

# TWENTY22

NIAGARA REGION BUDGET

## 2022 Budget Planning

June 17, 2021

# 2022 Budget Planning

What we're going to cover:

- Proposed Strategy for 2022 Budgets
  - Budget engagement
  - Budget Planning By-law application
  - COVID-19 implications
- Budget Timetable
- Conclusion/Next Steps

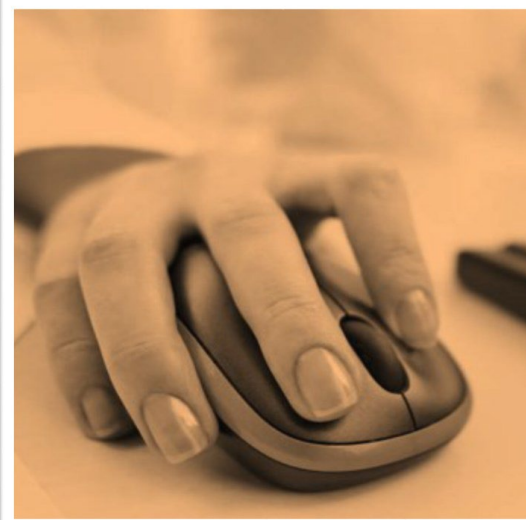
# Niagara Region Budget Engagement

Presented October 15, 2020

Initiatives perceived to be top priorities for the Region:

- Affordable housing and homelessness
- Long term care homes
- GO transit and regional transit
- Infrastructure

2022 will focus on education and raising awareness about Regional services and budget planning



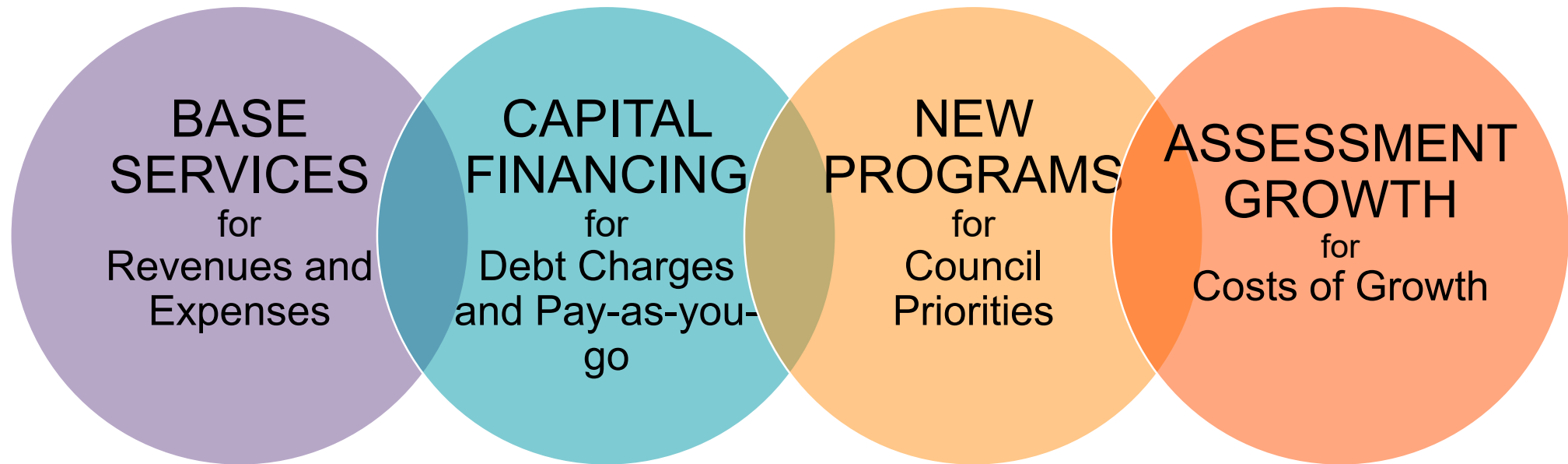
Online  
Survey



Third-party  
facilitated focus  
groups

# Budget Planning By-law

Approved by Council on October 17, 2019



# 2022 Budget Strategy

## Themes

### Sustainability

- Reduce the reliance on reserves used to fund 2021 base services



### Affordability

- Focus on new programs that encourage growth to support pandemic recovery

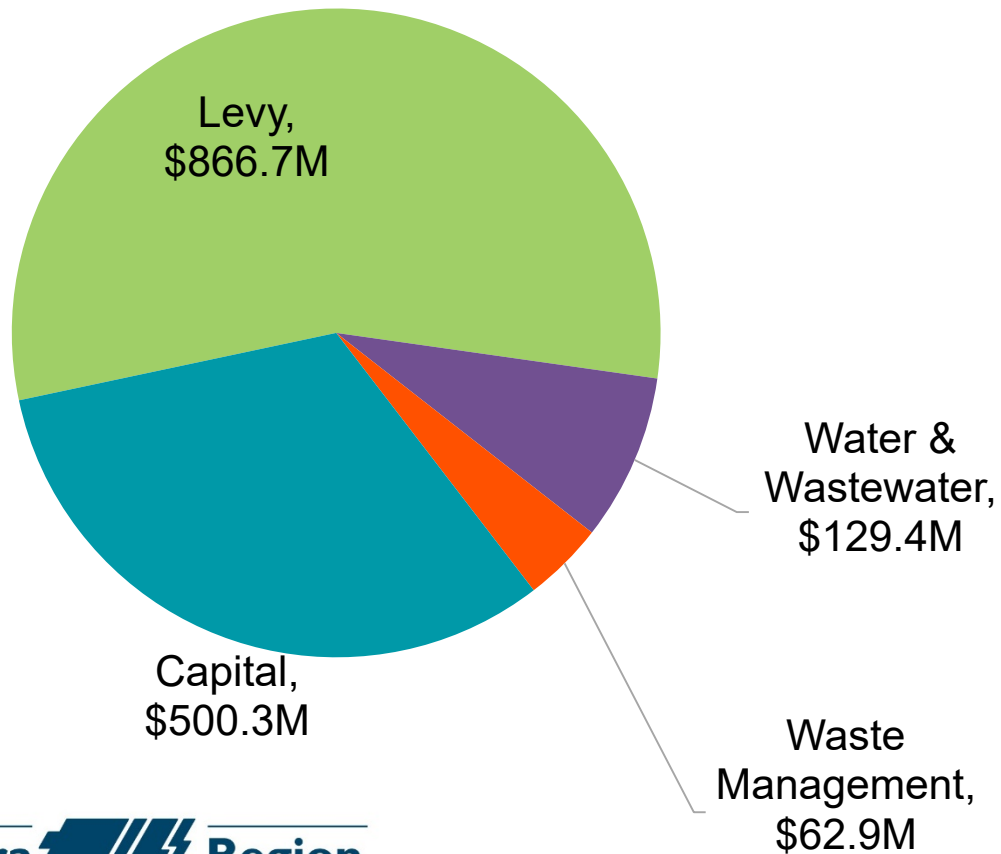
### Transparency

- Inform each component of the Budget as per the Budget Planning By law

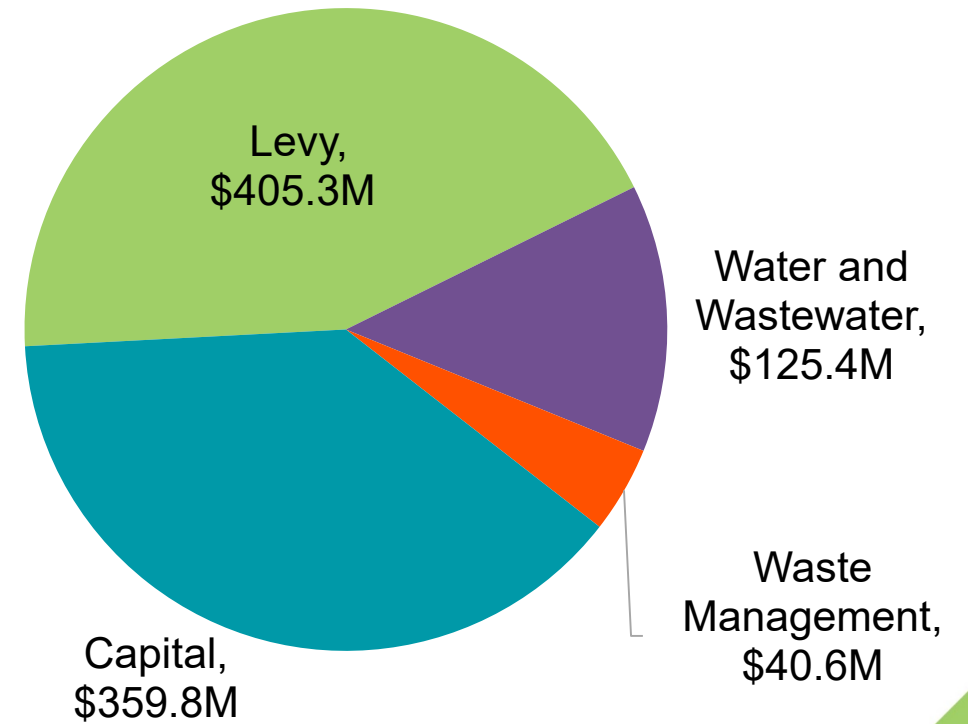
# 2021 Gross Budget of \$1.56 Billion

2021 Net Budget of \$931.1 Million

2021 Gross Budget



2021 Net Budget



# Base Services

## Impact of 2022 Inflation

- 2022 CPIX is targeted federally at 2.0%
- The 2021 Federal budget\* has forecasted 2021 CPI at 1.7%
  - 2021 budget increase for base services was limited to 1.0%
- Further constraints to 2022 base may compound service delivery cost pressures from 2021

# Base Services

## Impact of 2021 Base Services Funding Decisions

2021 budget included one-time sources to fund base services:

Levy - \$4.3 million (1.1%) was drawn from the taxpayer relief reserve to:

- Mitigate NRPS increase of \$3.5 million
- Reduce Tax increase from 2.00% to 1.80%

Water/Wastewater - \$1.0 million was drawn from Capital to:

- Fund 50% of the CSO program, which was removed to mitigate to 2.00% strategy

Waste Management - \$3.4 million from the Waste Stabilization Reserve to:

- Mitigate collection contract increases to 9.8% for three years.

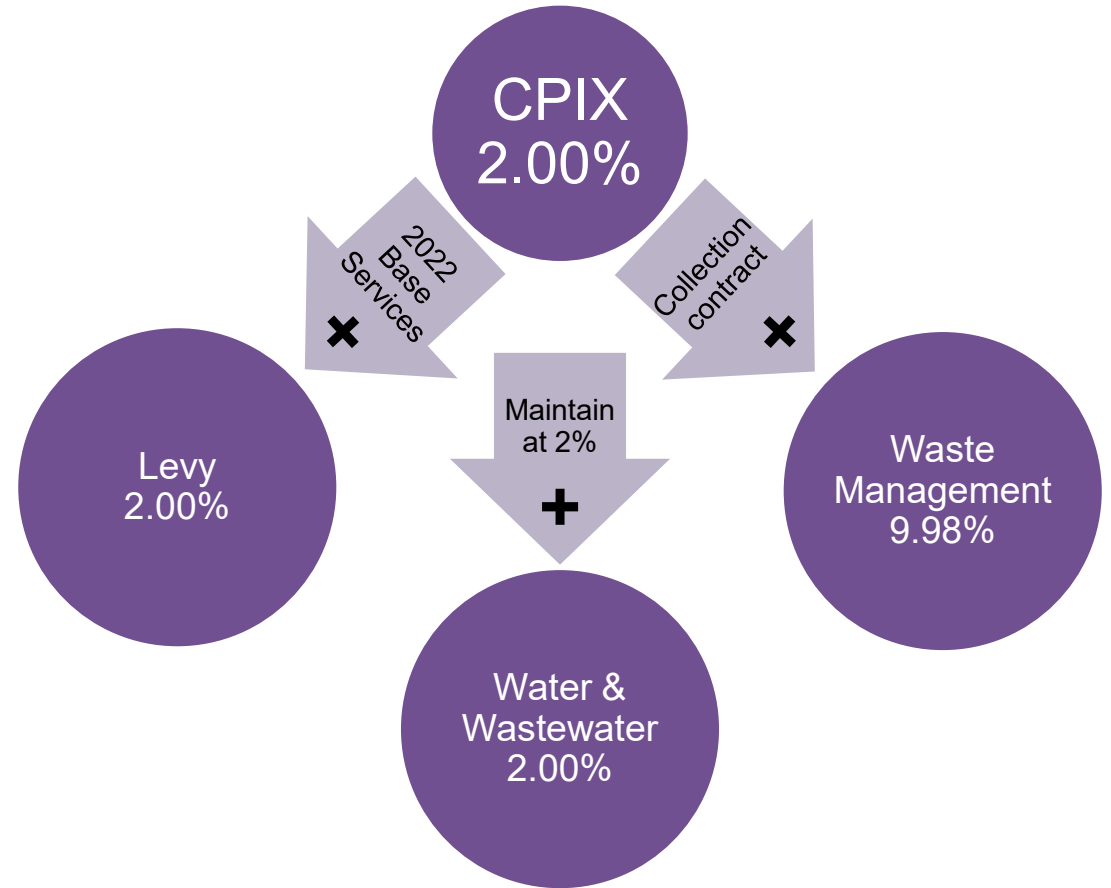


# Base Services

## 2022 Budget Strategy

Policy aligns base increase to inflation

- Core consumer price index (CPIX) target of 2.0%
- To cover labour related costs, operating expenses, contract escalations etc.
- With modifications to address prior year commitments/pressures



# Capital Financing Strategy

Use of Reserve and Debt Funded From Operating Budgets

## Reserves

Replacement of existing infrastructure to maintain level of service

Examples:

- Roads Rehabilitation and Reconstruction
- Ambulance Replacement

## Debt

Use for new assets, strategic priorities and Region's share of growth assets

Examples:

- South Niagara Falls WWTP
- LTC Redevelopment

## Development Charges

Used to fund growth assets

# Capital Financing

## 2022 Budget Strategy

### Levy


- From 2.16% to 1.89% for 10 years to provide sustainable reserve funding
- \$10M Debt available with no operating budget increase

### Water and Wastewater

- 3.15% for 8 years provides sustainable reserve & debt funding
- Debt forecast in approved 10 year SDWA plan – (\$51M for Water and \$110M for Wastewater excluding SNF WWTP) included in 3.15%

#### Reserves – 2021 to 2029

**\$21M** → **\$94M**  
**Target**



#### Reserves – 2021 to 2029

**\$37M** → **\$80M**  
**Target**



# Capital Financing

## 2022 Budget Strategy

Capital funding gap to be addressed separate from base services

- 2022 – propose 1% vs 1.89% for Levy
- 2021 – 1.00% of departmental budget increase allocated to fund the infrastructure gap
- 2021 – one-time doubling of Federal Gas Tax
- 2020 - 1.54% for long term care capital
- 2017 – 1.00% infrastructure levy

### CAPITAL FINANCING

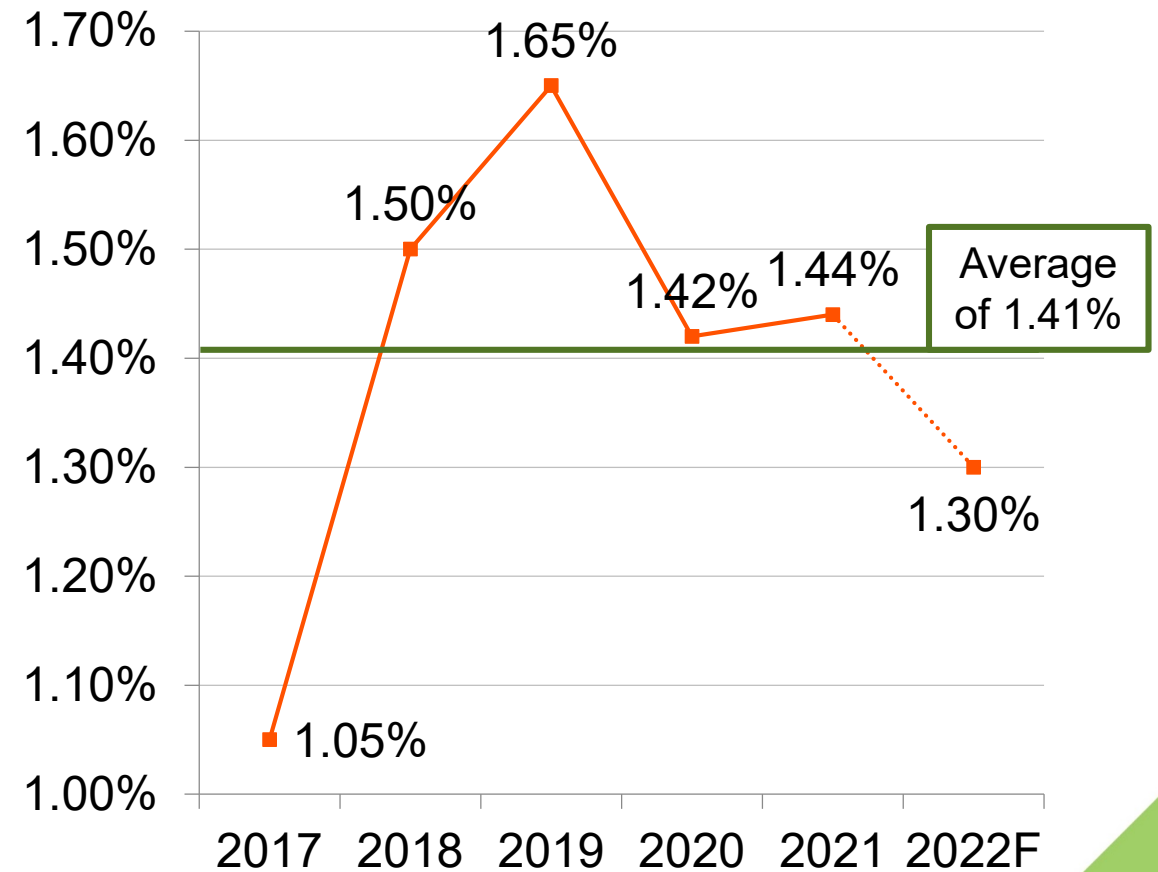
Levy 1.00%  
W/WW 3.15%

# Growth Programs

## Assessment Growth Consideration

- Pandemic restrictions from 2020/21 are expected to affect MPAC 2022 assessment growth
- Growth is estimated at 1.3%
- Staff will continue to monitor assessment growth results

### Historical Assessment Growth



# Assessment Growth

## 2022 Budget Strategy

Only programs that support growth will be recommended

- Funded from assessment growth for a net zero taxpayer impact
- No incremental impact from new programs
- 1.3% estimated assessment growth is \$5.3 million

GROWTH  
PROGRAMS

1.30%

(1.30%)

Net 0.00%

# COVID-19

## 2022 Budget Strategy

### Net zero impact

- Continue strategy in 2021 budget
- Costs will be funded initially with Taxpayer Relief Reserve and substituted as other funding is confirmed in-year
- Costs to consider are long-term care, economic development, mental health programs, etc.

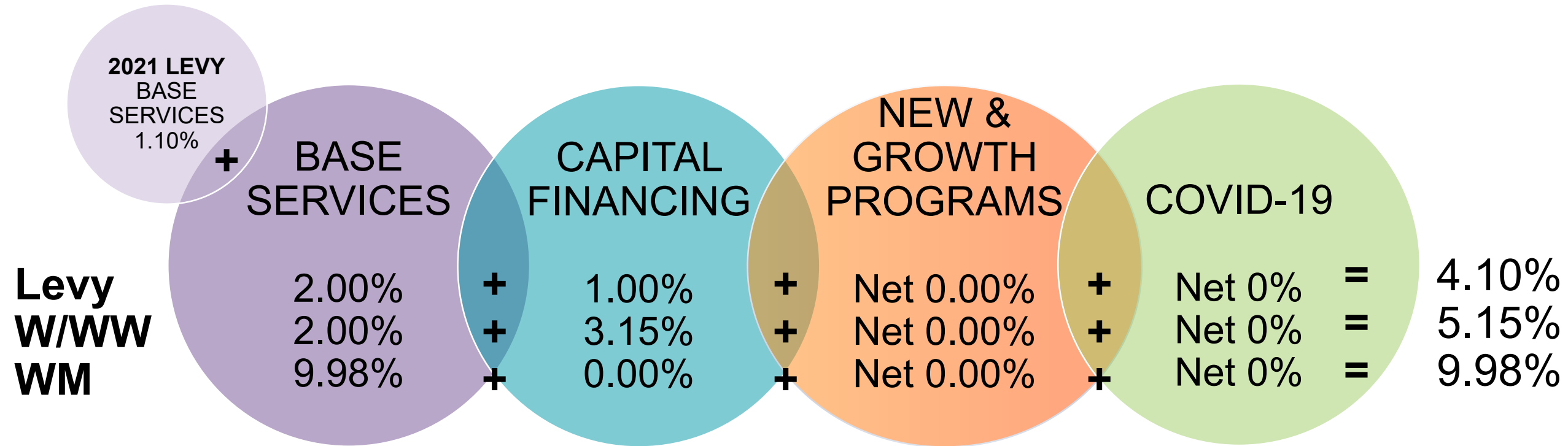


COVID-19

Net 0.0%

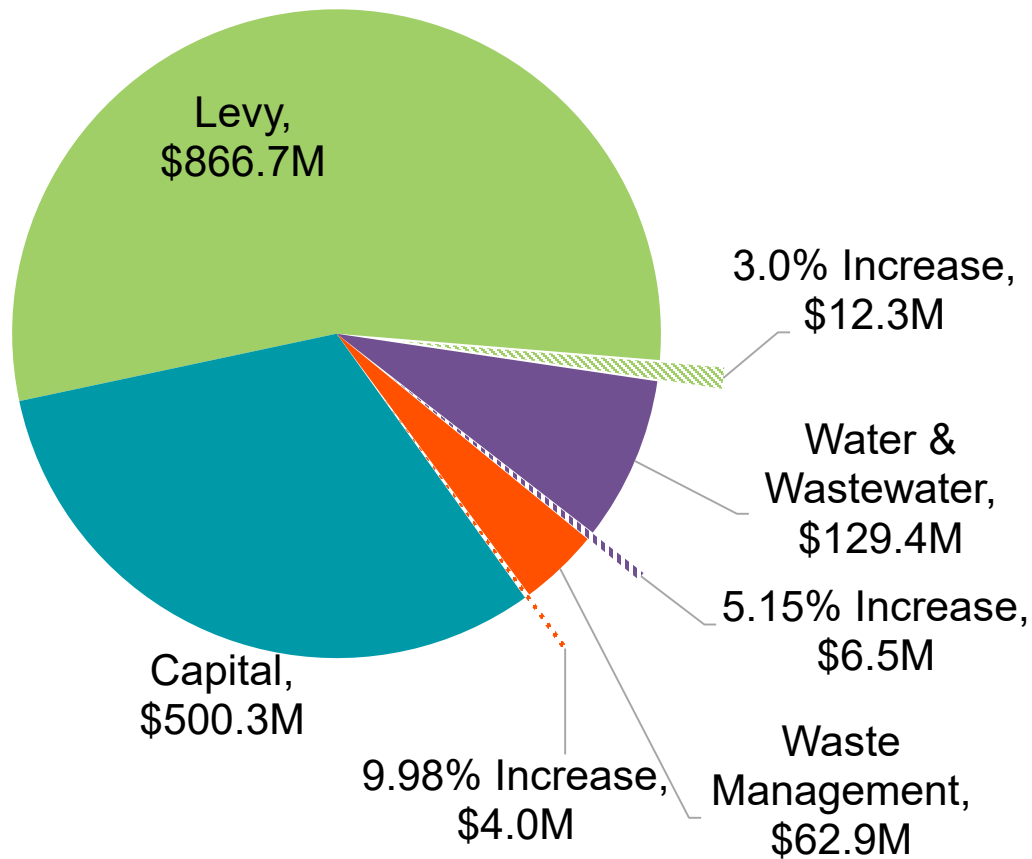
# 2022 Budget Strategy in Alignment with Policy

## Budget Strategy Recap





# 2021 Gross Budget of \$1.56 Billion



## 2022 strategy provides:

	Operating	Capital
Levy *	\$8.2M	\$4.1M
Water/Wastewater	\$2.5M	\$4.0M
Waste Mgmt.	\$4.0M	n/a

# Meeting Timetable

Meeting Type	Subject/Topic	Date
BRCOTW	Budget Planning	June 17, 2021, 6:30 p.m.
Budget Workshop	Capital	September 30, 2021, 4:00 p.m.
BRCOTW	Capital	October 7, 2021, 6:30 p.m.
Budget Workshop	Rate	October 28, 2021, 4:00 p.m.
BRCOTW	Rate	November 4, 2021, 6:30 p.m.
Council	Rate	November 18, 2021, 4:00 p.m.
Budget Workshop	Council Authority over ABCs	November 18, 2021, 6:30 p.m.
BRCOTW	ABCs	November 25, 2021, 6:30 p.m.
Budget Workshop	Levy	December 2, 2021, 9:00 am
BRCOTW	Consolidated Levy	December 9, 2021, 6:30 p.m.
Council	Consolidated Levy, Capital, and User Fees	December 16, 2021, 6:30 p.m.

# Next Steps

- Council approval of the Budget Timetable
- October 7<sup>th</sup> first Budget Review Committee to review Capital



# Questions?



# Backup slides

# Q1 COVID-19 Reporting – Taxpayer Relief Reserve

<i>(in millions)</i>	2021 Budget	2021 Forecast	2022 Forecast	2023 Forecast
<b>Opening Balance (reflects 2020 year-end approved transfers)</b>	\$53.5	\$53.5	\$42.3	\$27.9
<b>Non-COVID Transfers</b>				
Annual Contribution	0.9	0.9	0.9	0
Transfer for one-time operations	(2.0)	(2.0)	0	0
Mitigation of 2021	(4.3)	(4.3)	0	0
Community Services/Homelessness Project	(1.0)	0.0	0	0
Niagara Foreign Trade Zone Transfer (1)	(0.2)	(0.2)	0	0
<b>Total Non-COVID Transfers</b>	<b>(6.6)</b>	<b>(5.6)</b>	<b>0.9</b>	<b>0</b>
<b>COVID-19 Funding Requirements</b>				
2021 COVID-19 Regional Levy & General Government funding	(17.2)	(5.6)	(13.5)	0
2021 COVID-19 ABC funding	(1.6)	0	(1.6)	0
2021 COVID-19 Rate funding	(0.2)	0	(0.2)	0
<b>Total COVID-19 Funding Transfers</b>	<b>(19.0)</b>	<b>(5.6)</b>	<b>(15.3)</b>	<b>0</b>
<b>Closing Balance</b>	<b>\$27.9</b>	<b>\$42.3</b>	<b>\$27.9</b>	<b>\$27.9</b>

- Balance forecasted at end of 2021 is \$14.4 million greater than forecast due to confirmed funding for 2021 COVID-19 expenses.
- Provides for funding to mitigate 2022 COVID-19 expense forecast.

# Historical Balance Taxpayer Relief Reserve

In thousands

Years	Taxpayer Relief Reserve Balance	% of Op. Expenses
2015	\$29,550	7.19%
2016	\$25,289	5.24%
2017	\$24,821	5.45%
2018	\$24,710	4.63%
2019	\$23,757	4.24%
2020	\$53,509	9.33%
2021*	\$42,300	7.06%
2022*	\$27,900	4.56%

\*Forecasted

# Capital Financing Strategy

## Niagara Region

REPORT TO: Chair and Members of Budget Review Committee

SUBJECT: Sustainability Recommendations for 2012 Budget

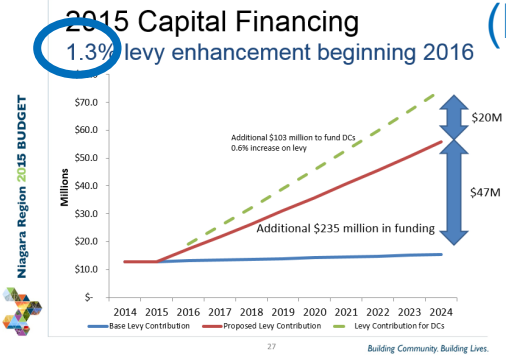
### RECOMMENDATION

That this Committee recommends to Regional Council that:

This report be received for information and be brought forward on November 3, 2011 for consideration of the following:

- 1) 2012 Inter-municipal transit budget be funded from the tax levy instead of the contingency reserve, in the amount of \$2,048,537, representing a 0.72% increase on the tax levy;
- 2) 2012 NRPS interim accommodations budget be funded from the tax levy instead of the contingency, estimated in the amount of \$2,017,910, representing a 0.71% increase on the tax levy;
- 3) That 1/3 of the 2009 OMPF reconciliation payment be applied to the 2012 budget to partially offset 2012 NRPS interim accommodation funding, in the amount of \$1,725,000, representing a 0.61% decrease on the tax levy;
- 4) Annual capital levy reserve contribution be increased by \$2,900,000, approximately a 1% increase to the tax levy;

2012  
1%  
(Levy)



### 2016 Capital Strategy

Infrastructure has been identified as an area that needs significant improvement and investments are required to improve performance outcomes in this area. The 2015 capital budget and nine year forecast had identified a \$235 million funding gap for the Region's consolidated capital plan. The strategy to eliminate this gap will include the following:

- Pursue additional contributions to capital reserves to align with Council priority to reduce the infrastructure gap using a 1.3% tax levy increase to cover any gaps that may still exist
- Use a portion of the tax allocated to Council priorities to increase investment in infrastructure and GO Transit

2015  
1.3%  
(Levy)

2016  
1.3%  
(Levy)

2017  
1%  
(Levy)

2019  
3.15%  
(Rate)

2020  
2.16%  
(Levy)

2021  
1.89%  
(Levy)  
Smooth Rate Increase

Subject: 2017 Capital Budget Infrastructure Levy

### 2017 Capital Budget Development

Report to: Budget  
Meeting date: Th

### Recommendations

1. That an increase in support infrastructure
2. That future income considerations

### Pressure:

- \$210 million funding gap to deliver forecast 10 year program (inclusive of GO Transit). Updates forthcoming with comprehensive asset management plan.

### Mitigation Strategies:

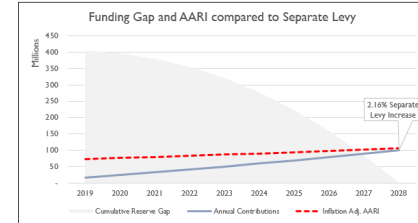
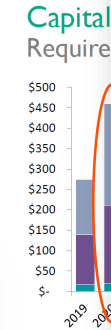
- Review existing projects to repurpose surplus funds
- Consideration of new capital levy (up to 1.3%)
- Provincial funding (per diem) for the LFO Homes redevelopment
- Leverage Fed/Prov. application/allocation opportunities
- Finish capital works in progress/reevaluate those not yet started
- Prioritize infrastructure spending in areas where it will be a catalyst for economic development and private sector investment - leverage DC funding

### Capital Financing Strategy

#### Implementation Strategy

- Annual separate levy increases of 2.16% over 10 years
- Operating Contributions will align to AARI per 2016 AMP
- Eliminates funding gap
- At a minimum the Region requires \$86.5M by 2028

"The National Research Council recommends that a minimum of 2 percent of the value of assets should be spent on repairs and normal rehabilitation and 2 percent contributed to reserves each year".

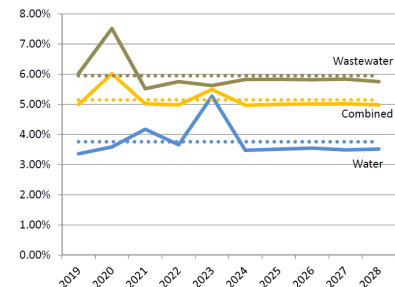


2020 BUDGET PLANNING

15

Combined increase of 5.15% per year

- Largest impact to fund capital in accordance with the Council approved AMP and MSP
- Water average increase of 3.8%
- Wastewater average increase of 6.0%
- Average increase for 10 years based on Financial Plan



2019 WATER & WASTEWATER BUDGET

10 Niagara Region

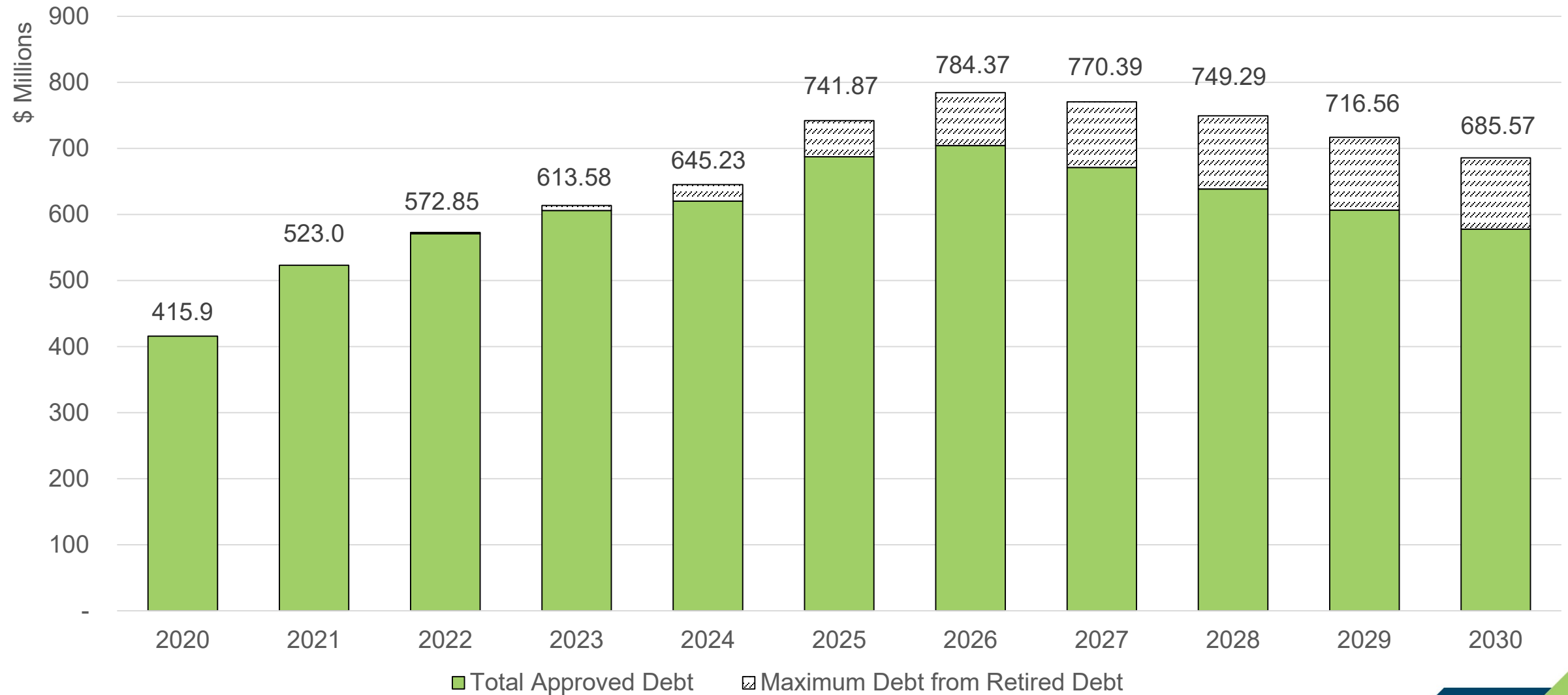


# 2022 Capital Forecast

Program	Gross Expenditures	Current Gap
Levy	\$353M	\$212M
Rate	\$164M	\$0M
Total	\$517M	\$212M

- Major Levy Projects Submitted
  - EMS Hub - \$93M\*
  - Montrose Road – Lyons Creek- \$31.5M
  - Rds Rehab - RR 87 Main St - Verdun Ave to Ontario St – \$17.7M\*
  - Roads Resurfacing -\$14M
- Major Rate Projects Submitted
  - Fort Erie ET - \$15M (W)
  - Decew Plant Upgrade - \$15M (W)
  - Renown Pumping Station - \$13M (WW)
  - Thundering Waters - \$8.3M (WW)

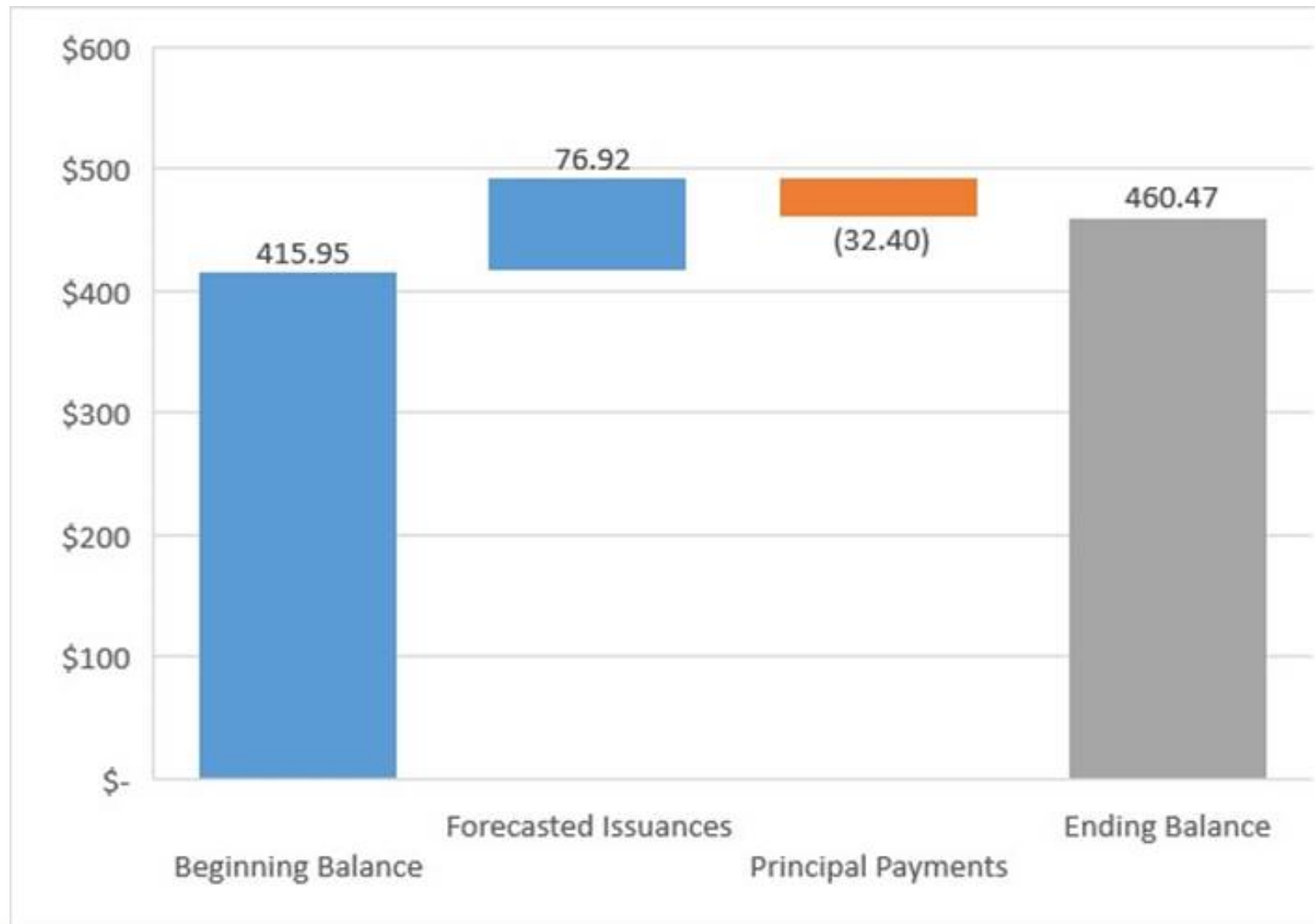
## Forecasted Outstanding Debt Principal (in millions)



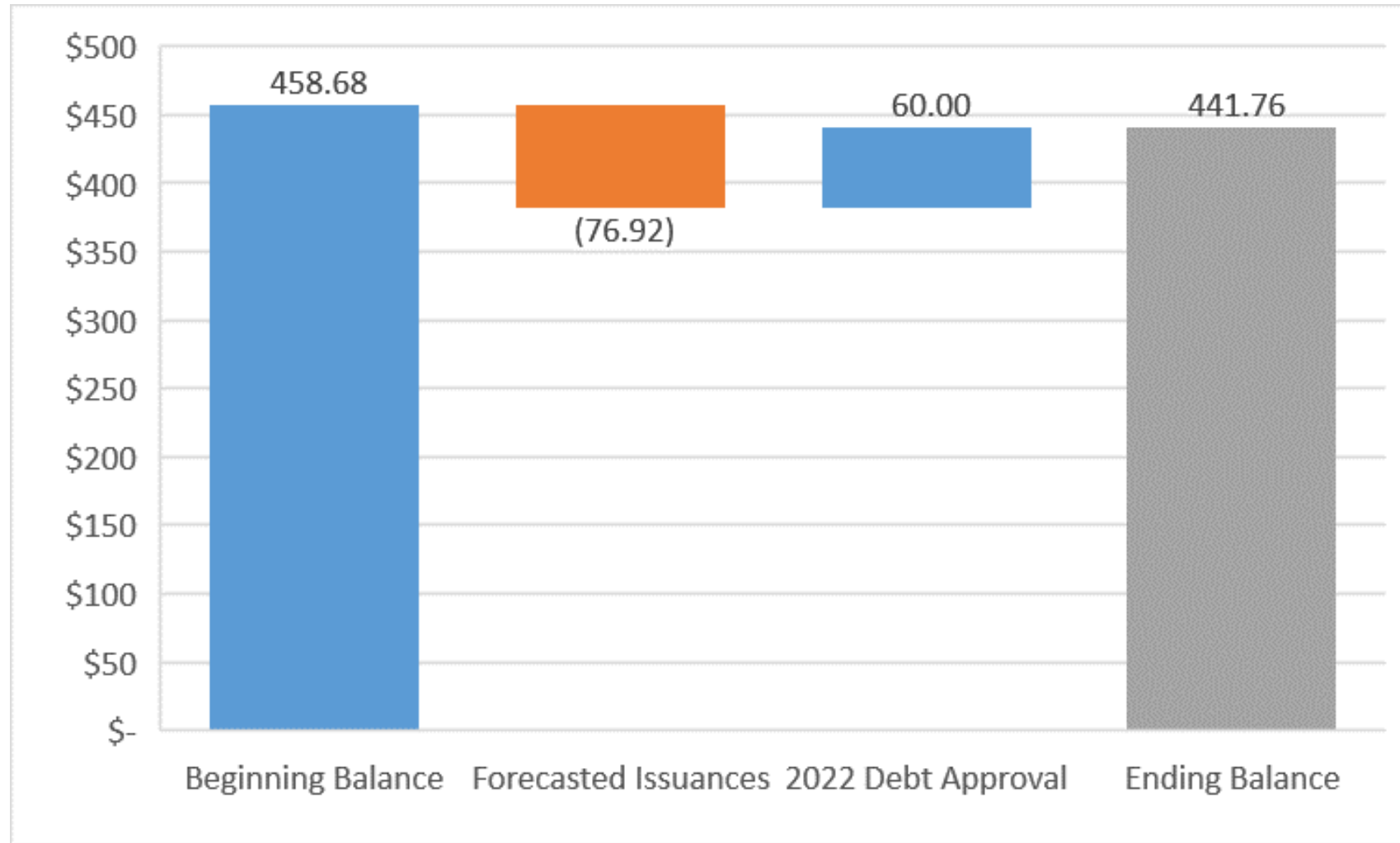
■ Total Approved Debt

▨ Maximum Debt from Retired Debt

## Forecasted 2021 Debt Balances, Issued and Outstanding (in millions)



## Forecasted 2021 Unissued Debt Balances (in millions)

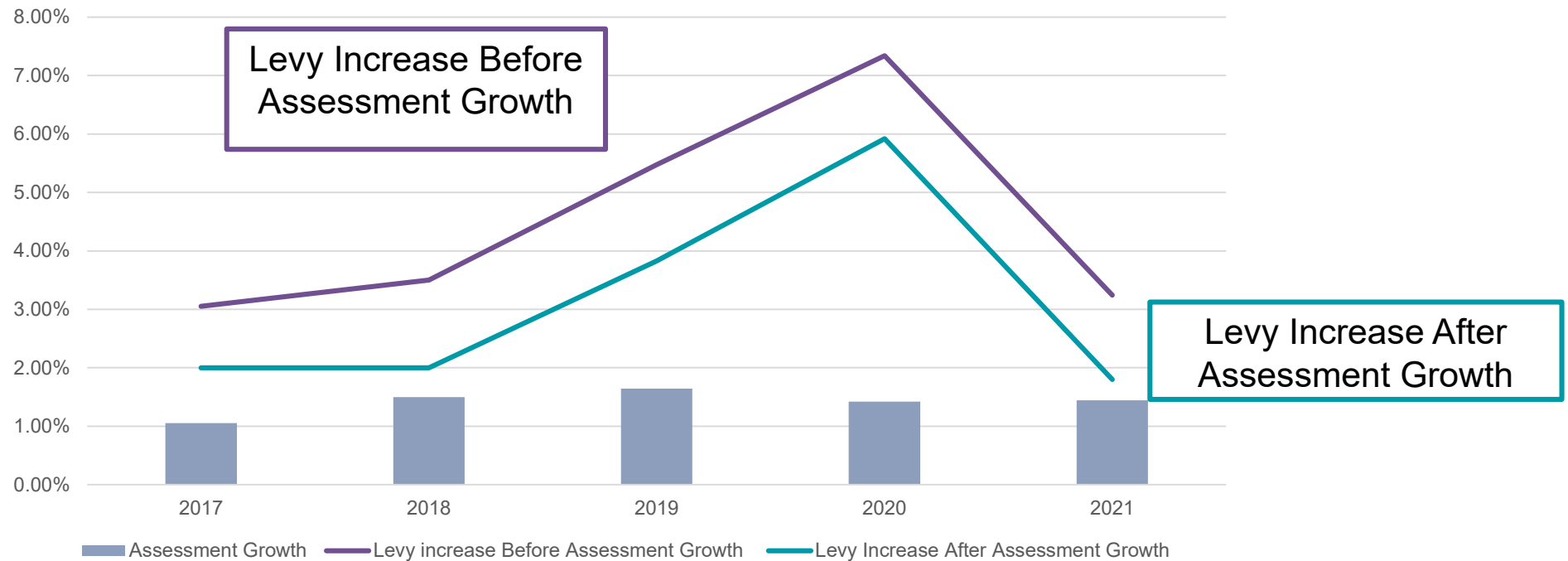


# Debt

## In Millions

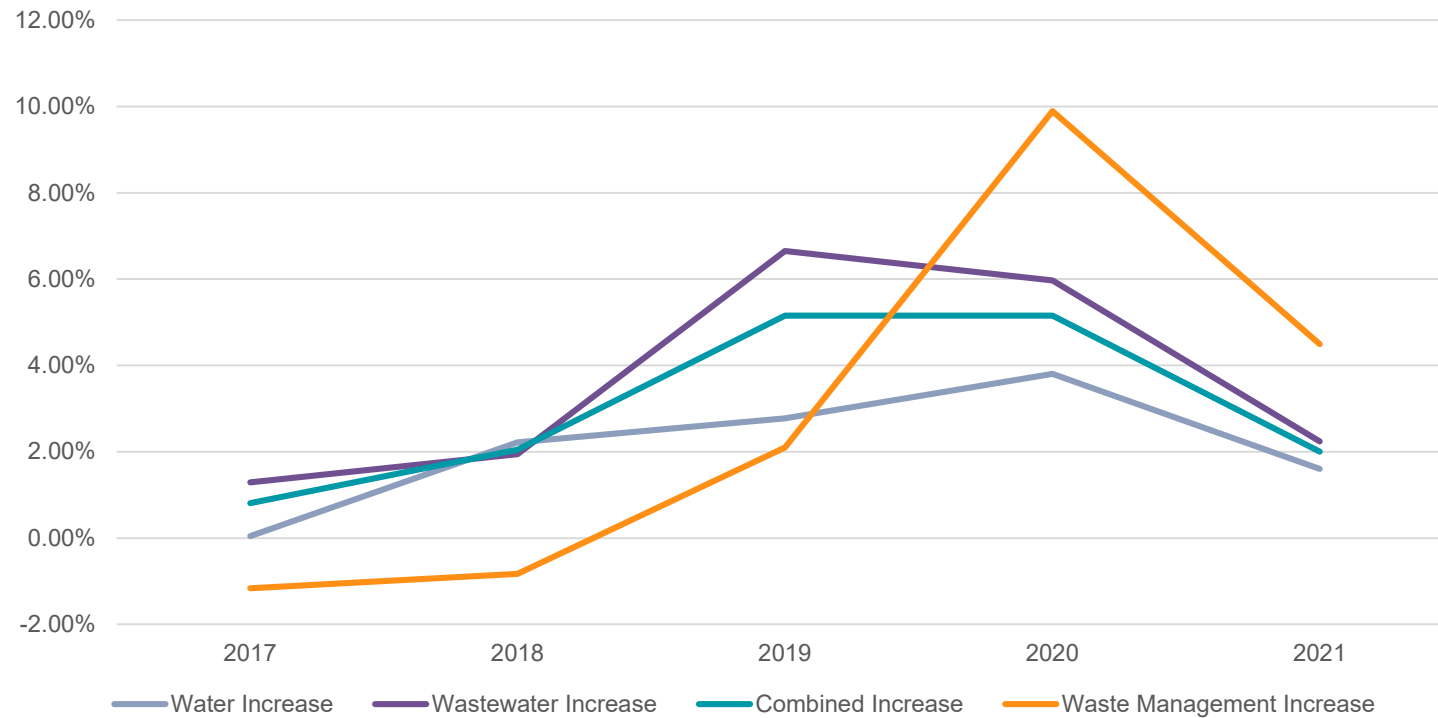
(in Millions)	Total Debt Dec. 2020	Debt Servicing Costs on Issued Debt	Unissued Debt	Estimated Debt Servicing costs on Unissued	Total Council Approved Debt	Total Council Approved Debt Servicing Costs
Levy	333.16	36.50	192.80	12.20	525.96	48.70
Wastewater	57.70	5.30	259.10	7.30	316.80	12.60
Water	25.10	0.90	6.70	1.40	31.80	2.30
	<b>415.96</b>	<b>42.70</b>	<b>458.60</b>	<b>20.90</b>	<b>874.56</b>	<b>63.60</b>

# Historical Levy Increases and Growth

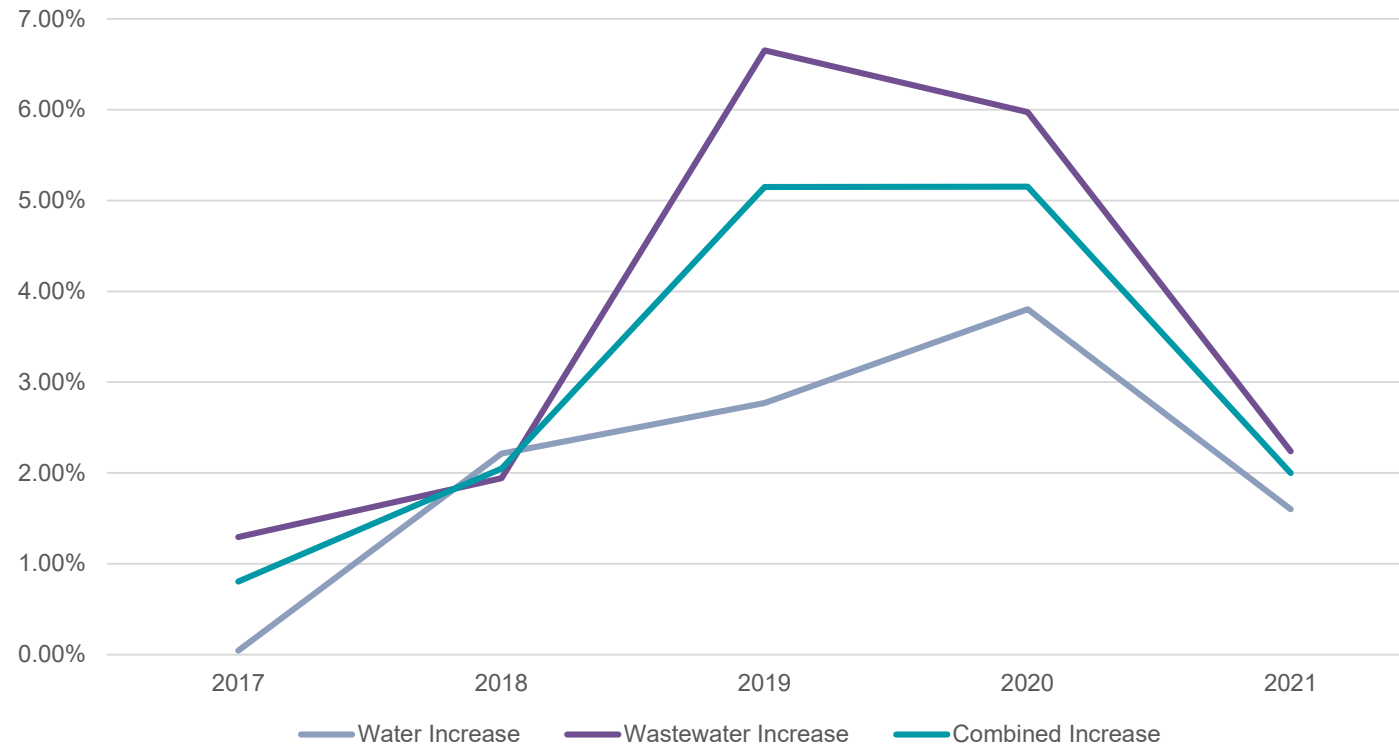


Year	Assessment Growth	Levy Increase Before AG	Levy Increase After AG
2017	1.05%	3.05%	2.00%
2018	1.50%	3.50%	2.00%
2019	1.65%	5.47%	3.83%
2020	1.42%	7.34%	5.92%
2021	1.44%	3.24%	1.80%

# Historical Rate Increases



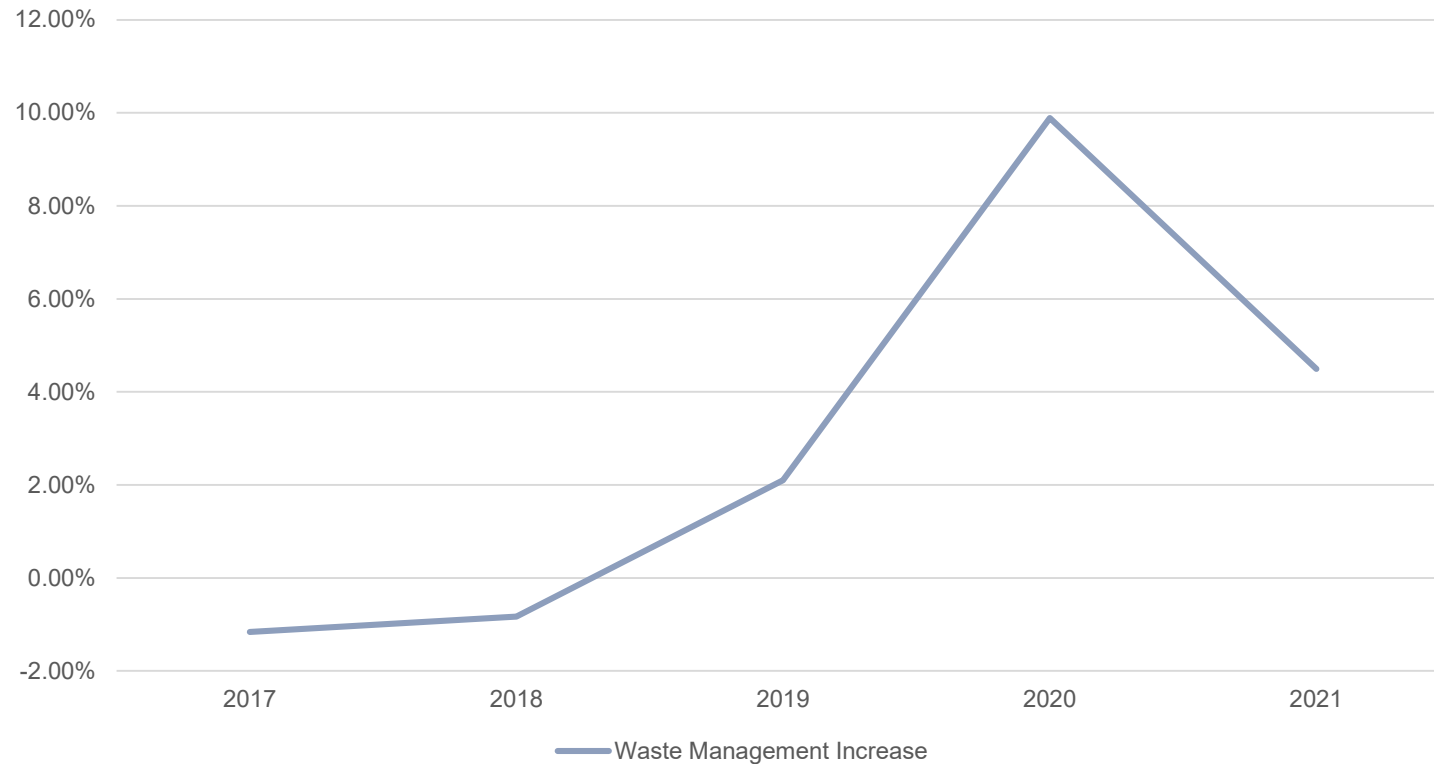
# Historical Water & Wastewater Increases



	2017	2018	2019	2020	2021
Water Increase	0.04%	2.22%	2.77%	3.80%	1.60%
Wastewater Increase	1.29%	1.94%	6.65%	5.97%	2.24%
Combined W&WW Increase	0.81%	2.05%	5.15%	5.15%	2.00%



# Historical Waste Management Increases



	2017	2018	2019	2020	2021
Waste Management Increase	-1.16%	-0.83%	2.10%	9.89%	4.50%

# Historical Surpluses 2015-2020 (in thousands)

	Levy	Water Wastewater	Waste Management
2015	3,393	537	4,552
2016	*(401)	1,949	4,337
2017	*(3,654)	90	5,682
2018	^1,828	2,079	1,551
2019	3,453	(2,191)	(1,156)
2020	~37,306	2,729	1,493

\*\$7.6 million deficit for NRPS - \$4.5 million funded from NRPS reserves and balance from corporate surplus

\*\$2.8 million deficit for NRPS – funded by NRPS reserves and taxpayer relief reserve

^\$1.7 million deficit for Regional department driven by DC grants – funded by levy surplus

~\$48 million COVID-19 funding

# Inflation

- CPI from St.Catharines – Niagara key economic Indicators (from Major City Insights)

	2018	2019	2020e	2021f	2022f
CPI (2002 = 1.000)	1.35	1.375	1.385	1.408	1.441
% Change	..	1.9%	0.7%	1.7%	2.3%

- Conference Board of Canada – St. Catharines & Niagara Inflation forecast

	2018	2019	2020e	2021f	2022f
CPI (2002 = 1.000)	1.350	1.376	1.404	1.434	1.465
% Change	2.4%	1.9%	2.0%	2.2%	2.1%

- MFOA May Update

	2020	2021	2022	2023	2024	2025	2020-2025
<b>Consumer Price Index inflation</b>							
Fall Economic Statement 2020		0.7	1.7	1.9	2.0	2.1	1.7
Budget 2021		0.7	2.2	2.0	2.1	2.1	1.9

- Stats Canada – April 2021 Update

- CPI (excluding energy) up 1.6% year over year in April
- Increase attributable to steep decline in prices in April 2020

# Hospital Funding Cash Flow

## For recommended option

Interest Rate	4.0%						
Increase on Levy required	\$715,000	0.18%	Request in 2022				
		Westl Lincoln Memorial	South Niagara Falls	Total			
Hospital Funding Requested		10,500,000	44,500,000	55,000,000			
Reserve savings - before substantial completion		10,500,000	6,460,000	16,960,000			
Contributions financed post substantial completion		-	38,040,000	38,040,000			
Hospital Reserve	Inflows - WLMH	WLMH 30 year financed	Inflows - SNF	Inflows - SNF 30 year financed contributions	Total Inflows	Total Outflows	Reserve Balance
2020 Reserve Opening Balance	-				-		-
2020 Year end Surplus	\$ 6,600,000				\$6,600,000	\$0	\$6,600,000
2021 Transfer from Operating	\$ 1,500,000				\$1,500,000	\$0	\$8,100,000
2022 Transfer from Operating	\$ 1,500,000		\$715,000		\$2,215,000	\$0	\$10,315,000
2023 Transfer from Operating	\$ 900,000		\$1,315,000		\$2,215,000	\$0	\$12,530,000
2024 Transfer from Operating			\$2,215,000		\$2,215,000	(\$10,500,000)	\$4,245,000
2025 Transfer from Operating			\$2,215,000		\$2,215,000	\$0	\$6,460,000
2026 - 2055 Transfer from Operating				\$65,995,710	\$65,995,710	(\$72,455,710)	\$0
Total	\$ 10,500,000		\$ 6,460,000				

# Hospital Funding Cash Flow

## For not recommended phase-in option

Interest Rate	4.0%						
Increase on Levy required	192k/yr for 2022 - 2025						
		Westl Lincoln Memorial		South Niagara Falls	Total		
Hospital Funding Requested		10,500,000		44,500,000	55,000,000		
Reserve savings - before substantial completion		10,500,000		5,520,000	16,020,000		
Contributions financed post substantial completion		2,100,000		38,980,000	41,080,000		
		Inflows - WLMH 30 year financed	Inflows - SNF	Inflows - SNF 30 year financed contributions	Total Inflows	Total Outflows	Reserve Balance
Hospital Reserve	Inflows - WLMH						
2020 Reserve Opening Balance	-				-		-
2020 Year end Surplus	\$ 6,600,000				\$ 6,600,000	\$ -	\$ 6,600,000
2021 Transfer from Operating	\$ 1,500,000				\$ 1,500,000	\$ -	\$ 8,100,000
2022 Transfer from Operating	\$ 1,500,000		\$ 192,000		\$ 1,692,000	\$ -	\$ 9,792,000
2023 Transfer from Operating	\$ 900,000		\$ 984,000		\$ 1,884,000	\$ -	\$ 11,676,000
2024 Transfer from Operating			\$ 2,076,000		\$ 2,076,000	\$ (10,500,000)	\$ 3,252,000
2025 Transfer from Operating			\$ 2,268,000		\$ 2,268,000	\$ -	\$ 5,520,000
2026-2055 Transfer from Operating				\$ 67,626,510	\$ 67,626,510	\$ (73,146,510)	\$ -
Total	\$ 10,500,000		\$ 5,520,000				

# Alternatives

Other options were analyzed including:

- Deferring request to future year
- Phasing in the request

Options were not recommended due to the following:

- Incremental interest cost with deferral
- Budget Planning By-law requires to budget cost upfront
- Hospital request was to current term of Council
- Requires a future term of Council's approval
  - not recommended by Municipal Act

# Hospital - \$55.0M Total Request

West Lincoln Memorial (\$10.5M) & South Niagara Falls (\$44.5M)

- Funded \$8.1M to date
- Several strategies evaluated
- Proposed ensures financing strategy fully funded in 2022 by Council approving contributions
  - Fund WLMH from reserve in 2024
  - Fund SN balance of \$38M, financed over 30 years at \$2.21M/yr
    - \$1.5M approved in 2021
    - \$715K requested in 2022

Hospital Request	Amount
<b>Total Request for 2026</b>	<b>\$55.0M</b>
Current Hospital Reserves - 2021	\$8.1M
2022-2025 Approved Contribution (\$1.5M/year)	\$6.0M
2022 – 2025 (\$715K/year)*	\$2.9M
2024 WLMH Contribution	(\$10.5M)
SN Contribution reserve at 2026	(\$6.5M)
<b>Balance remaining in 2026</b>	<b>\$(38.0M)</b>