

---

**Subject:** COVID-19 Cash Flow Update Report - October

**Report to:** Regional Council

**Report date:** Thursday, October 22, 2020

---

## **Recommendations**

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

## **Key Facts**

- The purpose of this report is to provide Council with an update on Niagara Region's cash flow position and forecast for October with specific reference to the impacts of concessions made to Local Area Municipalities (LAMs) to align with their concessions to the taxpayers in Niagara.
- Monthly cash flow updates are provided to Council in response to report CSD 31-2020, which generally approved deferrals of LAM tax and water and wastewater remittances to the Region, as well as waiving interest charges on late payments.
- Overall the amount due from the LAMs for general and special purposes tax levies and water and wastewater payments in Q4 is approximately \$146 million.
- Phase 1 of the Municipal Safe Re-start funding has been committed by the province of Ontario; the Regional Municipality of Niagara will receive a payment of \$12.2 million in Q4 to support COVID-19 operating costs and pressures.
- Cash flow forecasting is an important tool to ensure that sufficient funds are available to meet the Region's operating and capital payment obligations.

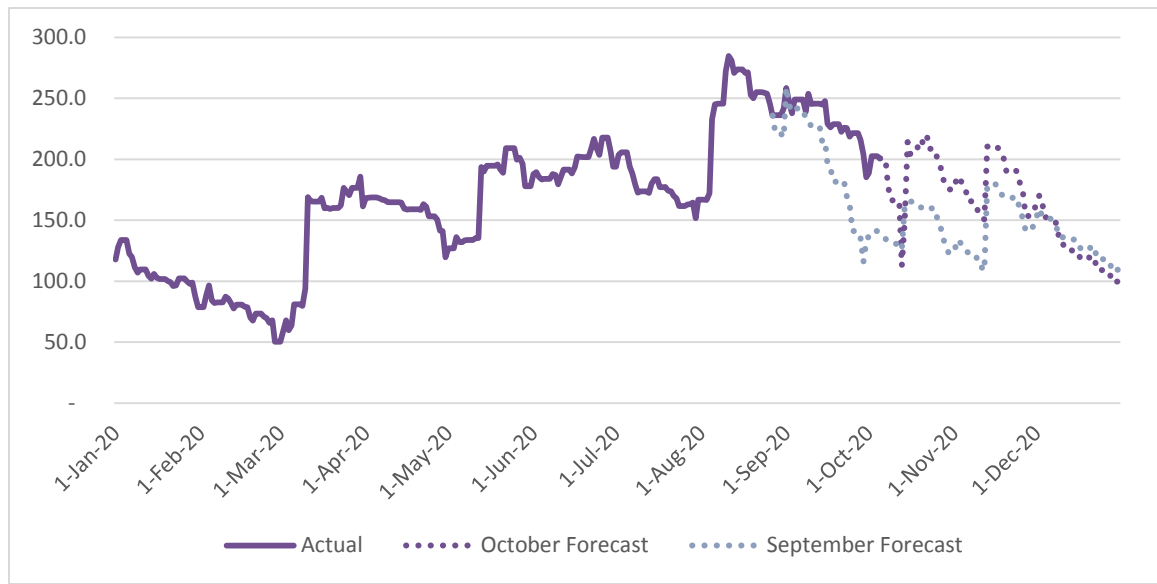
## **Financial Considerations**

The COVID-19 pandemic has caused a strain on a number of financial resources. Niagara Region cash balances are impacted by increased spending for pandemic relief services, as well as by deferred and/or reduced revenue collections.

The Region's cash flows are monitored to ensure sufficient liquidity to provide for ongoing operations. Balances have increased compared to forecast; this is the result primarily of improved collection experienced by the LAMs and reduced outflows compared to forecast. In addition, the recent provincial announcement of the \$12.2 million Municipal Safe Re-start funding will assist the cash flow balances in Q4. Graph 1

provides an illustration of the updated cash flow forecast for the Niagara Region for the remainder of the year.

Graph 1: 2020 Cash Flow Forecast



The following are updates since the September cash flow report CSD 57-2020 – 2020 COVID-19 Cash Flow Update Report – September:

- Water and Wastewater remittances of \$10.7 million, versus the total billed \$10.9 million (for August flows, due September 30), represent 3% arrears (\$0.3 million)
- Water and Wastewater February through July flows have remittances outstanding of \$2.0 million, which is unchanged from the last report.
- Water flows continue to be down, however the most recent flow information indicates an improvement in the decline from 3.6% to 2.2% over the three-year average.
- In light of the recent postponement of the Canada Summer Games until 2022, the Host Society will be taking a revised operating and capital budget to their Board in fall 2020. Once all information is available for the revised budget as well as the transition of responsibility for managing the construction of the Canada Summer Games Park to the Niagara Region, updates to the cash flow forecast will be made.

## **Analysis**

The Region conducts cash flow forecasts to ensure sufficient operating liquidity by estimating the available cash deposits, expected inflows, and required disbursements. Common inflows include tax and rate remittances from the LAMs, grant revenue from other levels of government, debenture proceeds, interest revenue from investments and other revenue from fees and services. Outflows typically represent employee payroll and benefits, anticipated payments such as debt service and payments to vendors for goods and services for both operating and capital costs.

COVID-19 implications have had an adverse impact on the Region's cash flow forecast. The Region has taken measures to mitigate financial impacts; however, following the provincial funding announcement of \$12.2 million, mitigations are being reviewed to determine on-going requirements.

### **Impacts on Niagara Region Cash Flows:**

#### **LAM remittances:**

The largest impact to the Region's cash flow forecast is the implementation of the concessions approved through report CSD 31-2020, including partial payments for the general tax and special purpose levy amounts as well as amendments to the water and wastewater collections.

The fourth and last levy instalment has an initial due date of October 14<sup>th</sup>, with concessions allowing the waiving of interest charges to the LAMs until November 13<sup>th</sup> for partial or late payments. At the time of finalizing this report, October 9<sup>th</sup>, 2020 the initial due date has not passed. Some municipalities have extended the due date for the fourth levy instalment which may impact their ability to remit to the Region by the initial due date; however their collection dates are still before November 13<sup>th</sup>.

Water and Wastewater billings are completed on the 15<sup>th</sup> of the following month and due by the end of that month; January through August have been billed and due dates passed. Ten municipalities have paid August billings in full, and one has made a partial payment; this represents \$0.3 million outstanding or 3% in arrears of the total \$10.9 million. The total unpaid balance has increased to \$2.3 million from \$2.0 million. Billings for the September water and wastewater charges occurs mid October and is due at the end of October.

Conclusion: Cash flows from the remittances of LAM payments are providing support to the Region's cash flow position. With the levy collection experienced to date, there are no recommendations to change the treatment for the fourth levy instalment at this time.

**Capital Project activity:**

Capital projects continue to progress to the extent possible acknowledging any staff and industry constraints. Capital project spending has an impact on cash flows; it does not affect the operating budget, as the cost of capital has been previously approved in prior year budgets, either through contributions to capital reserves, debt issuances, or from external contributions. There are currently 563 approved capital projects with budget remaining as at the end of September of \$802 million.

Conclusion: Capital spending continues to be less than forecasted resulting in a positive impact on the cash flow to date; this has not affected strategy, however staff will continue to monitor cash flows and update the strategy if required. The capital projects that were deemed non-urgent previously continue to be delayed. Spending on these projects will extend into next year and possibly beyond based on the scope of the project.

**Incremental COVID – 19 costs:**

Incremental costs associated with COVID-19 are affecting the Region's cash flows. Staff have used cost analysis information from report CSD 56-2020 – Q2 2020 Financial Update that captures and models financial impacts to the end of the year on the cost of COVID-19. The province has announced and committed \$12.2 million to the Niagara Region as part of the Municipal Safe Re-start to support COVID-19 related operating costs and pressures. The incremental costs and provincial revenues associated with the pandemic are modeled in the cash flow forecast.

Conclusion: Incremental COVID-19 costs are negatively affecting the Region's cash flow; however, savings, mitigation efforts, and provincial support provide relief to cash flows.

**Treasury activities:**

Since the pandemic started, the Niagara Region has seen no increase to the investment portfolio, to address uncertainty surrounding projected and outstanding collections, at the risk of reduced investment income. This strategy has been reviewed against current cash flow forecasts as of October and consideration is being given to the further investments later this year as cash flows continue to be better than forecast.

The Region plans to issue \$54.4 million in debentures through Infrastructure Ontario this fall to finance capital projects.

Conclusion: The delay on planned investments has provided cash flow relief in the short term, however it has negatively impacted investment income. An increase to the investment portfolio is being considered, dependent on market conditions and available options.

**Summary:**

Staff will continue to monitor the Region's cash flow position and will take action to ensure there is sufficient liquidity to fund operating and capital payment obligations. Based on the updated information, it is projected that the Region's cash flow will remain positive to the end of the year, however any changes in projected timing and collection could alter the forecast.

**Alternatives Reviewed**

No alternatives are offered for this report.

**Relationship to Council Strategic Priorities**

This report highlights how the Niagara Region is supporting the Council Priority of Sustainable and Engaging Government.

**Other Pertinent Reports**

CSD 31-2020	Concessions to Local Area Municipalities regarding Taxes and Wastewater Billings
CSD 57-2020	COVID-19 Cash Flow Update Report - September
CSD 56-2020	Q2 2020 Financial Update

---

**Prepared by:**

Margaret Murphy, CPA, CMA  
Associate Director, Budget Planning & Strategy  
Corporate Services

---

**Recommended by:**

Todd Harrison, CPA, CMA  
Commissioner Corporate Services,  
Treasurer  
Corporate Services

---

**Submitted by:**

Ron Tripp, P.Eng.

Acting Chief Administrative Officer

*This report was prepared in consultation with Helen Chamberlain, Director, Financial Management and Planning, Deputy Treasurer.*