

TWENTY21

NIAGARA REGION

Q2 2021 FINANCIAL UPDATE

Corporate Services Committee

September 15, 2021

Agenda

Background



Deliverables



Q2 Operating Results – Levy & Rate



2021 COVID-19 Financial Impact



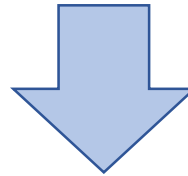
Q2 Capital Results

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

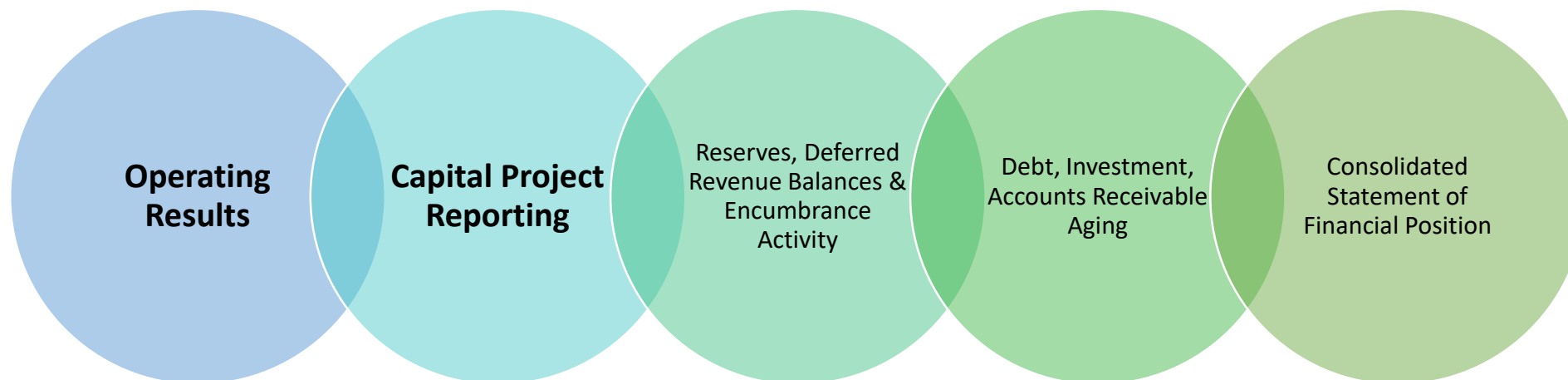
Deliverables

Q2 2021 Financial Update is available on the Niagara Region's external website:

[June 2021 Financial Report](https://www.niagararegion.ca/government/budget/finance/default.aspx)

(<https://www.niagararegion.ca/government/budget/finance/default.aspx>)

The report contains information on:

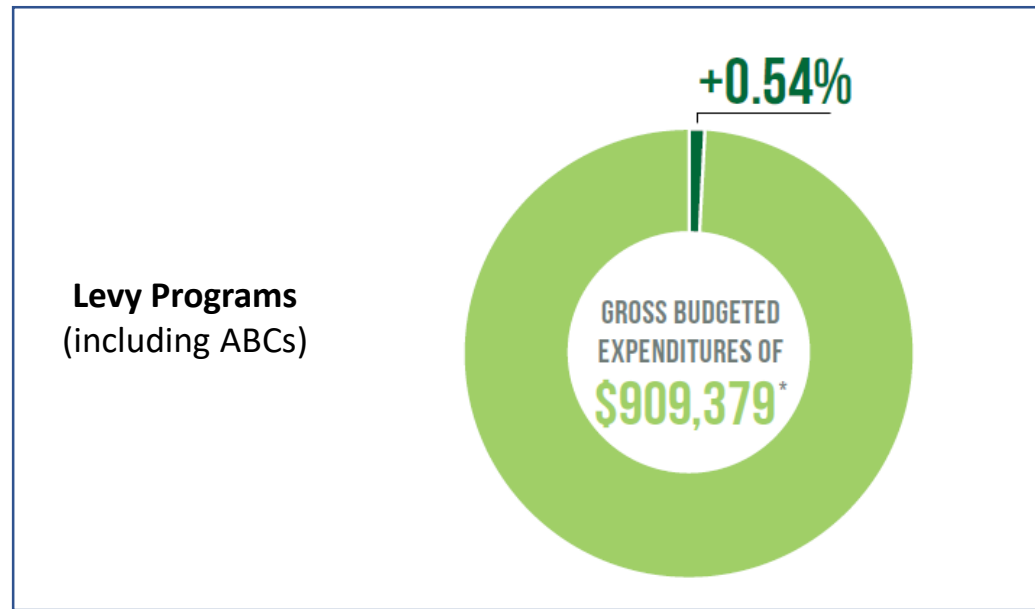


2021 Key Messages as of Q2 2021

- Purpose of report is to provide Q2 financial results to Council for information purposes including -
 - Normal operating variance and COVID-19 impacts inclusive of Taxpayer Relief Reserve projections.
- General COVID-19 funding (\$9 million) has been fully allocated based on current forecasted expenses
 - If forecast costs change, it will be deferred to 2022 through reserve


Q2 Summary Results – Levy Programs

<i>(in thousands)</i>	Forecasted Surplus/ (Deficit) (after indirect allocations)	Percentage of Gross Budget
Regional Departments and General Government	\$ 6,801	1.04%
Agencies, Boards and Commissions (ABCs)	(1,929)	-0.76%
Total Levy-Supported Programs	\$ 4,872	0.54%



Q2 Summary Results – Levy Programs

Regional Departments and General Government Drivers

<i>(in thousands)</i>	Forecasted Surplus/ (Deficit) (after indirect allocations)	Percentage of Gross Budget
Regional Departments and General Government	\$ 6,801 	1.04%
Agencies, Boards and Commissions (ABCs)	(1,929)	-0.76%
Total Levy-Supported Programs	\$ 4,872	0.54%

Factors impacting Regional Departments (Surplus of \$6,801):

- Staffing vacancies (+\$5,544)
- NRT/NST COVID-19 service impacts and expansion delays (+\$3,721)
- Savings in administrative costs due to pandemic-related restrictions
- Maintained allocation of investment income to rate reserves and deferred development charges in accordance with Reserve Policy (-\$3,411)

Q2 Summary Results – Levy Programs

ABC Drivers

<i>(in thousands)</i>	Forecasted Surplus/ (Deficit) (after indirect allocations)	Percentage of Gross Budget
Regional Departments and General Government	\$ 6,801	1.04%
Agencies, Boards and Commissions (ABCs)	(1,929) ←	-0.76%
Total Levy-Supported Programs	\$ 4,872	0.54%

Factors impacting ABCs (Net Deficit of \$1,929):

- \$481 in lost infraction revenues in Court Services, partially offset by corresponding decreased court costs and reduced distribution to LAMs
- Legal claim payment for NRPS

NRPS

GROSS BUDGETED
EXPENDITURES OF
\$193,113*

Deficit of \$1,869



NRH

GROSS BUDGETED
EXPENDITURES OF
\$46,913*

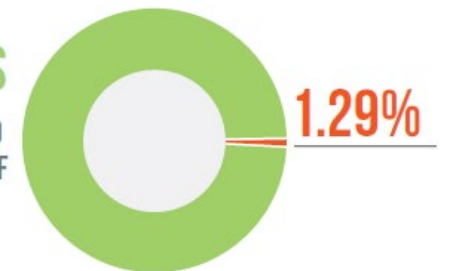
Surplus of \$46



COURT SERVICES

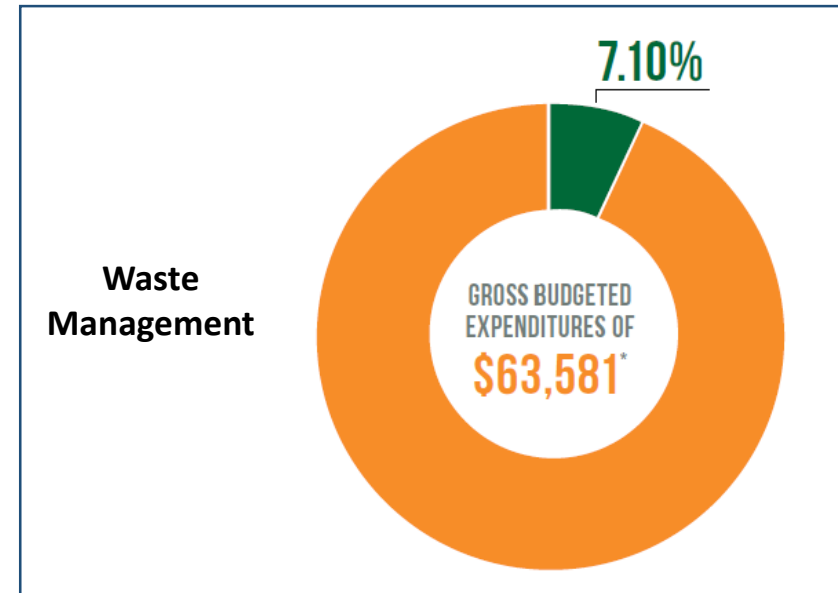
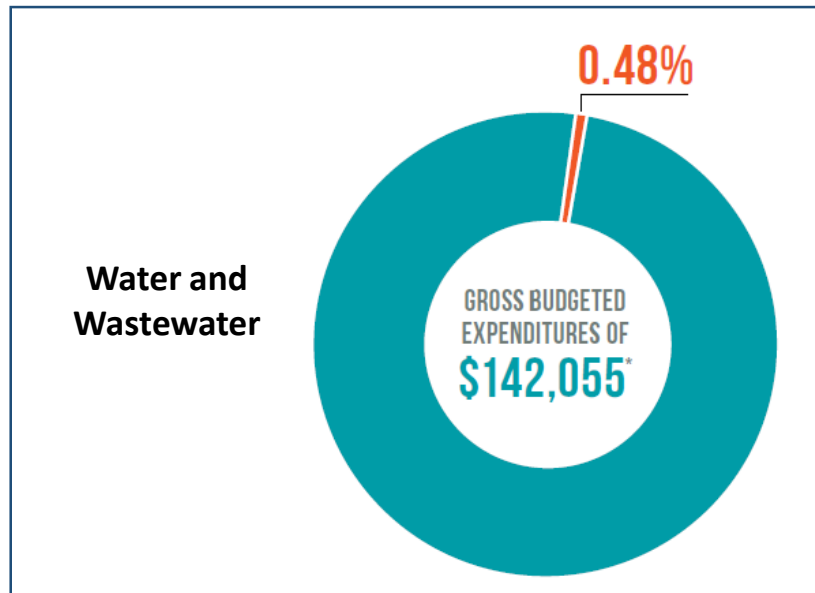
GROSS BUDGETED
EXPENDITURES OF
\$8,271*

Deficit of \$106



Q2 Summary Results – Rate Programs

<i>(in thousands)</i>	Forecasted Surplus/ (Deficit) (after indirect allocations)	Percentage of Gross Budget
Water and Wastewater	\$ (678)	-0.48%
Waste Management	\$ 4,514	7.10%
Total Rate-Supported Programs	\$ 3,836	1.87%



Q2 Summary Results – Rate Drivers

<i>(in thousands)</i>	Forecasted Surplus/ (Deficit) (after indirect allocations)	Percentage of Gross Budget
Water and Wastewater	\$ (678)	0.48%
Waste Management	4,514	7.10%
Total Rate-Supported Programs	\$ 3,836	1.87%

Factors Impacting Water & Wastewater (Deficit of \$678):

- Water sales (-\$632)
- Sludge disposal and management (-\$483)
- Chemical costs (-\$153)
- Net utility savings (+\$947)

Factors Impacting Waste Management (Surplus of \$4,514):

- Recycling commodity market revenue – increased commodity prices (+\$4,820)
- Garbage tag revenues (-\$463)
- Organics processing costs due to increased volumes (-\$158)

Q2 2021 COVID-19 Financial Impacts

<i>(in thousands)</i>				
Program Area	Total Forecasted COVID-19-Related Costs at Q2	Total Confirmed External Funding	Forecast - Levy-Funded	Net Forecasted Reserve Funding
Regional Departments	\$47,487	\$(46,853)	\$1,942	\$(2,576)
ABCs	5,368	(4,701)	(667)	-
Total Levy-Supported	\$52,855	\$(51,554)	\$1,275	\$(2,576)
Rate-Supported	855	(855)	-	-
Total Niagara Region	\$53,710	\$(52,409)	\$1,275	\$(2,576)
Q1 Forecast	55,244	(49,354)	(247)	(5,643)
Change	\$(1,534)	\$(3,055)	\$1,522	\$3,067

Detailed schedule – Appendix 2

Budgeted Taxpayer Relief reserve funding was \$19 million

Two-Year COVID-19 Cost Summary

<i>(in thousands)</i>	2021 Spent & Committed	2021 Forecasted	2021 Total	2020 Total	Total Cumulative
Redeployed resources	\$8,445	\$3,551	\$11,996	\$20,780	\$32,776
Costs incremental to base budget	27,580	21,636	49,216	31,132	80,348
Lost Revenue	-	10,350	10,350	14,382	24,732
Less: Cost Savings	-	(5,856)	(5,856)	(17,306)	(23,162)
Total COVID-19 Gross Cost	36,025	29,681	65,706	48,988	114,694
Less: Confirmed Funding Matched to Expenses	(27,883)	(24,526)	(52,409)	(47,911)	(100,320)
Net Cost to Region	\$8,142	\$5,155	\$13,297	\$1,077	\$14,374

Gross costs reported above include the cost of redeployed resources funded through base budgets. External funding has been applied in accordance with each provincial or federal funding agreement.

Q2 COVID-19 Reporting – Taxpayer Relief Reserve

<i>(in millions)</i>	2021 Budget	2021 Forecast	2022 Forecast	2023 Forecast
Opening Balance (reflects 2020 year-end approved transfers)	\$53.5	\$53.5	\$49.1	\$41.1
Non-COVID Transfers	(6.6)	(6.7)	0.9	0.9
Total COVID-19 Funding Transfers	(19.0)*	(2.6)*	(8.9)	0.0
Forecasted Year-End Levy Surplus Transfer	0	4.9	0	0
Forecasted Closing Balance	\$27.9	\$49.1	\$41.1	\$42.0

2022 and 2023 Forecast is based on 2021 Budget – additional funds will likely be required based on 2022 Budget

*Forecasted use for COVID-19 in 2021 is \$16.4 million less than budget due to confirmed external funding for 2021 expenses.

Stabilization Reserve Targets

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

Balances below target impact the ability to manage operational risks

(in thousands)	Reserve Balance forecasted at December 31, 2021	Reserve Target Balance		Conclusion
		Low (10%)	High (15%)	
Taxpayer Relief (*)	\$49,121	\$65,457	\$98,186	Underfunded
Water Stabilization	\$ 3,206	\$ 2,354	\$ 3,530	Within Funding Targets
Wastewater Stabilization	\$ 2,972	\$ 6,444	\$ 9,666	Underfunded
Waste Management Stabilization	\$ 7,461	\$ 5,937	\$ 8,905	Within Funding Targets
Police Contingency	\$ 954	Assessed by NRPS		
Police Services Board Contingency	\$ 242			

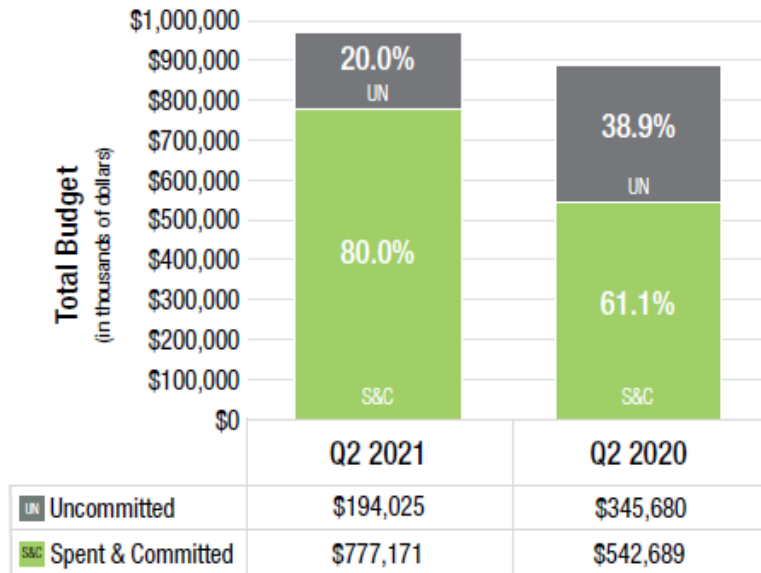
* When setting targets, Niagara Region considers all levy gross expenditures, excluding ABCs.

Capital Project Status

LEVY

PROJECT BUDGETS SPENT AND/OR COMMITTED AT QUARTER END

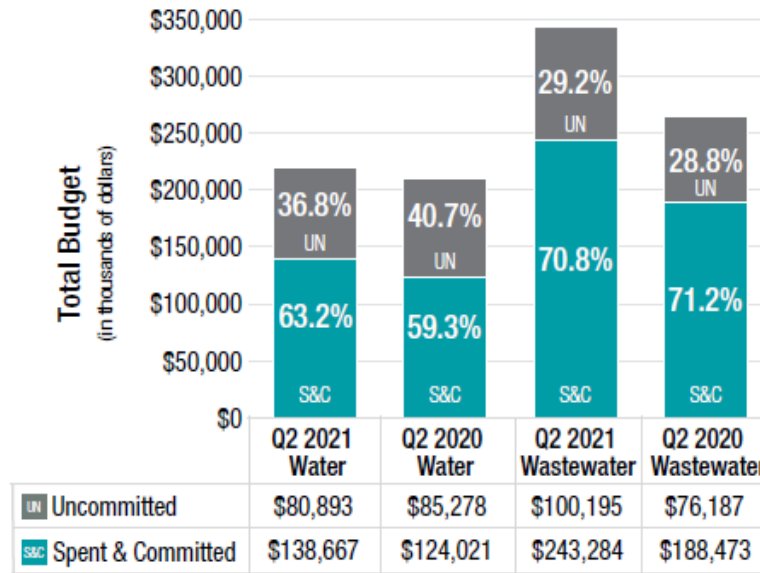
Active projects with budgets greater than \$1 million.



WATER & WASTEWATER

PROJECT BUDGETS SPENT AND/OR COMMITTED AT QUARTER END

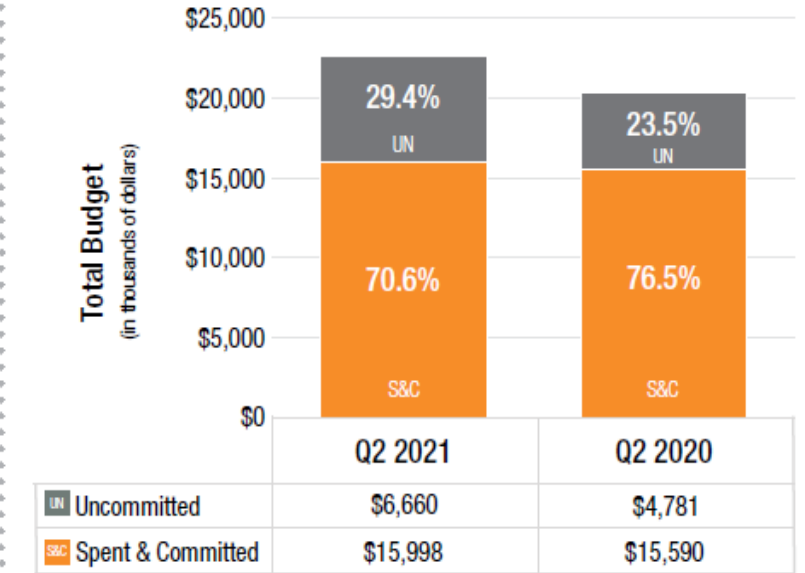
Active projects with budgets greater than \$1 million.



WASTE MANAGEMENT

PROJECT BUDGETS SPENT AND/OR COMMITTED AT QUARTER END

Active projects with budgets greater than \$1 million.



Lower % spent & committed trends in 2020 partially attributable to COVID-19 focus on **urgent/essential procurements** and overall **increased capital budget** to address infrastructure gap

Capital Variance Projects

LEVY

YEAR-TO-DATE CAPITAL VARIANCE PROJECT TRANSFERS

INCOMING



OUTGOING



INCOMING



OUTGOING



WATER & WASTEWATER

YEAR-TO-DATE CAPITAL VARIANCE PROJECT TRANSFERS

INCOMING



OUTGOING



INCOMING



OUTGOING



WASTE MANAGEMENT

YEAR-TO-DATE CAPITAL VARIANCE PROJECT TRANSFERS

INCOMING



OUTGOING



INCOMING



OUTGOING



As of Q2 2021, **\$7.7 million** has been made available for future capital

\$3.5 million of this amount has been **committed to the 2022 capital budget**

Other/Next Steps

- Staff will continue to monitor COVID-19 funding announcements and costs
 - Provide updates quarterly on the forecasted Reserve funding requirements
- Staff will continue to use these financial results to inform 2022 budget planning for on-going pressures and mitigation opportunities

Questions?

Beth Brens

Acting Associate Director, Reporting & Analysis