
Subject: COVID-19 Cash Flow Update Report - November

Report to: Regional Council

Report date: Thursday, November 19, 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 November 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 of \$12.2 million has been received from the province of Ontario 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 \$12.2 million Municipal Safe Re-start funding from the province has assisted the cash flow balances. 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 October cash flow report CSD 63-2020 – 2020 COVID-19 Cash Flow Update Report – October:

- Water and Wastewater remittances of \$10.0 million, versus the total billed \$10.5 million (for September flows, due October 31), represent 5% arrears (\$0.5 million)
- Water and Wastewater February through August flows have remittances outstanding of \$2.3 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 2.2% to 1.3% over the three-year average.
- The transition of responsibility for managing the construction of the Canada Summer Games Park continues, updates to the cash flow forecast will be made once finalized.

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; however, the Region has taken measures to mitigate financial impacts.

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 had an initial due date of October 14th, with concessions allowing the waiving of interest charges to the LAMs until November 13th for partial or late payments. At the time of finalizing this report, November 4th, 2020 the concession due date has not passed, however nine municipalities have paid in full, and three have made partial payments; this represents \$20.7 million outstanding or 18% in arrears of the total \$115.4 million. The remaining balances are expected to be remitted to the Niagara Region by November 13th.

Water and Wastewater billings are completed on the 15th of the following month and due by the end of that month; January through September have been billed and due dates passed. Ten municipalities have paid September billings in full, and one has made a partial payment; this represents \$0.5 million outstanding or 5% in arrears of the total \$10.5 million. The total unpaid balance has increased to \$2.8 million from \$2.3 million. Billings for the October water and wastewater charges occurs mid November and is due at the end of November.

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 extend the concession deadline for the fourth levy instalment.

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 October of \$772 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 69-2020 – COVID-19 Financial Impact Update that captures and models financial impacts to the end of the year on the cost of COVID-19. The Region has received the \$12.2 million from the province as part of the Municipal Safe Re-start funding to support COVID-19 related operating costs and pressures.

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 November and consideration is being given to increase investments as cash flows continue to be better than forecast. As well, the Region plans to issue \$54.4 million in debentures through Infrastructure Ontario in December to finance capital projects.

Conclusion: The delay in planned investments has provided cash flow relief in the short term, however it has negatively impacted investment income.

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 63-2020	COVID-19 Cash Flow Update Report - October
CSD 69-2020	COVID-19 Financial Impact Update

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