

Q3 2020 Financial Update

Corporate Services Committee
CSD 76-2020

December 9, 2020

Melanie Steele, Associate Director, Reporting & Analysis

NIAGARA REGION

2020

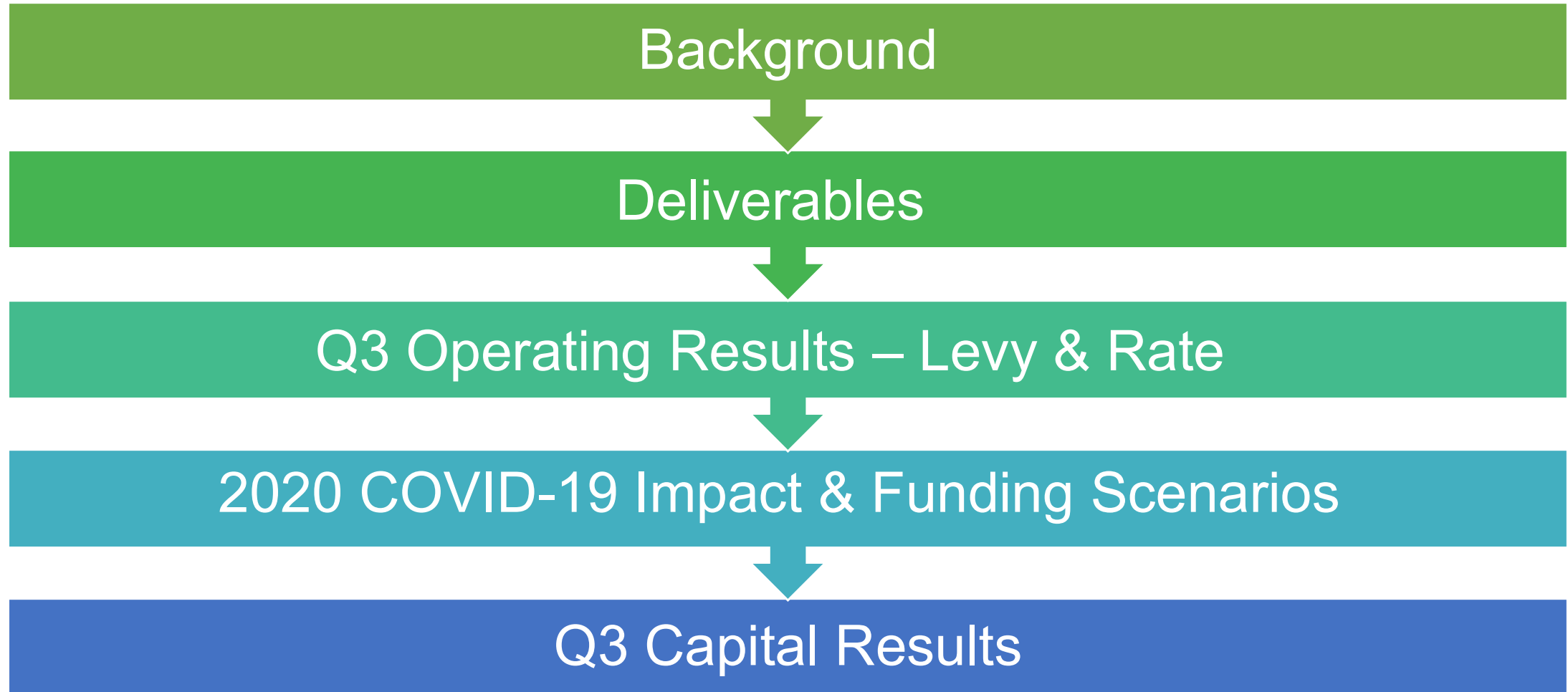
Q3 FINANCIAL UPDATE
SEPTEMBER

Q3 2020 Financial Update

Corporate Services Committee
December 9, 2020



Agenda

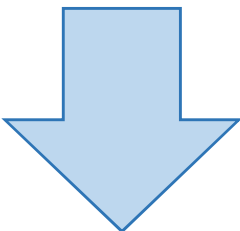


Background

Polices 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

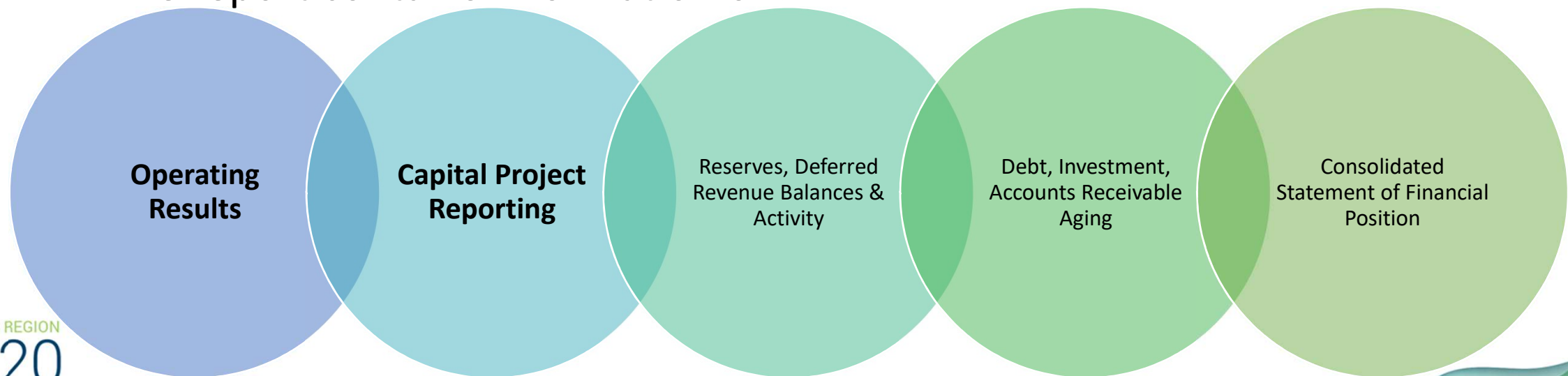
Deliverables

Q3 2020 Financial Update is available on the Niagara Region's external website:

[September 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 Messages as of Q3

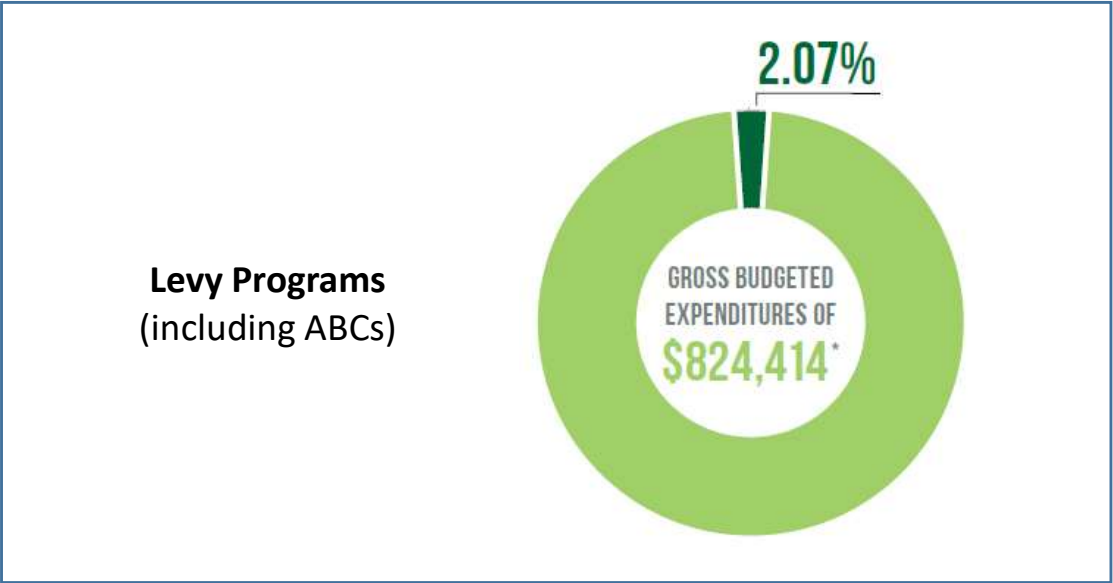
- Assumptions built into this forecast are fluid and changing rapidly
- Recovery planning assumptions revised for redeployments, gapping, incremental staffing
- Does not include additional funding for Public Health
- Safe Restart funding received applied to 2020 COVID costs
 - Levy surplus (estimated \$17 to \$23 million) will be used to mitigate 2021 budget
- Application for Phase 2 Safe Restart funding was submitted November 6th



Q3 Summary Results

Levy Programs

(in thousands)	Forecasted Surplus / (Deficit) (after indirect allocations)	Percentage of Gross Budget
Regional Departments and General Government	19,504	3.51%
Agencies, Boards and Commissions (ABCs)	(2,431)	-0.91%
Total Levy Supported Programs	17,073	2.07%



* Includes transfer, intercompany charges and indirect allocations

Q3 Summary Results

Regional Departments and General Government Drivers

(in thousands)	Forecasted Surplus / (Deficit) (after indirect allocations)	Percentage of Gross Budget
Regional Departments and General Government	19,504	3.51%
Agencies, Boards and Commissions (ABCs)	(2,431)	-0.91%
Total Levy Supported Programs	17,073	2.07%

Factors impacting Regional Departments (Surplus of \$19,504):

- Safe Re-Start & program-specific COVID-related funding (+\$30,798)
- Incremental COVID-related staffing, supplies & personal protective equipment in Community Services and Public Health (-\$17,032)
- Staffing vacancies and benefit savings (+\$10,723)
- Decrease in supplemental tax revenue and increase in investment income allocation to reserves (-\$6,784)
- NRT/NST COVID-19 service impacts and expansion delays (+\$5,468)
- Incentive grant program uptake and development charge grants (+\$6,278)



Q3 Summary Results

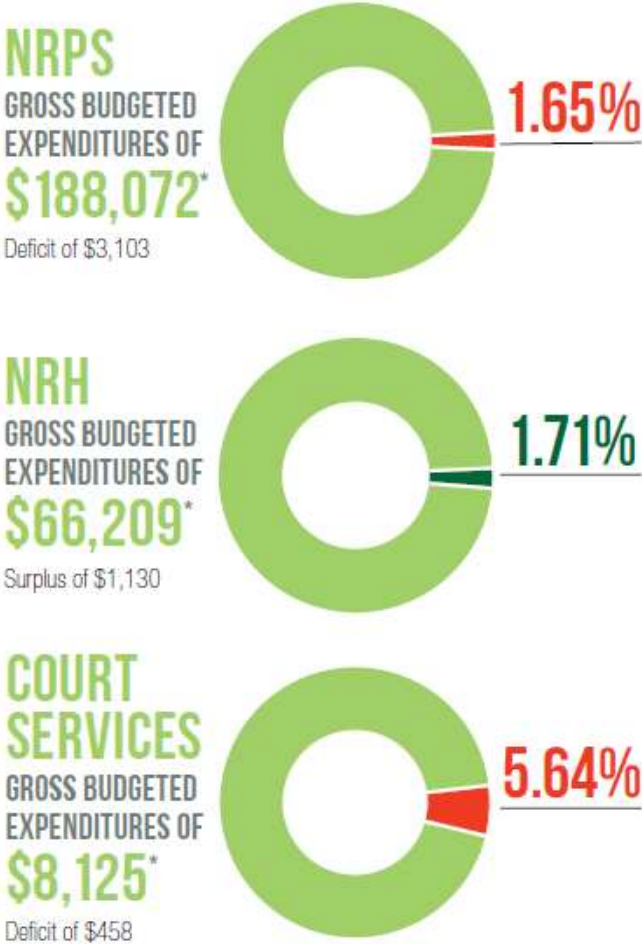
ABC Drivers

(in thousands)	Forecasted Surplus / (Deficit) (after indirect allocations)	Percentage of Gross Budget
Regional Departments and General Government Agencies, Boards and Commissions (ABCs)	19,504 (2,431)	3.51% -0.91%
Total Levy Supported Programs	17,073	2.07%

Factors impacting ABCs (Deficit of \$2,431):

- **NRPS** – Revenue decrease mainly due to Casino closures and increase self insurance costs (-\$6,400) offset by labour-related costs (+\$3,255)
- **NRH** – Labour-related costs savings, deferred maintenance , reduced co-op provider subsidies and increased rental revenues (+\$1,364) offset by capital grants (-\$625)
- **Court Services** – Decreased revenues (-\$1,655) offset by labour-related costs savings, decreased court costs and reduced distribution to LAMs (+\$1,199)

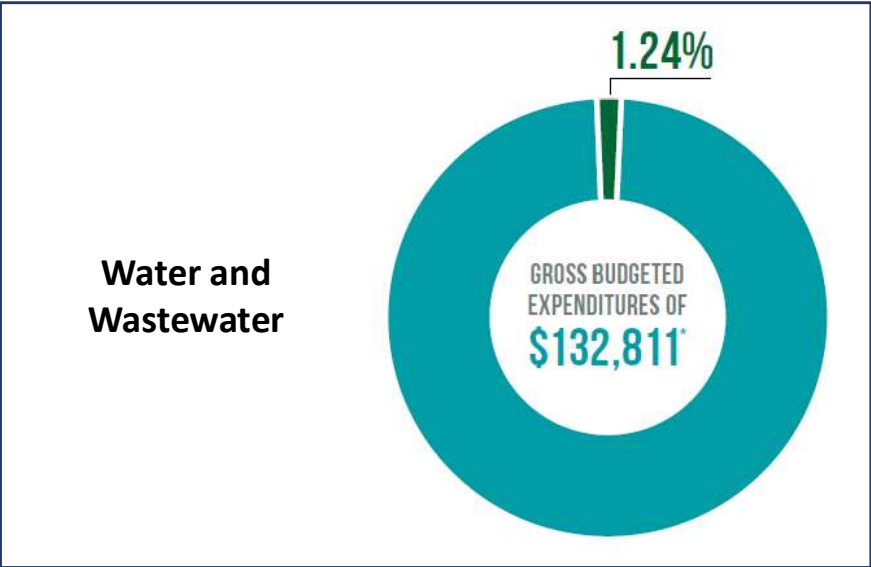
Financial Results of ABCs



Q3 Summary Results

Rate Programs

(in thousands)	Surplus (after indirect allocations)	Percentage of Gross Budget
Water and Wastewater	\$ 1,649	1.24%
Waste Management	396	0.71%
Total Rate Supported Programs	\$ 2,045	1.09%



* Includes transfer, intercompany charges and indirect allocations

Q3 Summary Results

Rate Drivers

(in thousands)	Surplus (after indirect allocations)	Percentage of Gross Budget
Water and Wastewater	\$ 1,649	1.24%
Waste Management	396	0.71%
Total Rate Supported Programs	\$ 2,045	1.09%

Factors Impacting Water & Wastewater (Surplus of \$1,649):

- Labour-related costs (+\$781)
- Repair & maintenance work (+\$1,135)
- Water sales (-\$703)
- Sludge disposal and management (-\$390)
- Chemical costs (-\$393)

Factors Impacting Waste Management (Surplus of \$396):

- Labour-related costs, including MRF (+\$367)
- Environmental monitoring/landfill operations (+\$379)
- Garbage tag revenues, Blue Box funding (+\$263)
- Recycling commodity market revenue (-\$262)
- Tipping fee revenue (-\$643)

2020 COVID-19 Impact & Funding Scenarios

- \$48.6 million in gross costs (\$46.9 levy-related)
- \$17.8 million in net costs after confirmed funding (\$16.1 levy-related)
- \$19.1 million forecasted surplus after mitigations (\$17.1 levy-related)

(in thousands)						
	Worst Case		Likely Case		Best Case	
Total Levy Supported Programs	\$	17,073	\$	17,073	\$	17,073
Public Health Funding		-		1,872		1,872
Seniors Services Funding		-		1,711		1,711
EMS Funding		-		-		2,499
Safe Restart Municipal Funding - Phase 2		-		-		TBD
2020 Funds available for 2021 Budget	\$	17,073	\$	20,656	\$	23,155

Stabilization Reserve Targets

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

Assumes all levy surplus in 2020 will be used to fund 2021 COVID-19 budget pressures

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 (*)	\$ 23,204	\$57,263	\$85,895	Underfunded
Water Stabilization	\$ 3,794	\$2,387	\$3,581	Sufficiently Funded
Wastewater Stabilization	\$ 2,309	\$6,476	\$9,715	Underfunded
Waste Management Stabilization	\$ 5,344	\$5,296	\$7,944	Within Funding Targets
Police Contingency	\$ 703	Assessed by NRPS		
Police Services Board Contingency	\$ 242			

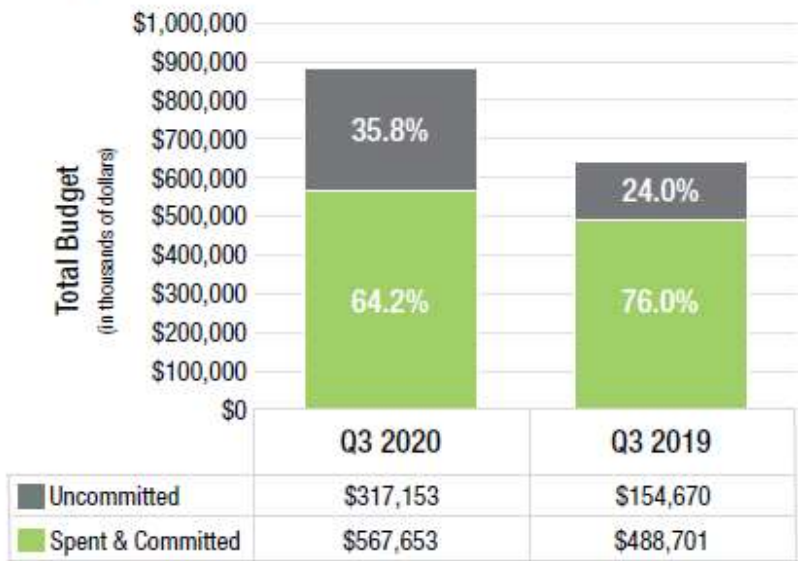
* When setting targets, Niagara Region considers all levy gross expenditures, excluding ABCs.

Capital Project Status

Projects with budgets greater than \$1 million

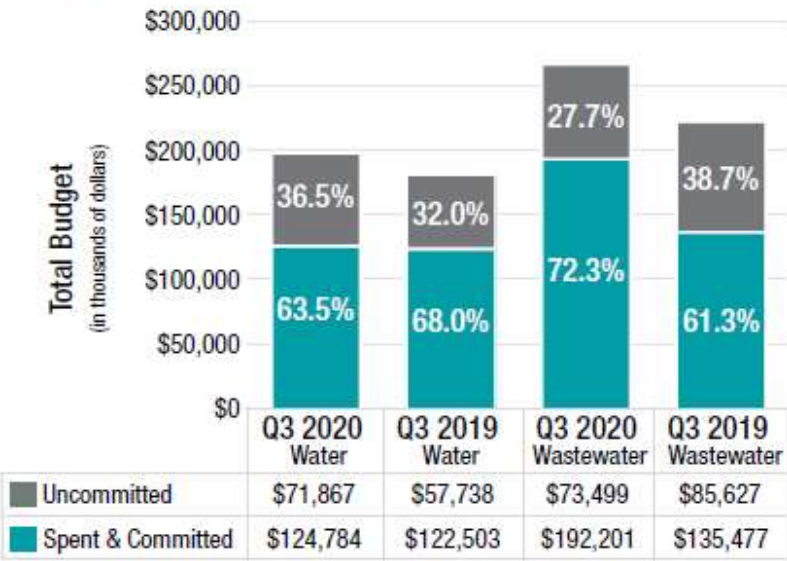
LEVY

PROJECT BUDGETS SPENT AND/OR COMMITTED AT QUARTER END
Active projects with budgets greater than \$1 million.



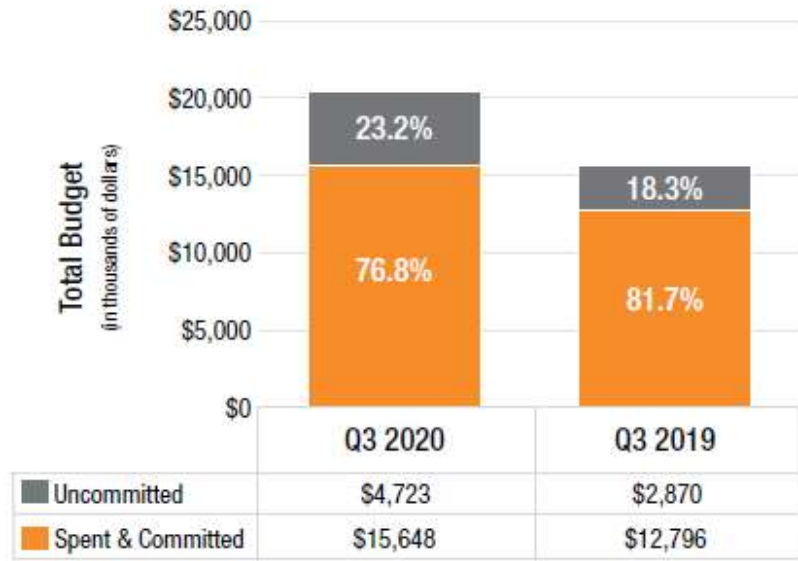
WATER & WASTEWATER

PROJECT BUDGETS SPENT AND/OR COMMITTED AT QUARTER END
Active projects with budgets greater than \$1 million.



WASTE MANAGEMENT

PROJECT BUDGETS SPENT AND/OR COMMITTED AT QUARTER END
Active projects with budgets greater than \$1 million.



Lower % spent & committed trends partially attributable to COVID-19 focus on **urgent/essential procurements** and overall **increased capital budget** to address infrastructure gap

Capital Variance Project



As of Q3 2020, **\$9.6 Million** has been made available for future capital

\$7 Million of this amount has been **committed to the 2021 capital budget**

Next Steps

- Awaiting announcements on Safe Restart Phase 2 funding – to be incorporated in to year-end report
- Staff have identified 2021 COVID-related pressures, which are being incorporated into the 2021 budget planning to be presented to Council in January 2021.



Questions?

Melanie Steele
Associate Director, Reporting & Analysis

