

# TWENTY21

NIAGARA REGION

**Q3 2021 FINANCIAL UPDATE**

Corporate Services Committee

December 8, 2021

# Agenda

Background

Deliverables

Q3 Operating Results – Levy & Rate

2021 COVID-19 Financial Impact

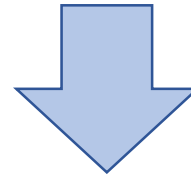
Q3 Capital Results

# 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

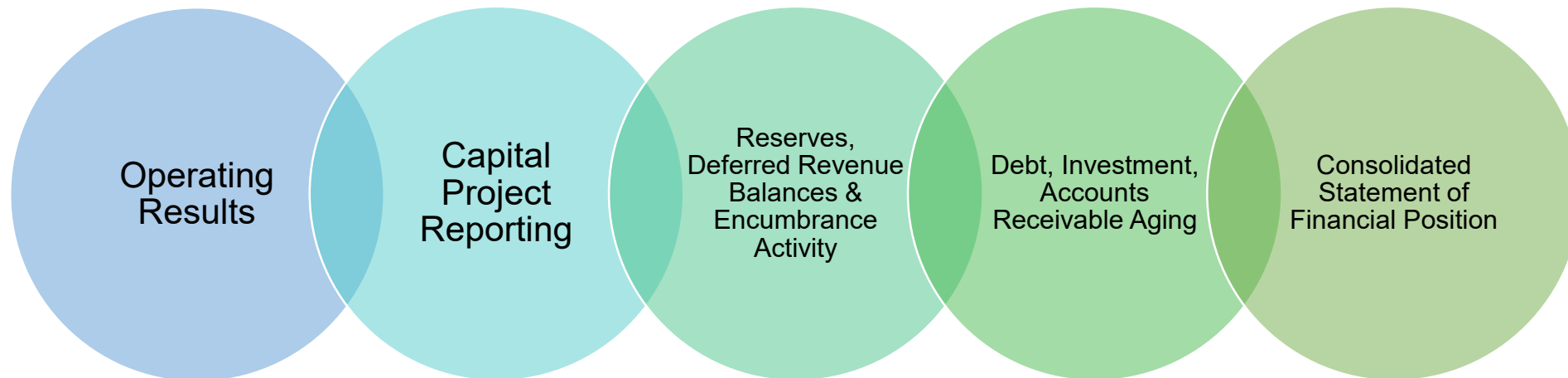
# Deliverables

Q3 2021 Financial Update is available on the Niagara Region's external website:

## [September 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 Q3 2021

- Purpose of report is to provide Q3 financial results to Council for information purposes including:
  - Normal operating variance and COVID-19 impacts inclusive of Taxpayer Relief Reserve projections
- \$8.1 million of the total available \$9 million of General COVID-19 funding has been allocated based on current forecasted expenses
  - Any unallocated funding at the end of 2021 will be deferred to 2022
- All financial implications quantified in this report include estimates up to December 31, 2021, unless otherwise noted. Estimates in this report are fluid and changing and as a result, the forecasts contain inherent risks and actual results may differ.

# Q3 Summary Results

## Summary of COVID-19 and non-COVID-19 impacts

(in thousands)	Non-COVID-19	COVID-19	Total	Percentage of Gross Budgeted Expenditures
Levy Supported Departments and Programs:				
Regional Departments	\$9,658	\$2,476	\$12,134	1.85%
Agencies, Boards and Commissions (ABCs)	(\$126)	(\$865)	(\$991)	(0.39%)
<b>Total Levy-Supported Programs</b>	<b>\$9,532</b>	<b>\$1,611</b>	<b>\$11,143</b>	<b>1.22%</b>
Rate Supported Departments				
Waste Management	\$5,040	\$0	\$5,040	7.93%
Water and Wastewater	\$253	\$0	\$253	0.18%
<b>Total Rate Supported Departments</b>	<b>\$5,293</b>	<b>\$0</b>	<b>\$5,293</b>	<b>2.57%</b>

Note - Amounts are presented after indirect allocations

# Q3 Summary Results – Levy no ABC

(including COVID-19 impacts)

(in thousands)	Forecasted Surplus/ (Deficit) (after indirect allocations)	Percentage of Gross Budget
Regional Departments and General Government	\$ 12,134 ←	1.85%
Agencies, Boards and Commissions (ABCs)	(991)	(0.39%)
<b>Total Levy-Supported Programs</b>	<b>\$ 11,143</b>	<b>1.22%</b>

## Factors impacting Regional Departments (Surplus of \$12,134):

- Lower than budgeted DC grant payments due to reduced uptake (+\$5,181)
- NRT/NST COVID-19 service impacts and expansion delays (+\$5,064)
- Savings in administrative costs due to pandemic-related restrictions (+\$1,226)
- Maintained allocation of investment income to rate reserves and deferred development charges in accordance with Reserve Policy (-\$3,523)

# Q3 Summary Results – ABCs

(including COVID-19 impacts)

(in thousands)	Forecasted Surplus/ (Deficit) (after indirect allocations)	Percentage of Gross Budget
Regional Departments and General Government	\$ 12,134	1.85%
Agencies, Boards and Commissions (ABCs)	(991) ←	-0.39%
<b>Total Levy-Supported Programs</b>	<b>\$ 11,143</b>	<b>1.22%</b>

## Factors impacting ABCs (Net Deficit of \$991):

- Higher than anticipated compensation costs within NRPS (-\$1,250)



# Q3 Summary Results – Rate Drivers

(in thousands of dollars)

Department	Forecasted Surplus/(Deficit) (after indirect allocations)	Percentage of Gross Budget
Water and Wastewater	\$253	0.18%
Waste Management	\$5,040	7.93%
<b>Total Rate-Supported Programs</b>	<b>\$5,293</b>	<b>2.57%</b>

## Factors Impacting Water & Wastewater (Surplus of \$253):

- Water sales (-\$660)
- Sludge disposal and management (-\$828)
- Net utility savings (+\$1,251)
- Repairs & Maintenance (+\$349)

## Factors Impacting Waste Management (Surplus of \$5,040):

- Recycling commodity market revenue – increased commodity prices (+\$5,902)
- Garbage tag revenues (-\$426)
- Organics processing costs due to increased volumes (-\$209)

# Q3 2021 COVID-19 Financial Impacts

(in thousands of dollars)

Program Area	Net Expenditures	Confirmed External Funding	Levy Surplus/ (Deficit)	Transfer (to) / from Reserve
Regional Departments	\$49,436	(\$51,342)	\$1,817	(\$89)
ABCs	\$4,805	(\$3,824)	(\$981)	\$0
<b>Total Levy Supported</b>	<b>\$54,241</b>	<b>(\$55,166)</b>	<b>\$836</b>	<b>(\$89)</b>
<b>Total Rate Supported</b>	<b>\$1,123</b>	<b>(\$1,123)</b>	<b>\$0</b>	<b>\$0</b>
<b>Total Niagara Region</b>	<b>\$55,364</b>	<b>(\$56,289)</b>	<b>\$836</b>	<b>(\$89)</b>
Q2 Forecast	\$53,710	(\$52,409)	\$1,275	(\$2,576)
Change from Q2 Forecast	\$1,654	(\$3,880)	(\$439)	\$2,665

See Appendix 2 for a detailed schedule of forecasted expenditures and confirmed funding by Department.

# Two-Year COVID-19 Cost Summary

(in thousands of dollars)

	2021 Total	2020 Total	Total Cumulative
Redeployed resources	\$12,020	\$20,780	\$32,800
Costs incremental to base budget	50,171	31,132	81,303
Lost Revenue	11,902	14,382	26,284
Less: Cost Savings	(6,709)	(17,306)	(24,015)
<b>Total COVID-19 Costs</b>	<b>\$67,384</b>	<b>48,988</b>	<b>116,372</b>
Less: Confirmed Funding Matched to Expenses	(56,289)	(47,911)	(104,200)
<b>Net Cost to Region</b>	<b>\$11,095</b>	<b>\$1,077</b>	<b>\$12,172</b>

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.

# Q3 COVID-19 Reporting – Taxpayer Relief Reserve

(in millions)	2021 Budget	2021 Forecast	2022 Forecast	2023 Forecast
Opening Balance (reflects 2020 year-end approved transfers)	\$53.5	\$53.5	\$60.0	\$32.5
Non-COVID Transfers	(\$6.6)	(\$4.8)	(\$1.5)	\$0.4
Total COVID-19 Funding Transfers	(\$19.0)*	\$0.1	(\$26.0)	\$0.0
Forecasted Year-End Levy Surplus Transfer	\$0	\$11.1	\$0	\$0
<b>Forecasted Closing Balance</b>	<b>\$27.9</b>	<b>\$60.0</b>	<b>\$32.5</b>	<b>\$32.9</b>

**Notes:**

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

(2) 2022 and 2023 forecast based on preliminary 2022 operating budget

# Stabilization Reserve Targets

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

Balances below target impact the ability to manage operational risks

Reserve (in millions of dollars)	Forecasted Reserve Balance at Dec. 31, 2021	Reserve Target Balance		Conclusion
		Low (10%)	High (15%)	
Taxpayer Relief (Note 1)	\$60.0	\$65.5	\$98.2	Underfunded
Water Stabilization	\$ 3.5	\$ 2.4	\$ 3.5	Within Funding Targets
Wastewater Stabilization	\$ 3.3	\$ 6.4	\$ 9.7	Underfunded
Waste Management Stabilization	\$ 8.0	\$ 5.9	\$ 8.9	Within Funding Targets
Police Contingency	\$ 1.0			N/A - Assessed by NRPS
Police Services Board Contingency	\$ 0.2			

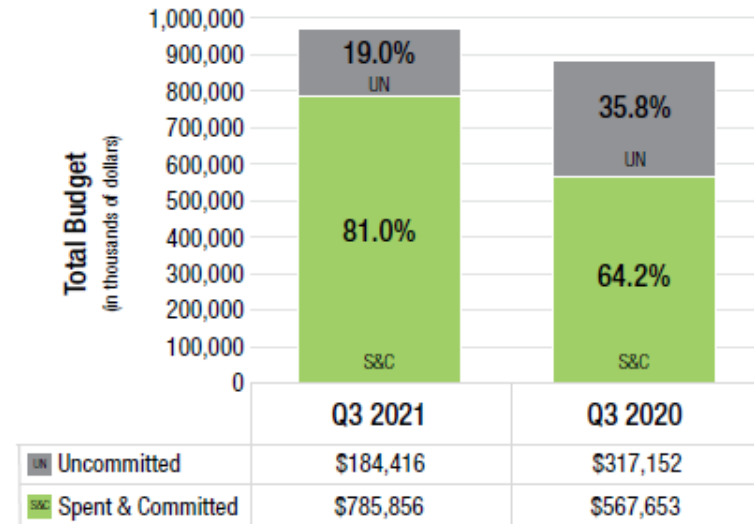
Note 1 - When setting targets, Niagara Region considers all levy gross expenditures, excluding ABCs.

# Capital Project Status

## LEVY

### PROJECT BUDGETS SPENT AND/OR COMMITTED AT QUARTER END

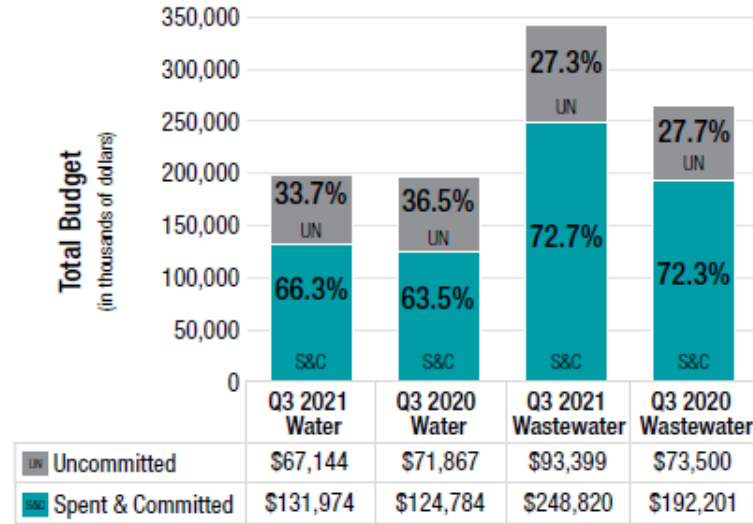
Active projects with budgets greater than \$1 million.



## WATER & WASTEWATER

### PROJECT BUDGETS SPENT AND/OR COMMITTED AT QUARTER END

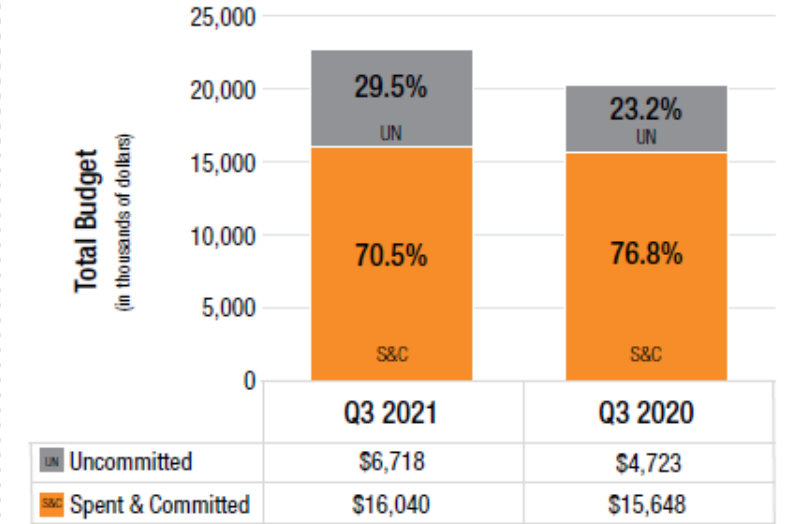
Active projects with budgets greater than \$1 million.



## 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



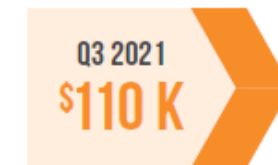
OUTGOING



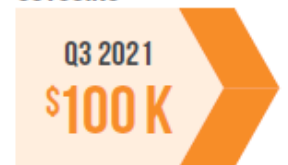
## WASTE MANAGEMENT

YEAR-TO-DATE CAPITAL VARIANCE PROJECT TRANSFERS

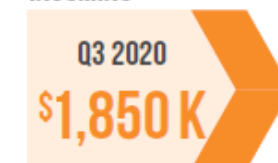
INCOMING



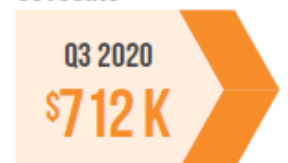
OUTGOING



INCOMING



OUTGOING



As of Q3 2021, **\$9.7 million** has been made available for future capital

**\$5.7 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 have used these financial results to inform 2022 budget related to on-going pressures and mitigation opportunities



# Questions?

**Beth Brens**

**Acting Associate Director, Reporting & Analysis**