



Niagara  Region

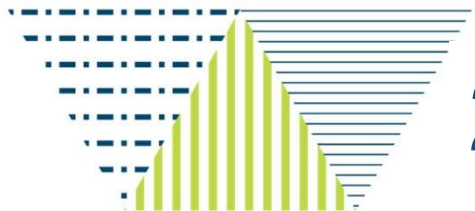
2019

CAPITAL BUDGET

Budget Review Committee of the Whole
January 10, 2019

Tonight's Agenda

- 2019 Capital Expenditure
- 2019 Financing Strategy
- Multi-year Forecast
- Risks and Opportunities
- Next Steps



Key Themes

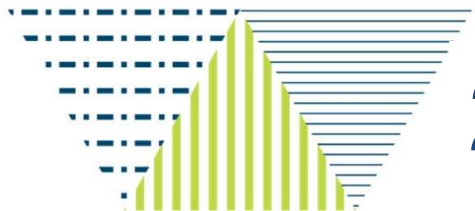
1. Projects continue to support approved corporate strategic initiatives for “How we grow, How we go and How we flow?”
 - DC Study, TMP, W/WWV MSP
2. Highest percentage of growth projects in capital budget to date
 - 20.8% or \$57M
3. Implementation of Asset Management Plan
 - Alignment: 60% - 2019 (49% - 2018)



Optimization Process

- ✓ Departmental Prioritization
 - Prioritized projects based on master plans and asset management plan
- ✓ CLT with Finance support reviewed, reprioritized and considered additional corporate priorities to align with funding available
 - Requires consideration of separate funding strategies for 2019 and forecast (Niagara Regional Transit, Long Term Care Redevelopment, etc.)
- ✓ Capital Workshop provided education and information

- BRC approval required
 - Subject to additional operating budget considerations

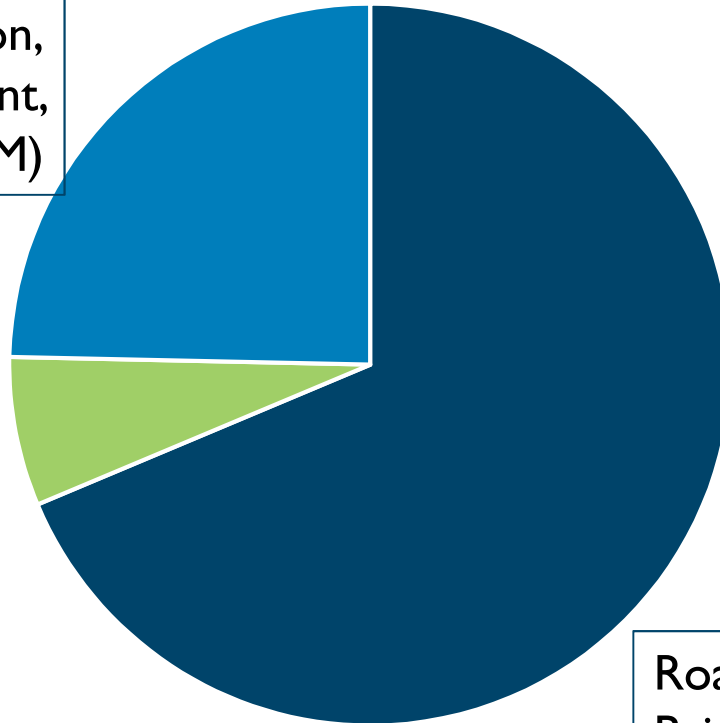


2019 Summary - \$274M Capital Request

\$152M Levy Request

Building expansion,
replacement,
maintenance (\$39M)

Machinery,
equipment
and software
(\$10M)

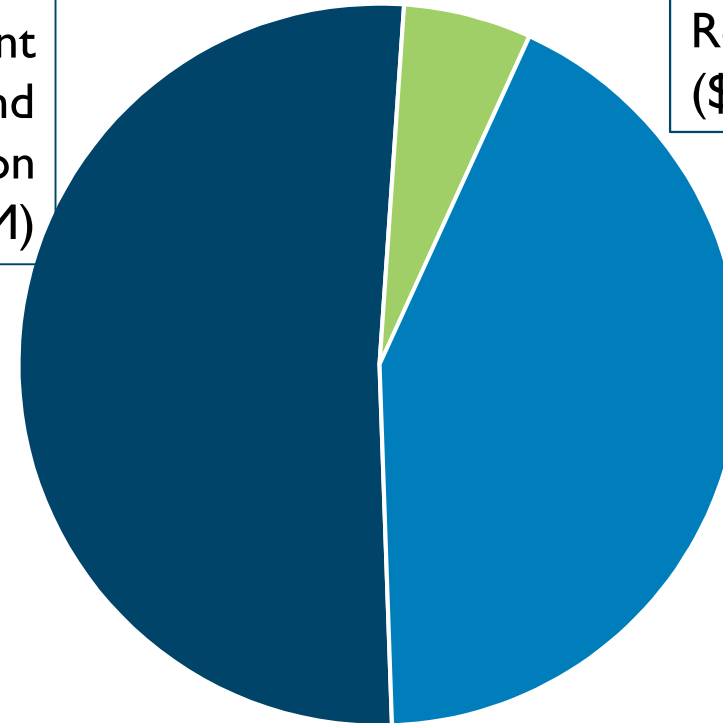


Roads and
Bridges
(\$103M)

\$122M Rate Request

Water
Treatment
and
Distribution
(\$63M)

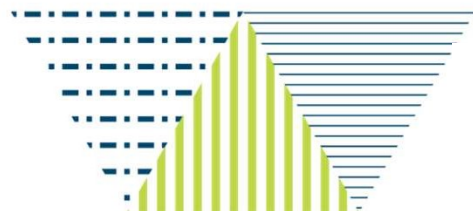
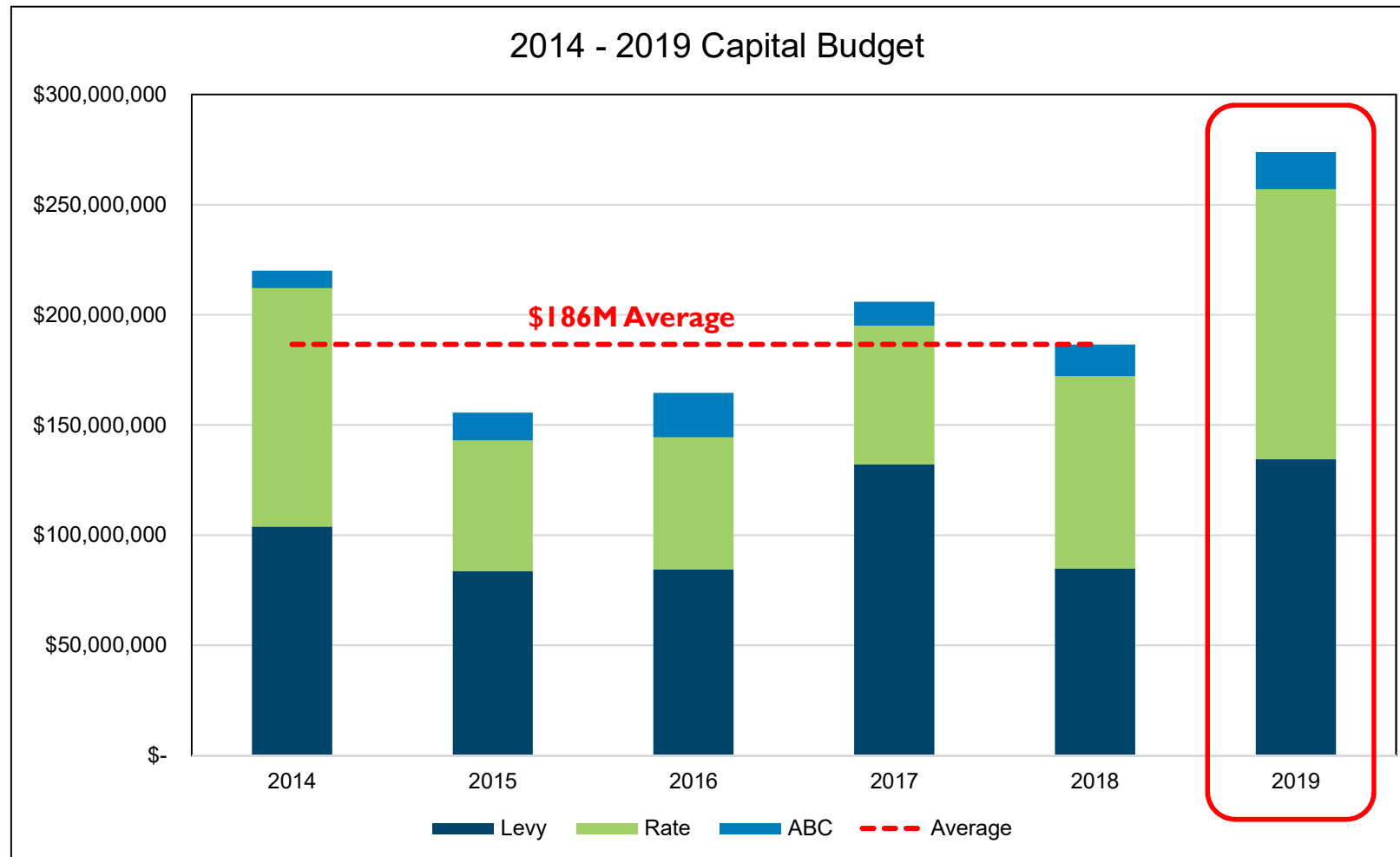
Landfill and
Recycling Facility
(\$7M)



Wastewater
Treatment
and
Collection
(\$52M)



Historical Capital Budgets

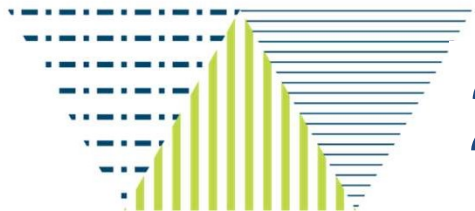


2019 CAPITAL BUDGET

Capital Budget Drivers

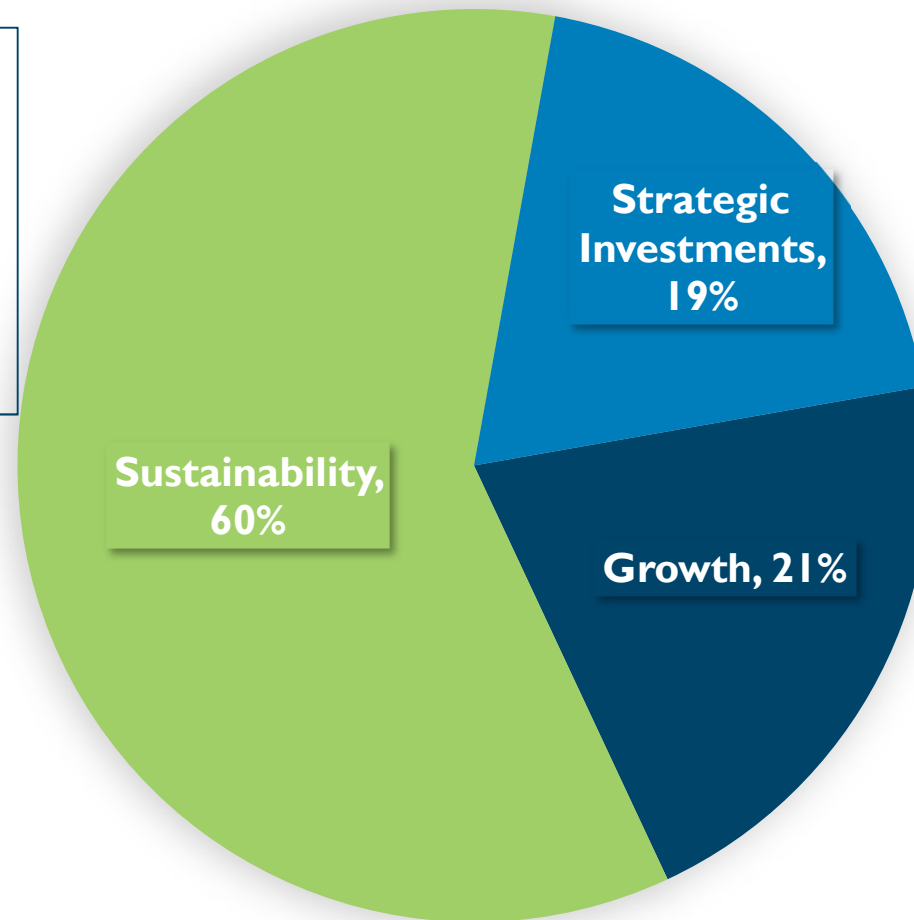
2018 vs 2019 Investment (millions)

Driver	2018	2019
Sustainability/AMP	92.7	163.8
Growth	27.3	57.0
Strategic Investments	<u>66.4</u>	<u>53.1</u>
Total	\$186.5	\$273.9



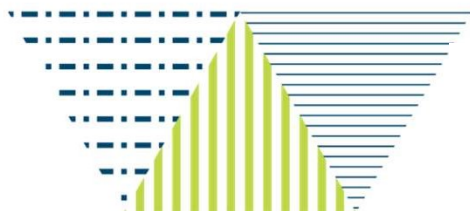
2019 Capital Budget Drivers

Sustainability/ AMP	\$163.8M
*Decew Plant Upgrade	21.1M
* Environmental Centre	21.0M
*Roads Resurfacing	10.0M
*NOTL Lagoon	12.0M



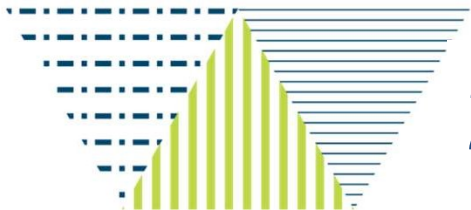
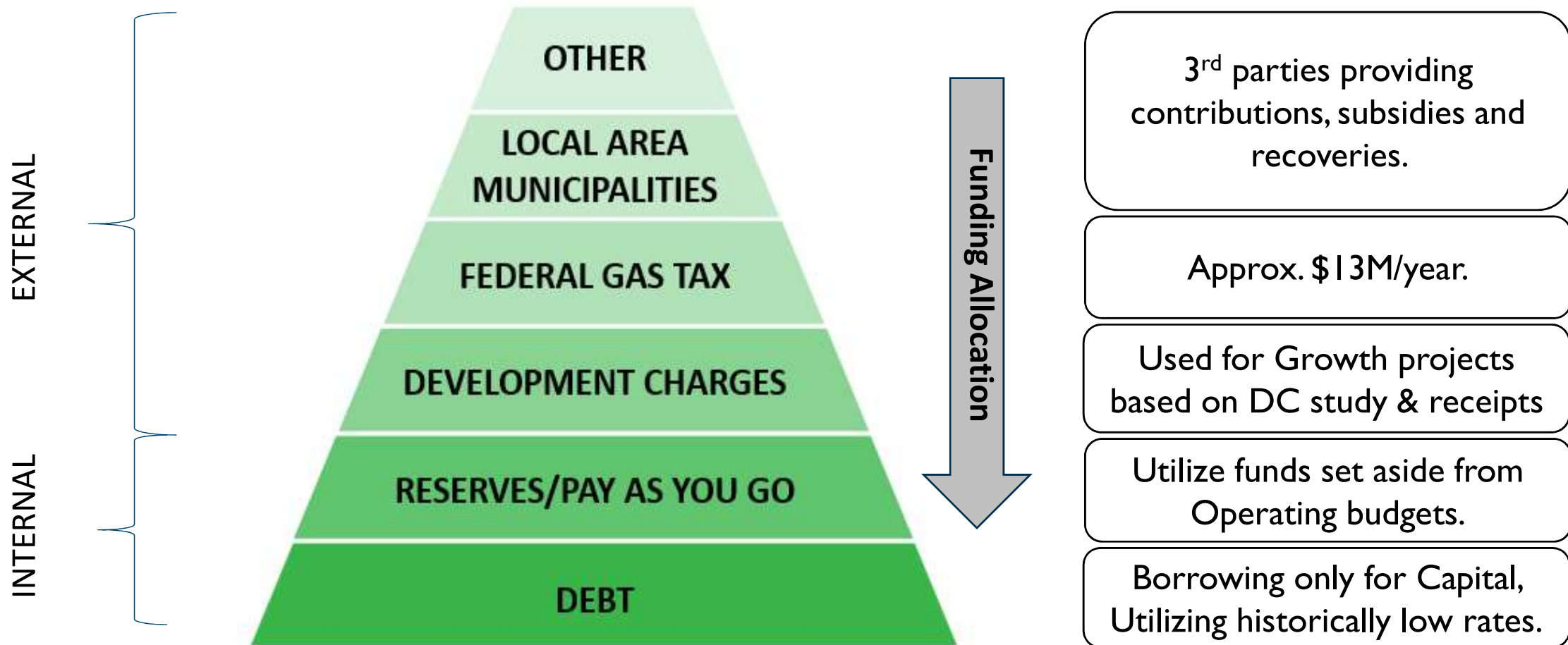
Strategic Investments	\$53.1M
*Niagara Regional Transit	13.9M
*Stevensville Lagoon Upgrade	4.0M
*South Grimsby Rd Phase 2	3.6M
*Niagara Street Transmission	3.5M

Growth	\$57.0M
*Martindale Road QEW	16.1M
*Grimsby System Storage	11.5M
*Casablanca/Livingston QEW	10.0M
*Thorold Stone/Stanley Ave	6.0M



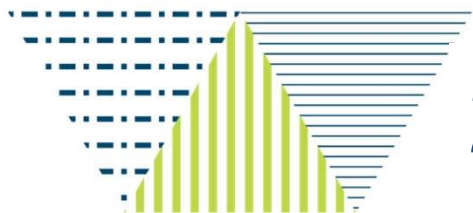
2019 CAPITAL BUDGET

2019 Financing Strategy



2019 Financing Strategy (millions)

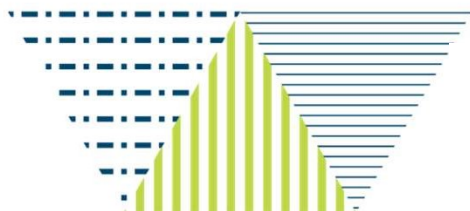
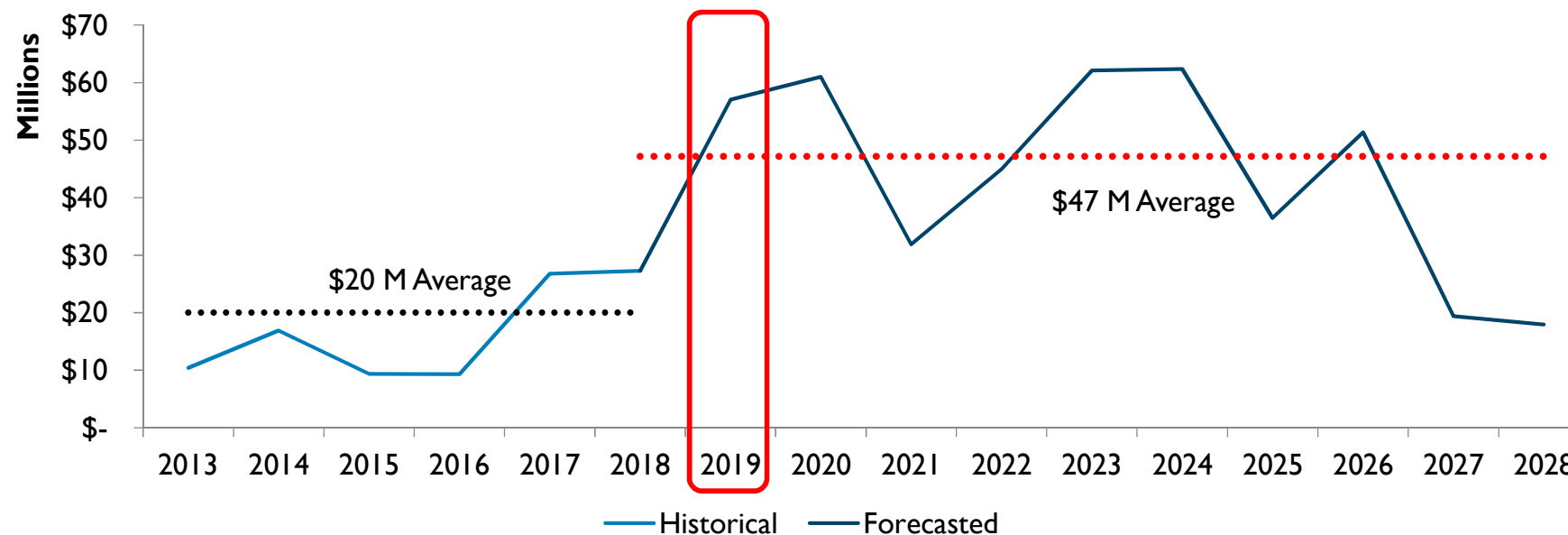
	Levy	Rate	Total
External Funding:			
Other External	\$2.5	\$4.8	\$7.3
Area Municipalities	3.0		3.0
Federal Gas Tax	10.3	3.0	13.3
Development Charges	38.5	18.6	57.1
Internal Regional Funding:			
Reserves	44.6	84.1	128.7
Infrastructure Deficit Reserves	3.7		3.7
Debentures	<u>27.7</u>	<u>33.1</u>	<u>60.8</u>
Total	\$130.42	\$143.52	\$273.94



Investing in Growth

Use of Development Charges

- Doubling investment in growth related projects
- DC supporting \$57M / 20.8% of 2019 capital



Investing Growth

2019 Highest Growth Projects

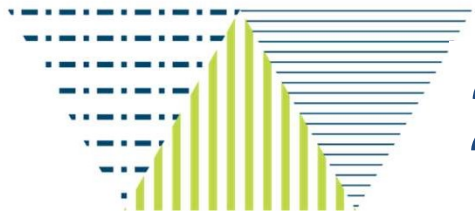
Project	Gross Budget	Population and Job's created	Supports GO
Martindale Road Reconstruction	\$16.1M	4,200	✓
Casablanca Boulevard Widening	\$10.0M	6,620	✓
Grimsby Water Treatment Plant System Storage	\$11.5M	38,400	
Thorold Stone Road Extension	\$6.0M	3,010	✓



Alignment with Asset Management Plan

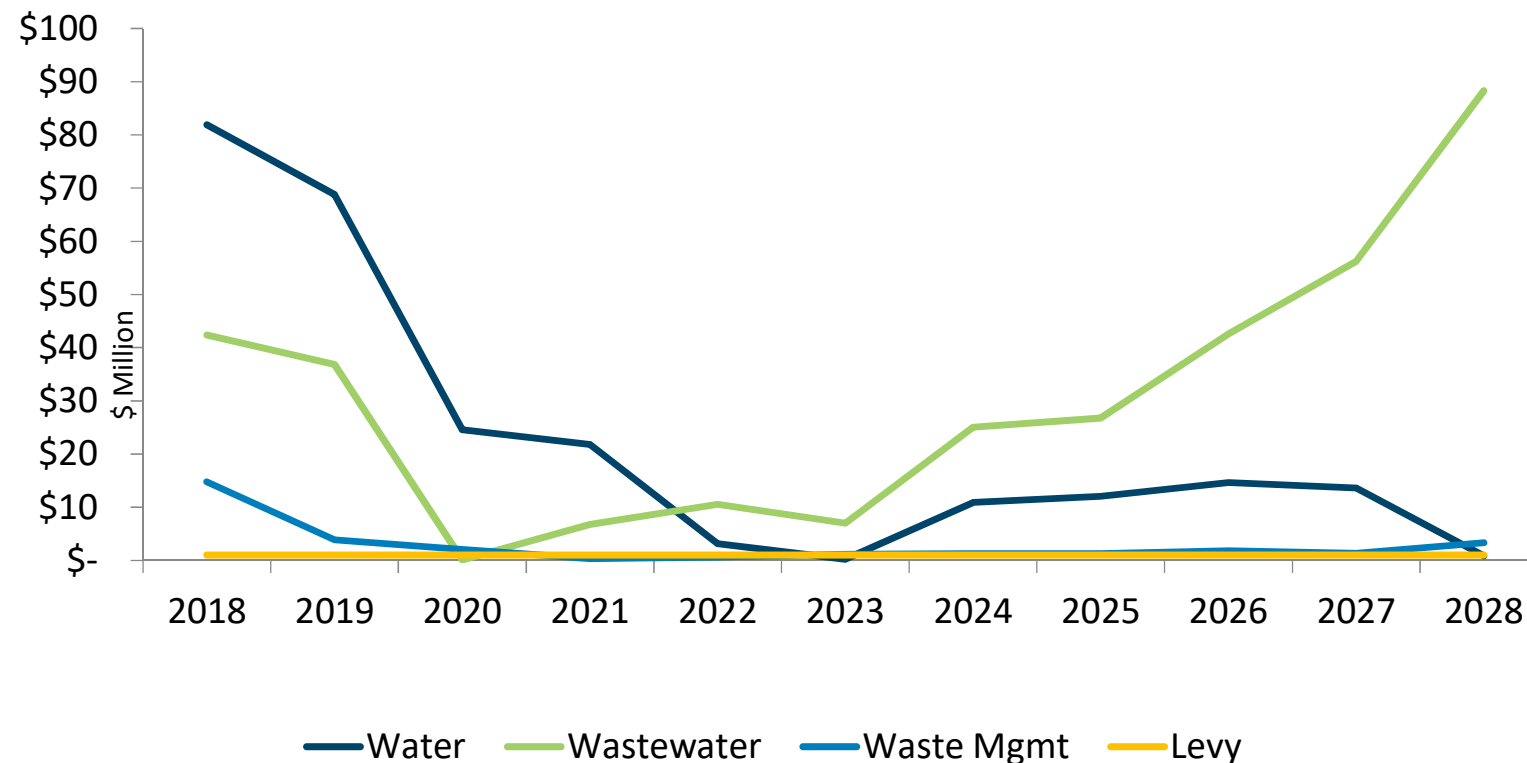
Investment in Sustainability

- 2017 AMP identified a capital back log of \$548M
- 60% of 2019 gross budget aligned to AMP (2018 – 49%)
- \$70M of additional sustainability funding in 2019 starts to reduce backlog
 - However \$77M annual shortfall in Water and Wastewater funding needs to be addressed
 - Strategies will be recommended with Water and Wastewater operating budget



Reserves/Pay As You Go vs Debt

- **Reserves/pay as you go consideration**
Operating budget pays for capital replacement in the year (Capital Levy)
- \$131M utilized for 2019; Forecasted Capital Reserves as follows:



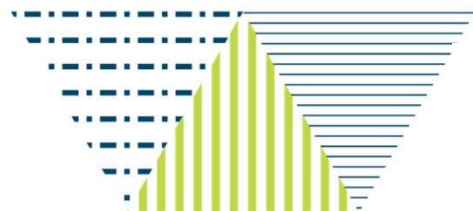
Reserves/Pay As You Go vs Debt

- **Debt consideration**

Operating budget pays for interest and principal payments for the year

\$60.9M Assets	Option 1: Reserve Funded		Option 2: Debt Funded	
	\$ of Budget	% of Budget	\$ of Budget	% of Budget
Tax Levy Budget	\$27.8M	8.0%	\$2.9M	0.84%
Rate Req Budget	<u>\$33.1M</u>	22.7%	<u>\$1.9M</u>	1.31%
Overall impact on Operating	<u>\$60.9 M</u>		<u>\$4.8 M</u>	

\$3.5M accommodated within guidance
\$1.3M for NRT requires special levy



Debt used - \$60.9M



**Water &
Wastewater
Infrastructure**

\$33.1 million



**Niagara
Regional
Housing**

\$10.2 million



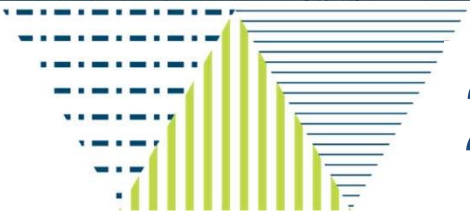
**Various Bridge
Reconstruction**

\$5.7 million



**Niagara
Regional
Transit**

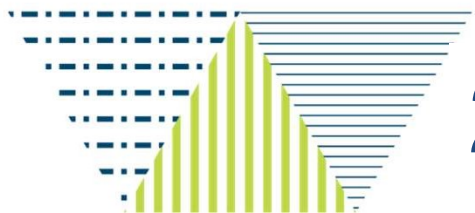
\$11.8 million



2019 CAPITAL BUDGET

Niagara Regional Transit – Separate Levy

- Support regional integration, GO Service & Economic Development
- \$11.5M Total Operating budget to support NRT service enhancements
- Increase of \$7.9M or 2.3% - separate levy for operating and capital costs
 - To be decided with operating budget
- \$3.5M will support \$13.9M of capital assets in 2019
 - \$2.2M reserve transfer for 2019 and \$1.3M to support debt over 10 years



Historical Debt

- 2019 - \$60.8M or 22% of budget
- Prior 5 year average annual debt approved of \$50M or 27% of budget
 - Highest debt approved in 2008 - \$103M or 68% of budget

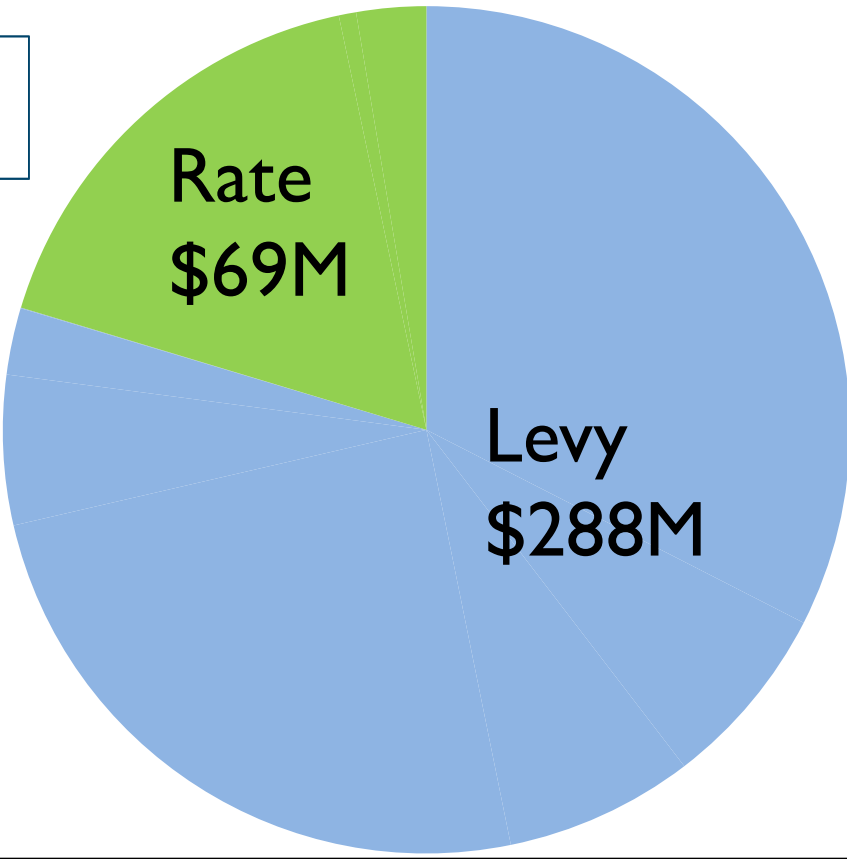
Year	Capital Budget (Millions)	Debt (Millions)	% of Capital Budget
2014	220	50	23%
2015	155	40	26%
2016	164	41	25%
2017	206	66	32%
2018	186	52	28%
	Average	50	27%



Total Regional Debt Outstanding (2018)

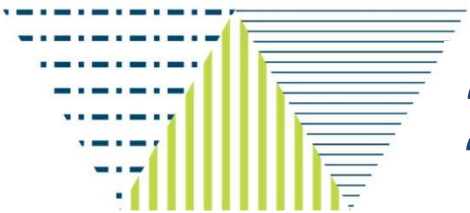
Total is \$357 Million on Assets of \$7.4B

1.5% of \$4.7B in rate assets
financed with debt



11% of \$2.7B in levy assets
financed with debt

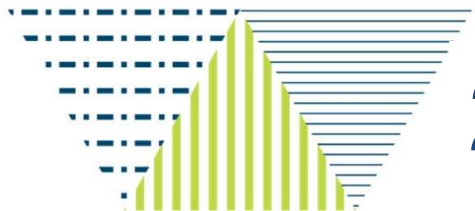
2019 balance is projected to be \$388M



Debt – Municipal Act Opportunity

Annual Repayment Limit

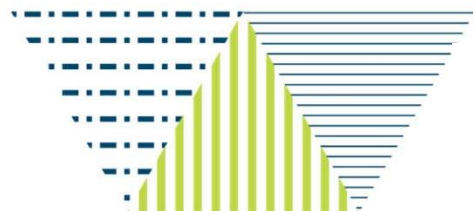
- Province of Ontario established in the Municipal Act an opportunity for municipalities to utilize up to the maximum of 25% of municipal revenue that can be use to pay our debt charges on Capital Assets
 - Debt can not be used to fund operating
 - [Debt vs deficit](#) video
- Niagara Region's ARL for the year ending December 31, 2018 is estimated at **7.5 per cent**



Debt Metrics

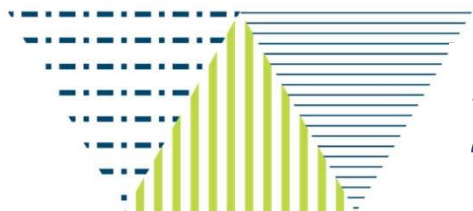
- Better than provincial comparators in 4 of 6 metrics

Metric	Current State	Proposed with 2019 Budget	Average of Comparable Regions per MMAH
Debt as a % of Operating Revenues	37.0%	44.0%	57.0%
Debt to Reserve Ratio	.86	1.01	.85
Debt Outstanding per Capita	\$ 754.95	\$ 887.63	\$ 1,148.51
Debt Outstanding per Household	\$ 1,742.96	\$ 2,049.28	\$ 3,553.93
Issued Debt (LAM incl.) to Operating Revenue (S&P)	81.0%	89.0%	70.5%
Debt Charges to Own Source Revenue (ARL)	8.0%	8.0%	9.3%

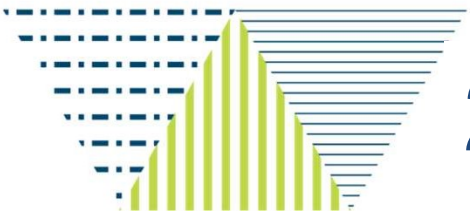
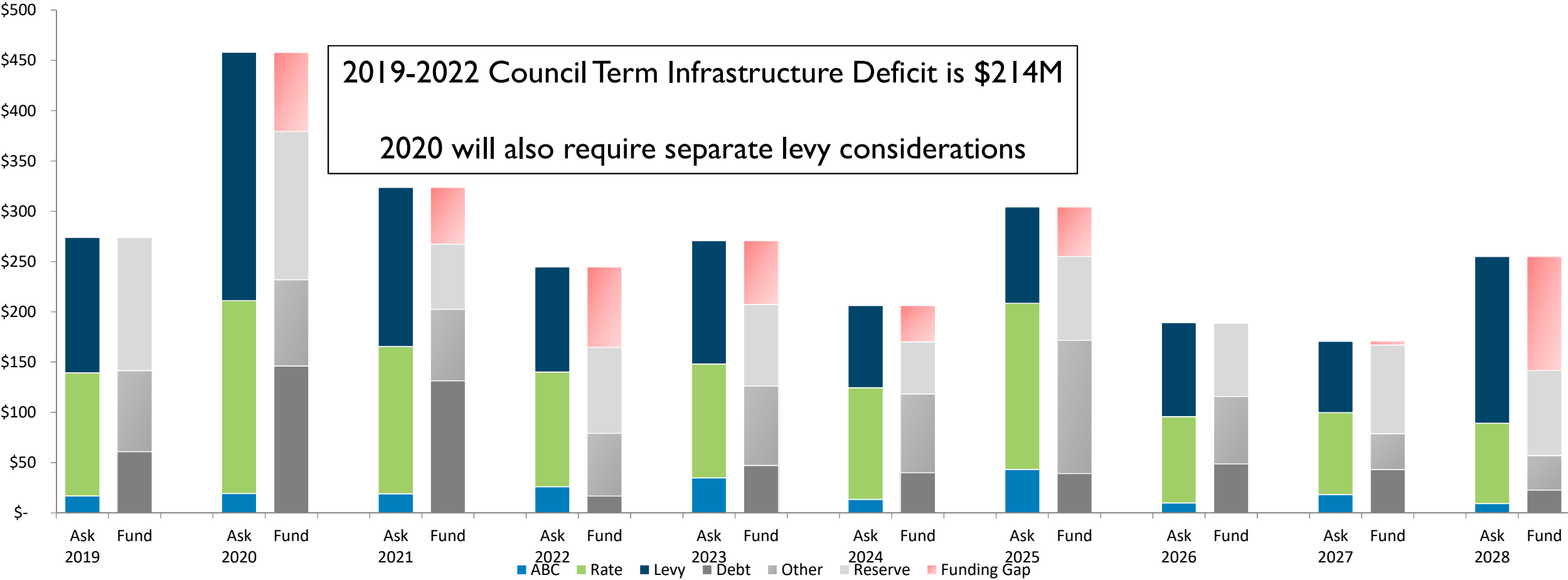


Debt Risk Management Strategy

- Region is enhancing the debt monitoring process because Region issues all debt for Local Area Municipalities as well
- Key features:
 - collaborative process of sharing information between the Region and local area municipalities
 - dashboard which measures various financial indicators, will accompany Debt by-law approvals

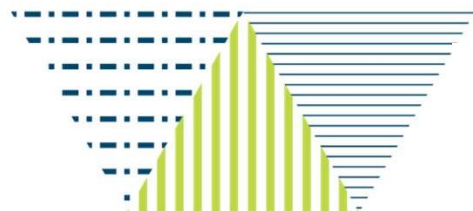


10 Year Capital Forecast



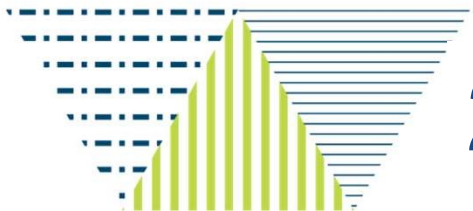
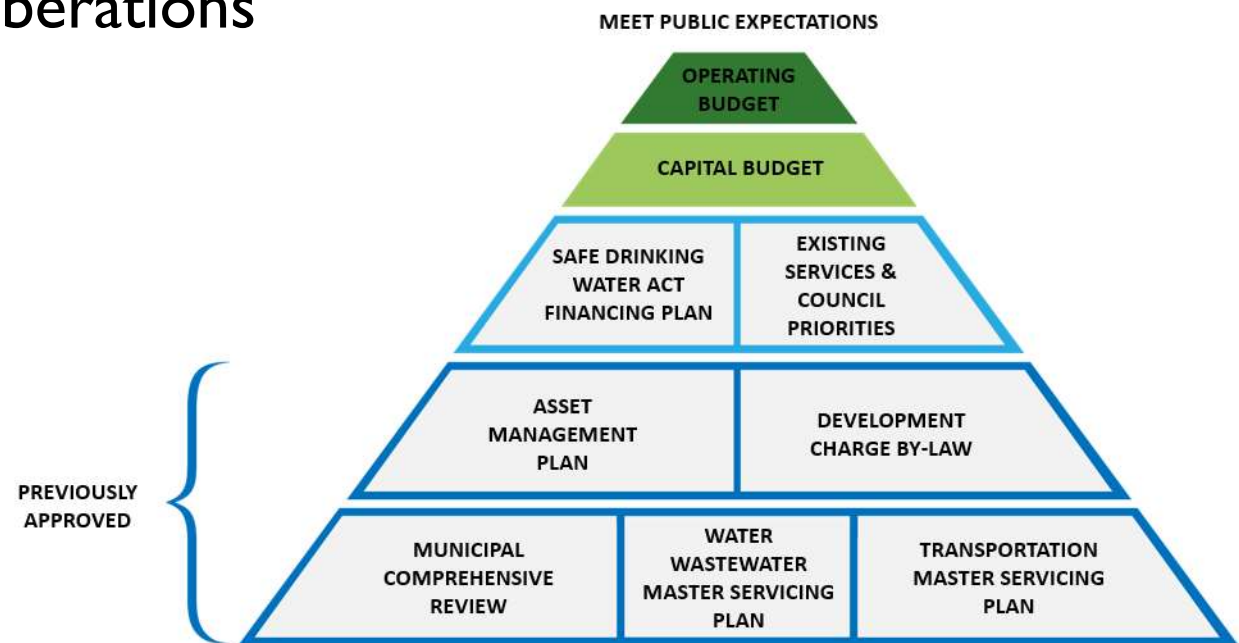
Risks and opportunities

Risks	Opportunities
Increasing debt has operating budget impacts	Debt risk framework will help monitor credit rating
Limited funds available for AMP and Region share of growth projects	More investment in growth using DCs
Project management resources continue to be constrained according to consultant report	Project Management Office to implement best practices
Continued emphasis on completing previously approved projects	Ongoing evaluation of administrative/direct project supports that may require Operating budget resources (sustainability review)
Increased maintenance due to asset failure may be required	Implementation of Asset Management Governance and policies



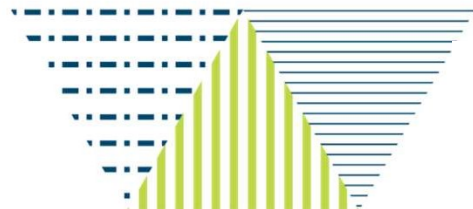
Next Steps

- Approve 2019 Capital Budget in principle as per CSD I-2019
- Capital Budget By-law to be approved concurrent with Operating Budget By-law
 - Await outcome of operating deliberations



Next Steps

Date	Capital Budget	Operating Budget - Rate	Operating Budget – Levy / ABC
Jan 10th	Budget Review Committee		
Jan 17th		Budget Workshop (day)	
Jan 24th		Budget Review Committee	Budget Workshop (day)
Jan 28th			Budget Workshop (day if required)
Jan 31st			Budget Review Committee ABC Operating Budget
Feb 14th		Special Council Budget By-law approval	Budget Review Committee Levy Operating Budget
Feb 28th			Council Levy & Capital Budget By-law



Questions?

