
Subject: COVID-19 Cash Flow Update Report - December

Report to: Regional Council

Report date: Thursday, December 17, 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.
- 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. 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 72-2020 – 2020 COVID-19 Cash Flow Update Report – November:

- Water and Wastewater remittances of \$9.6 million, versus the total billed \$9.9 million (for October flows, due November 30), represent 3% arrears (\$0.3 million)
- Water and Wastewater February through September flows have remittances outstanding of \$2.8 million, which is unchanged from the last report.
- Water flows continue to be down, however the most recent flow information indicates a decline of 1.6% 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 levy instalment has been remitted in full from all LAMs, with no interest charges applied.

Water and Wastewater billings are completed on the 15th of the following month and due by the end of that month; January through October have been billed and due dates passed. Ten municipalities have paid October billings in full, and one has made a partial payment; this represents \$0.3 million outstanding or 3% in arrears of the total \$9.9 million. The total unpaid balance has increased to \$3.1 million from \$2.8 million. Billings for the November water and wastewater charges occurs mid December and is due at the end of December.

Conclusion: Concessions approved in CSD 31-2020 are now limited to water and wastewater payments; any outstanding arrears are due December 31st, with interest charges are being waived for the whole of 2020.

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 November of \$763 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. The capital projects that were deemed non-urgent previously continue to be delayed with the exception of the Canada Summer Games Project. 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 76-2020 – Q3 2020 Financial Update that captures and models financial impacts to the end of the year on the cost of COVID-19.

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. The Region is issuing \$54.4 million in debentures through Infrastructure Ontario in December to finance completed 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 have monitored the Region's cash flow position throughout 2020 and took appropriate action to ensure 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.

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 72-2020	COVID-19 Cash Flow Update Report - November

CSD 76-2020 Q3 2020 Financial Update

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