

NIAGARA REGION

2020

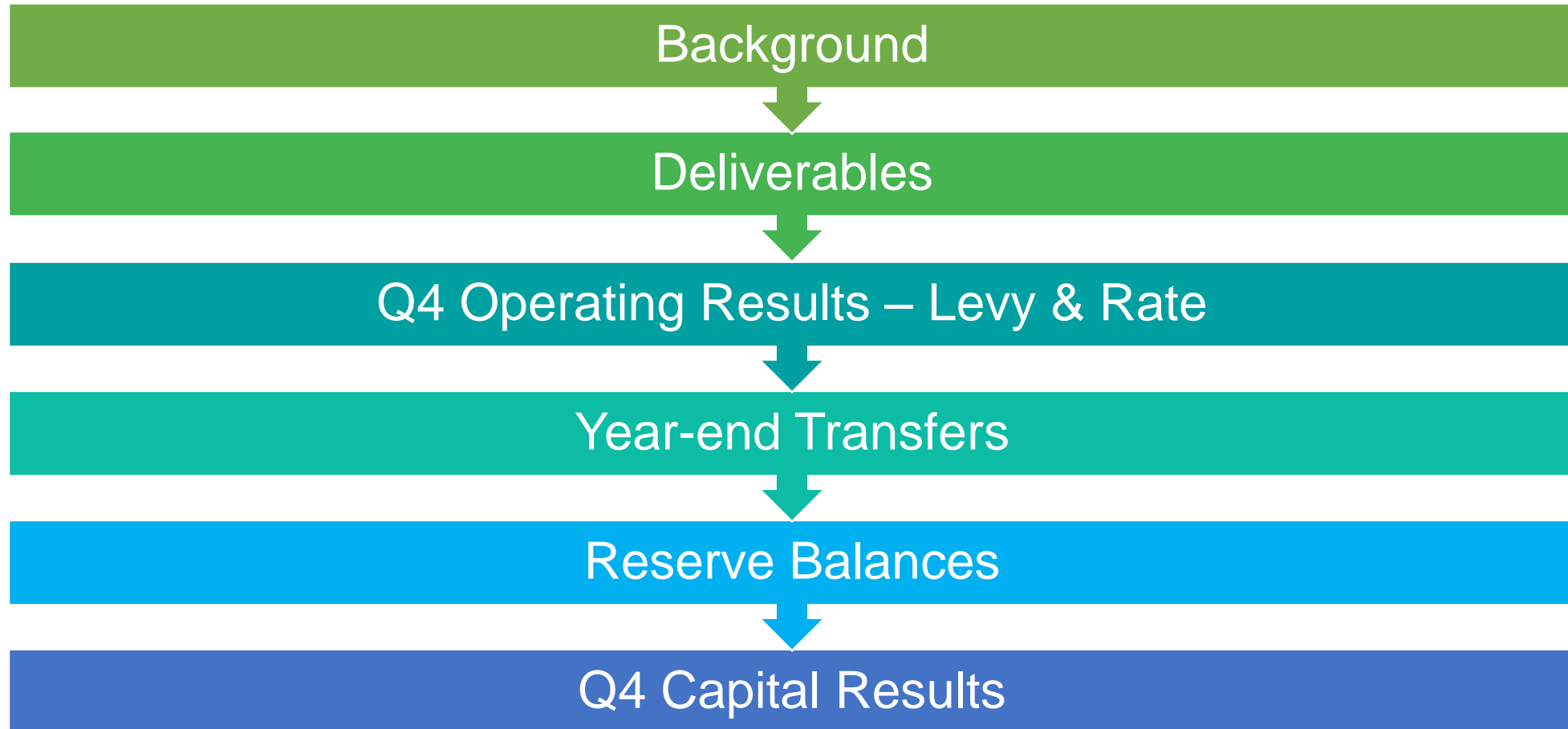
Q4 FINANCIAL UPDATE
DECEMBER

Q4 2020 Financial Update

Corporate Services Committee
March 10, 2021



Agenda

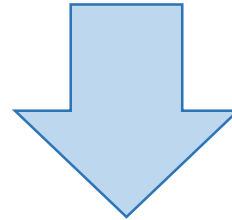


Background

Policies 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

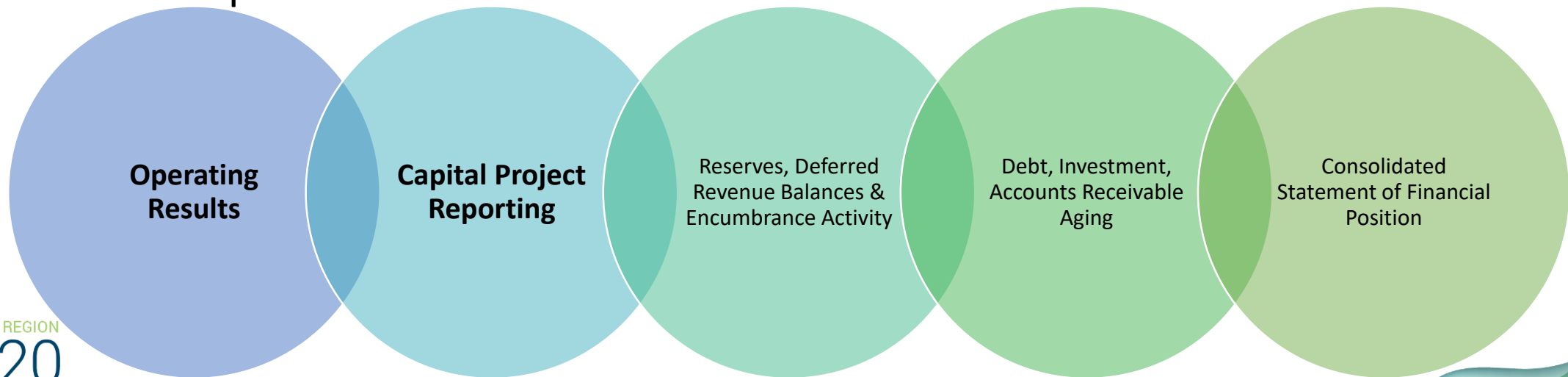
Deliverables

Q4 2020 Financial Update is available on the Niagara Region's external website:

[December 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:



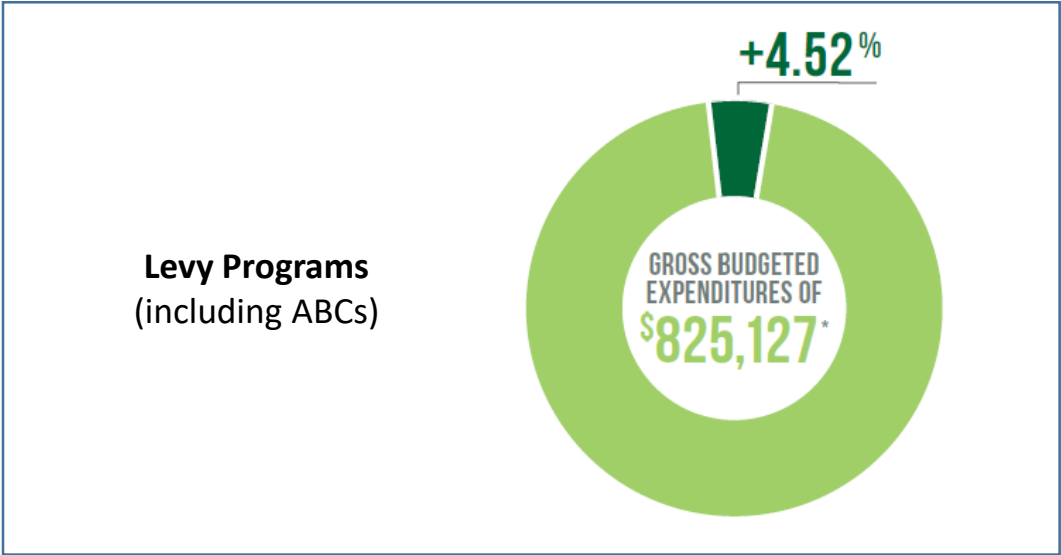
2020 Key Messages

- Surplus driven by
 - ✓ Mitigation efforts to manage costs early in the pandemic, including the redeployment of staff resources and the re-prioritization of planned work
 - ✓ On-going COVID-19 restrictions continued to impact Regional service delivery
- \$47.9 million 2020 COVID funding received & applied to \$49 million in net costs
 - ✓ \$17.1 million announced in December/January 2021
 - ✓ Our Phase 2 Safe Restart application was successful for \$6.7 million
- Transfer recommendation aligned with Operating Surplus/Deficit Policy, with funds allocated to stabilization reserves, capital reserves and to support key initiatives
 - ✓ 2021/2022 budgets relying on this year-end transfer to taxpayer relief to fund pressures

Q4 Summary Results

Levy Programs

(in thousands)	Q4 Final Surplus/(Deficit)		Percentage of Gross Budget	Q3 Forecasted Surplus/(Deficit)	
Regional Departments and General Government	\$	37,410	6.72%	\$	19,504
Agencies, Boards and Commissions (ABCs)		(104)	-0.04%		(2,431)
Total Levy Supported Programs	\$	37,306	4.52%	\$	17,073



Over \$17 million in funding announced in December/January

* Includes transfer, intercompany charges and indirect allocations

Q4 Summary Results

Regional Departments and General Government Drivers

(in thousands)		Q4 Final Surplus/(Deficit)	Percentage of Gross Budget	Q3 Forecasted Surplus/(Deficit)
Regional Departments and General Government	\$	37,410	6.72%	\$ 19,504
Agencies, Boards and Commissions (ABCs)		(104)	-0.04%	(2,431)
Total Levy Supported Programs	\$	37,306	4.52%	\$ 17,073

Major Factors impacting Regional Departments (Surplus of \$37,410):

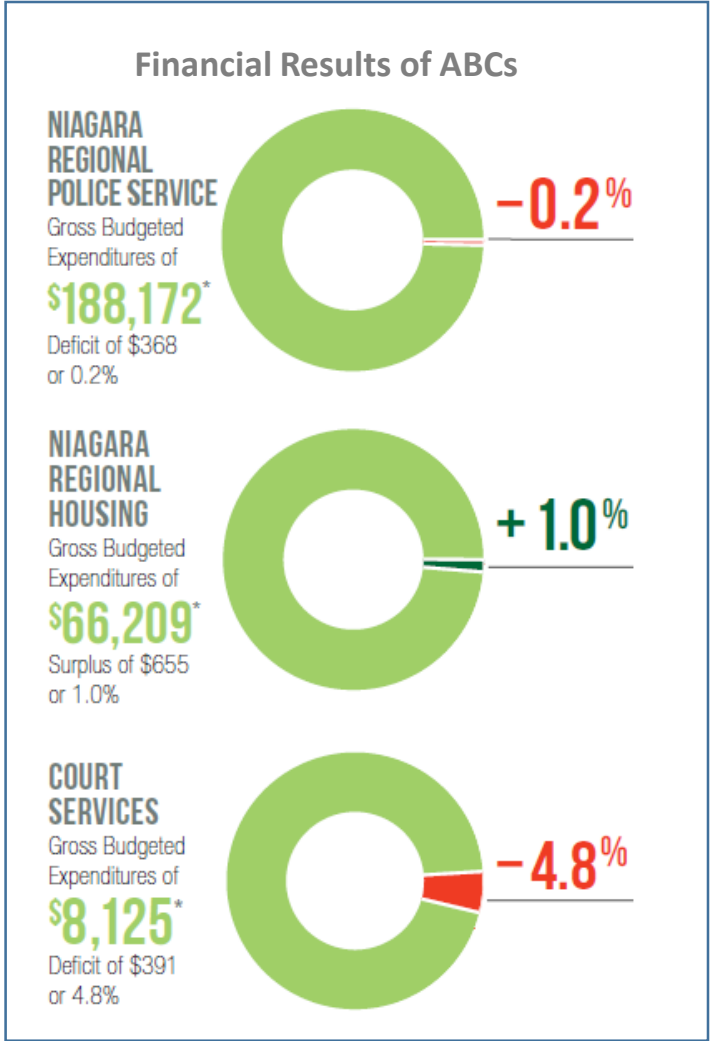
- Safe Re-Start & program-specific COVID-related funding (+\$47,911)
- Incremental COVID-related staffing, cleaning, supplies & personal protective equipment mainly in Community Services and Public Health (-\$26,866)
- Staffing vacancies and benefit savings (+\$9,171)
- NRT/NST COVID-19 service impacts and expansion delays (+\$6,020)
- Incentive grant program uptake and development charge grants (+\$6,063)
- Decrease in investment income and increase in investment income allocation to reserves (-\$4,740)

Q4 Summary Results

ABC Drivers

(in thousands)		Q4 Final Surplus/(Deficit)	Percentage of Gross Budget	Q3 Forecasted Surplus/(Deficit)
Regional Departments and General Government Agencies, Boards and Commissions (ABCs)	\$	37,410 (104)	6.72% -0.04%	\$ 19,504 (2,431)
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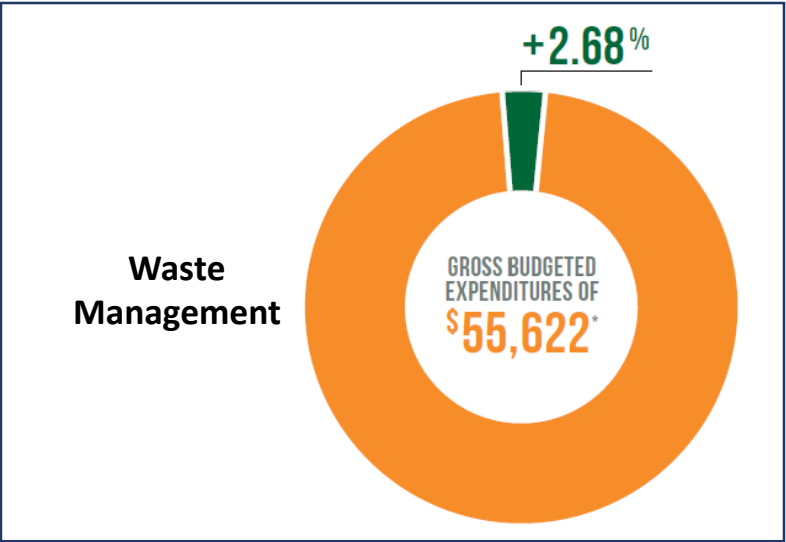
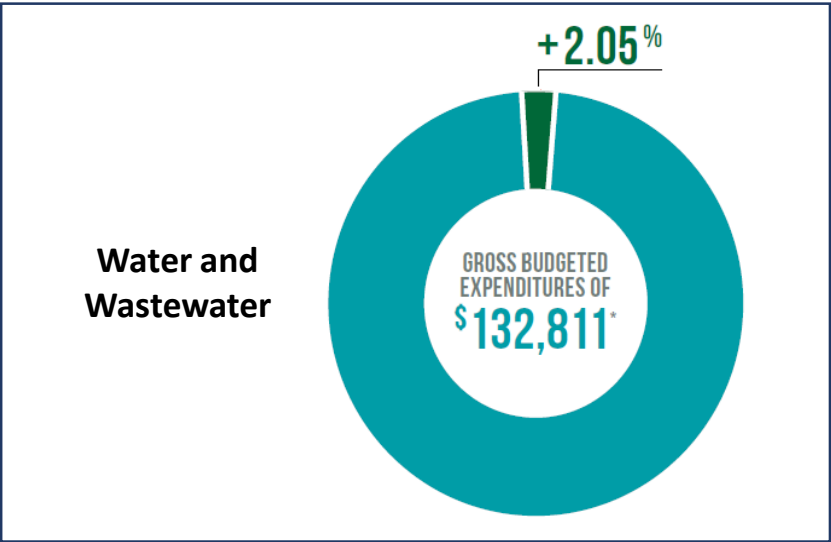
- Major Factors impacting ABCs (Deficit of \$104):
- **NRPS** – Revenue decrease mainly due to Casino closures and increase (-\$3,200) offset by labour-related costs (+\$2,762)
 - **NRH** – Labour-related costs savings, utilities , reduced co-op provider subsidies and increased rental revenues (+\$1,201) offset by capital grants (-\$662)
 - **Court Services** – Decreased revenues (-\$2,765) offset by labour-related costs savings, decreased court costs and reduced distribution to LAMs (+\$2,049)



Q4 Summary Results

Rate Programs

(in thousands)		Q4 Final Surplus	Percentage of Gross Budget	Q3 Forecasted Surplus
Water and Wastewater	\$	2,729	2.05%	\$ 1,649
Waste Management		1,493	2.68%	396
Total Rate Supported Programs	\$	4,222	2.24%	\$ 2,045



* Includes transfer, intercompany charges and indirect allocations

Q4 Summary Results

Rate Drivers

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Water and Wastewater	\$ 2,729	2.05%	\$ 1,649
Waste Management	1,493	2.68%	396
Total Rate Supported Programs	\$ 4,222	2.24%	\$ 2,045

Major Factors Impacting Water & Wastewater

(Surplus of \$2,729):

- Repair & maintenance work (+\$2,147)
- Labour-related costs (+\$666)
- Utilities (+\$537)
- Water sales (-\$1,020)
- Chemical costs (-\$435)

Major Factors Impacting Waste Management

(Surplus of \$1,493):

- Collection contract (fuel & unit price) savings (+\$647)
- Environmental monitoring/landfill operations (+\$526)
- Labour-related costs, including MRF (+\$321)
- Tipping fee revenue (-\$562)
- Compost facility (-\$430)

2020

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Year-end Transfers

- Recommendations outlined in CSD 17-2021
- Aligned with Operating Surplus/Deficit Policy
- Funds allocated
 - ✓ Stabilization reserves
 - ✓ Capital reserves
 - ✓ Key initiatives including funding the West Lincoln Hospital commitment by 2024 & continuing investment in the Niagara Foreign Trade Zone

Key Reserve Targets

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

Forecasted balances are net of 2021 to 2023 budgeted uses of the reserves to fund COVID-19 cost and other pressures

(in thousands)	Reserve Balance				Reserve Target Balance		Conclusion
	At December 31, 2020	At December 31, 2021	At December 31, 2022	At December 31, 2023	Low (10%)	High (15%)	
Taxpayer Relief (*)	\$ 53,509	\$ 27,718	\$ 20,117	\$ 20,962	\$57,263	\$85,895	Underfunded
Water Stabilization	\$ 3,431	\$ 3,438	\$ 3,445	\$ 3,452	\$2,387	\$3,581	Within Funding Targets
Wastewater Stabilization	\$ 3,254	\$ 3,271	\$ 3,288	\$ 3,305	\$6,476	\$9,715	Underfunded
Waste Management Stabilization	\$ 6,365	\$ 2,942	\$ 2,064	\$ 2,688	\$5,296	\$7,944	Underfunded
Hospital Contribution	\$ 6,600	\$ 8,100	\$ 9,600	\$ 11,100	\$12,600 by 2024		Sufficiently Funded

* Niagara Region considers all levy gross expenditures, excluding ABCs, when setting targets for Taxpayer Relief Reserve

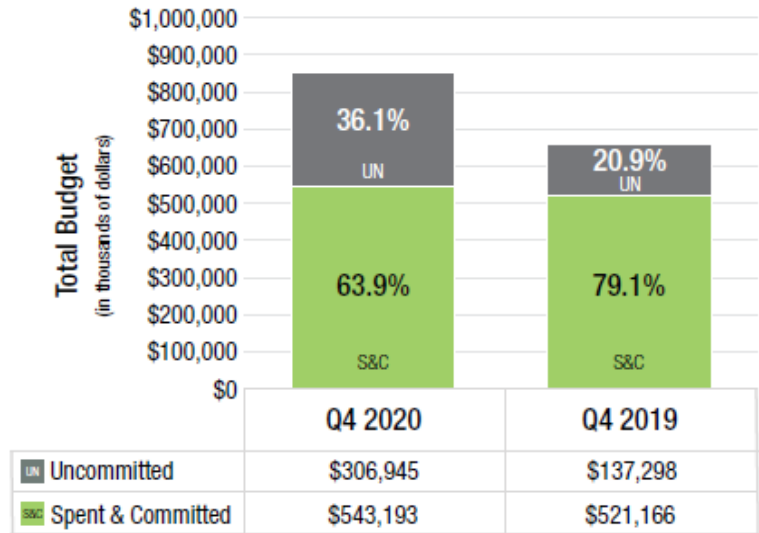
Capital Project Status

Projects with budgets greater than \$1 million

LEVY

PROJECT BUDGETS SPENT AND/OR COMMITTED AT QUARTER END

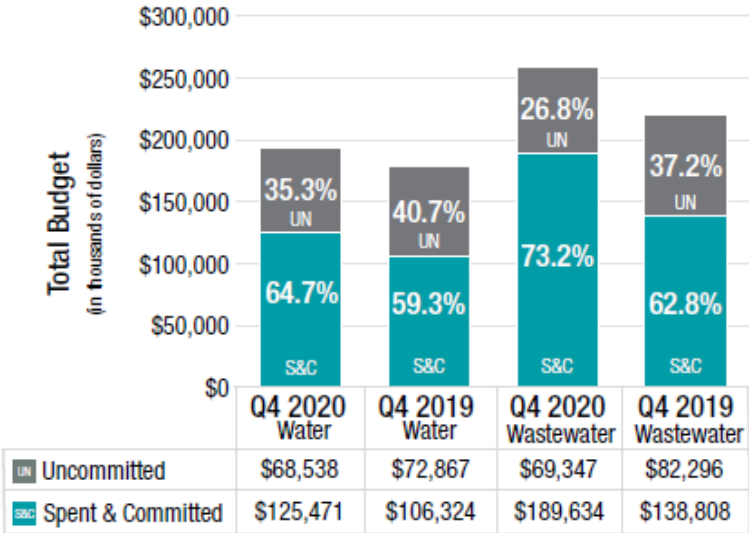
Active projects with budgets greater than \$1 million.



WATER & WASTEWATER

PROJECT BUDGETS SPENT AND/OR COMMITTED AT QUARTER END

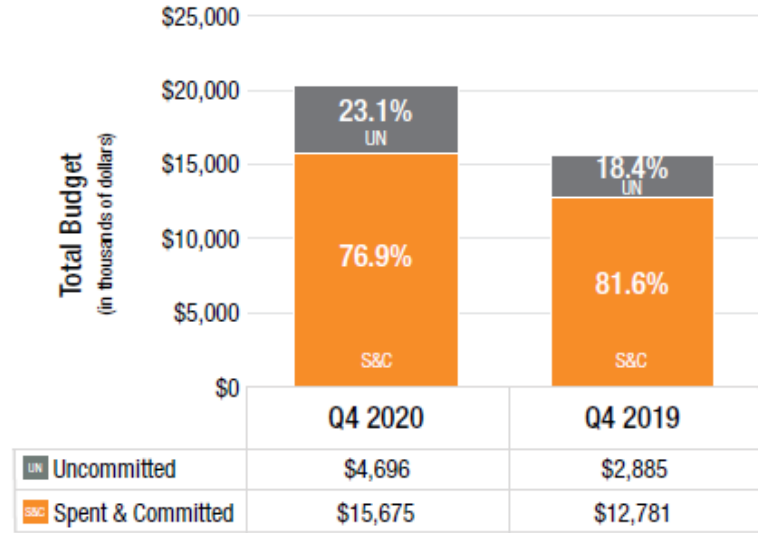
Active projects with budgets greater than \$1 million.



WASTE MANAGEMENT

PROJECT BUDGETS SPENT AND/OR COMMITTED AT QUARTER END

Active projects with budgets greater than \$1 million.

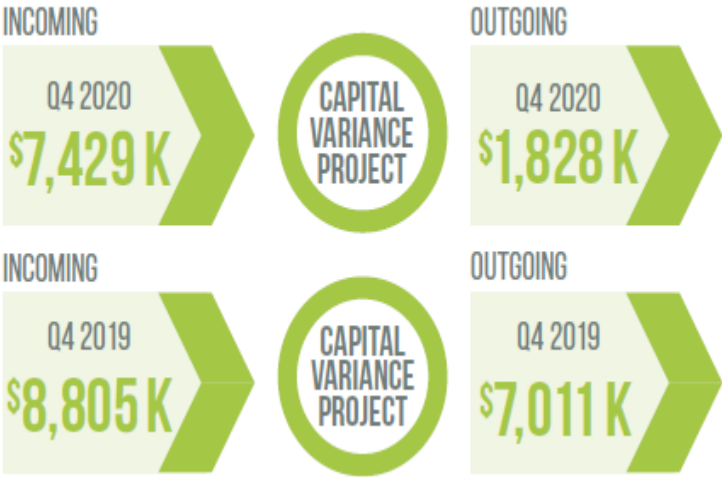


Lower % spent & committed trends partially attributable to COVID-19 focus on **urgent/essential procurements** and overall **increased capital budget** to address infrastructure gap

Capital Variance Project

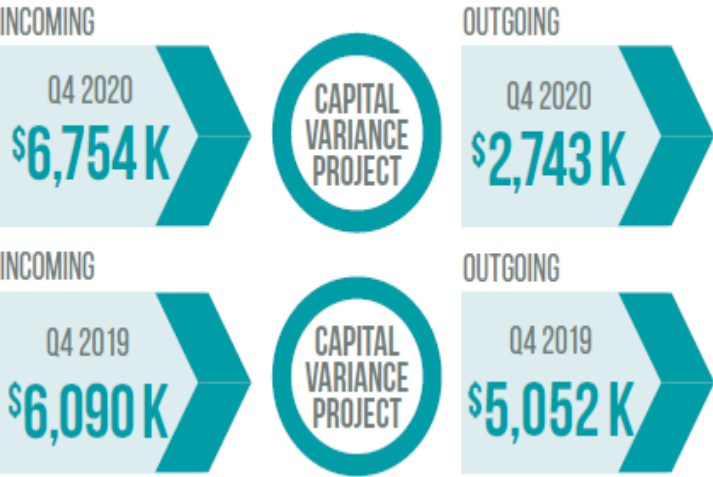
LEVY

YEAR-TO-DATE CAPITAL VARIANCE PROJECT TRANSFERS



WATER & WASTEWATER

YEAR-TO-DATE CAPITAL VARIANCE PROJECT TRANSFERS



WASTE MANAGEMENT

YEAR-TO-DATE CAPITAL VARIANCE PROJECT TRANSFERS



As of Q3 2020, **\$10.8 Million** has been made available for future capital

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

Next Steps

- Preparation of Consolidated Financial Statements and completion of audit
 - ✓ To be presented to Audit Committee on May 10, 2021
- Preparation of Annual Report to be published in June

Questions?

Melanie Steele
Associate Director, Reporting & Analysis