth of 38,400 people and jobs
St. Paul West CNR Bridge Replacement	$2M	16.0%	Anticipated growth of 4,000 people and jobs

South Niagara Falls WWTP - $320M

Funded with $212M Debt & $108M Grants

- Accommodate growth:
  - Residential and employment growth
  - Up to 97,000 people and jobs build out to 2041
  - South Niagara Hospital District - $1B investment
- 2021 budget initiation to begin Environmental Assessment, Planning and Land acquisition
- Construction anticipated to begin 2025



MOVING WATER FORWARD

Debt Strategy

Debt Financing - $256M for 2021

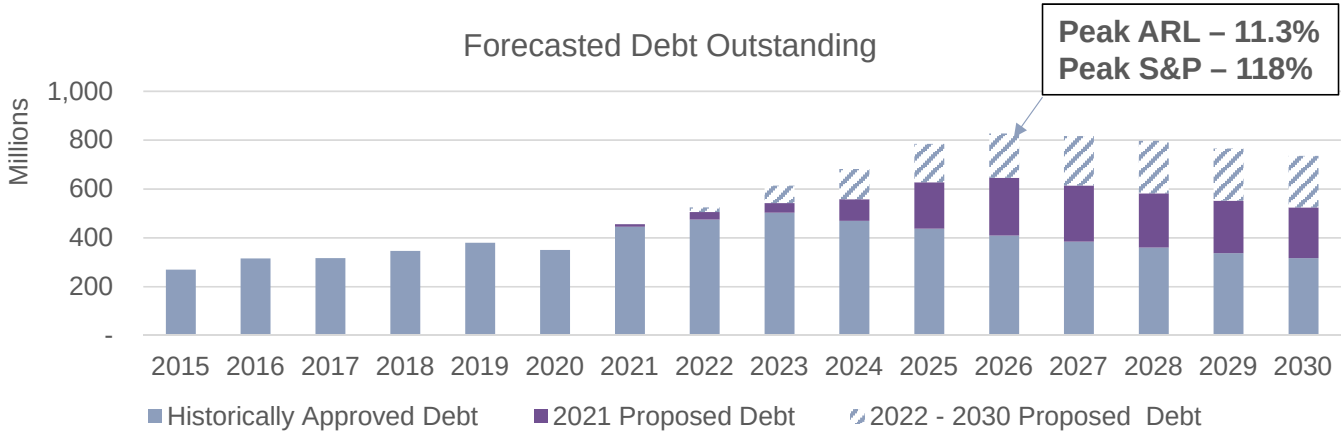
USE	LEVY	RATE
Various - Base Debt	$25M	-
Various - Per Safe Drinking Water Financial Plan	-	$19M
South Niagara Falls WWTP – Rate Supported	-	$64M
South Niagara Falls WWTP – DC Supported	-	$148M
Total	$25M	$231M

Debt Strategy

Debt Financing - $256M for 2021

Objective of debt strategy:

- Use for growth projects or net-new strategic investments
- Monitor S&P credit rating agency financial metrics
- Maintain ARL below 25% per Municipal Act requirements

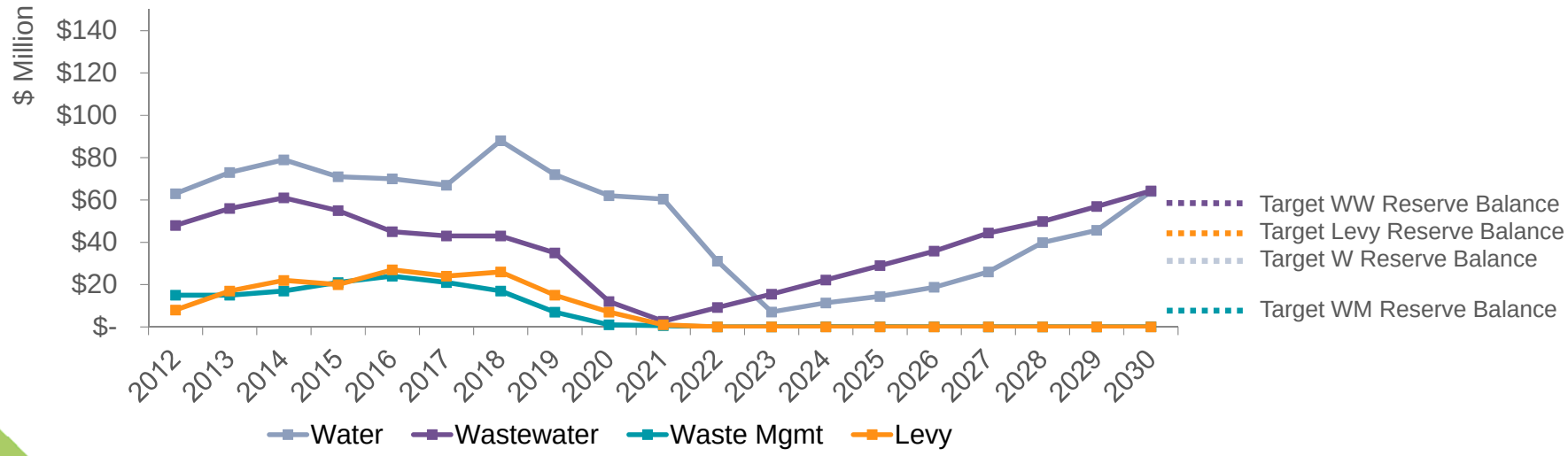


Reserve Strategy

Reserve Funding - $104.6M for 2021

Objective of reserve strategy:

- Use in accordance to the Capital Financing Strategy for asset renewal projects
- Target balance of the reserves is 2% of assets replacement value



Yearend Forecasted Balances

Capital Budget Outcomes

Council Strategic Priorities

PROJECT	BUDGET	COUNCIL PRIORITY
South Niagara Falls WWTP Projects	$320M	
NF WWTP Secondary Upgrade	$47M	
911 Backup	$12M	
St. Paul West CNR Bridge Replacement	$11M	
NRH Building Renewal	$7M	

SUPPORTING BUSINESSES AND ECONOMIC GROWTH

HEALTHY AND VIBRANT COMMUNITY

RESPONSIBLE GROWTH AND INFRASTRUCTURE PLANNING

SUSTAINABLE AND ENGAGING GOVERNMENT

Capital Budget Outcomes

KPMG Sustainability Review

INDICATOR #1

2nd Lowest

Reserves and reserve funds per household

Annual capital reserve contributions increases by $2M

Improving

INDICATOR #2

2nd Highest

Long-term debt per household

Levy debt increased only by principal room from debt rolling over

Rate debt will increase to support growth in South Niagara Falls.

INDICATOR #3

Lowest

Capital additions as a percentage of amortization expense

2021 = 97% of AARI

2020 = 92%
2019 = 72%

Improving

2021 Capital Budget Outcomes

Budget Planning Principles

2021 Capital budget was prepared balancing:

- Sustainability
  - Funding was allocated per the Capital Financing Policy
- Transparency
  - Highest risk ranked ROI projects included in 2021 Capital Budget
- Affordability
  - 0.52% increase – as per to 2021 budget strategy (1% of dept. share of Levy)
  - Previous Capital Funding Strategy recommended 2.16%/year.

Next Steps

- CSD 58-2020 recommends approval of 2021 Capital Budget in principle
- Capital Budget By-law to be approved concurrent with Operating Budget By-law in January

Next Steps

Date	Capital Budget	Operating Budget - Rate	Operating Budget – Levy / ABC
Oct 15th	Budget Review Committee ✓		
Nov 19th		Budget Workshop	
Nov 26th		Budget Review Committee	Authority over ABC Budget Workshop
Dec 10th			Budget Review Committee ABC Operating Budget
Dec 17th		Council Budget By-law approval	
Jan 7th			Budget Workshop (day)
Jan 14th			Budget Review Committee Levy Operating Budget
Jan 21st			Council Levy & Capital Budget By-law

Questions?