2023 Budget Planning and Timetable

Budget Review Committee of the Whole

CSD 22-2022
July 21, 2022

Helen Chamberlain, Director, Financial Management and Planning
2023 Key Themes

• Asset Management Plan required to comply with legislation requiring sustainable financial strategy by 2024
• Sustaining current service levels funded in the operating budget
• Current environment of inflation well in excess of Core CPI target of 2.0%
2023 Budget Planning

What we’re going to cover:

• Proposed Strategy for 2023 Budget
• Budget Timetable
• Conclusion/Next Steps
2022 Gross Operating Budget of $1.1 Billion
Net Operating Budget of $597 Million inclusive of ABCs

Current services are funded:
• 54% by the tax levy and rates (solid segments)
• External sources fund 46% (hashed segments)
Budget Strategy
Guiding Principals

Sustainability
Funding to maintain service levels

Affordability
Consideration of taxpayer cost of services
Budget Planning By-law

- **BASE SERVICES** for Revenues and Expenses
- **ASSESSMENT GROWTH** for Costs of Growth
- **NEW PROGRAMS** for Council Priorities
- **CAPITAL FINANCING** for Debt Charges and Pay-as-you-go
Base Services
Sustainability

- Materials, contracts, labour costs, etc. are impacted by higher inflation
- Budget increases for Levy over last 4 years average 0.1%
- Inflation for the same period averages 3.3%
- Results in constrained funding for current service levels

Historical CPI and Base Budget Increases

<table>
<thead>
<tr>
<th>Year</th>
<th>W&amp;WW</th>
<th>Waste Mgmt</th>
<th>ABCs</th>
<th>Levy Departments</th>
<th>CPIIX - Canada</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>2.0%</td>
<td>2.1%</td>
<td>1.4%</td>
<td>0.6%</td>
<td>1.7%</td>
</tr>
<tr>
<td>2020</td>
<td>2.0%</td>
<td>9.9%</td>
<td>2.3%</td>
<td>0.9%</td>
<td>1.5%</td>
</tr>
<tr>
<td>2021</td>
<td>1.0%</td>
<td>4.5%</td>
<td>1.9%</td>
<td>-0.6%</td>
<td>4.0%</td>
</tr>
<tr>
<td>2022</td>
<td>2.0%</td>
<td>5.5%</td>
<td>1.9%</td>
<td>-0.5%</td>
<td>6.1%</td>
</tr>
</tbody>
</table>

As at May 2022

Excludes increases for new programs and capital financing
Base Services
Departmental Cost Pressures

• Fuel prices up 40%
• Utilities prices increasing between 7 to 10%
• Insurance premiums increasing 30%
• Software support costs increasing 18%
• Labour related wages and benefits pressure is 2.8%

All in excess of 2%
Base Services
ABC Cost Pressures

NRH
• Rental revenue is tied to tenant earnings, most are on a fixed income

NRPS
• collective agreements and full cost of 2022 addition of 7 FTEs, in addition to pressures similar to Region (software, fuel, etc.).
• program changes of 1% ($1.7M) of NRPS budget being considered above base budget.

Courts
• Fine revenues are 46% lower than budgeted for 2022 at March
Base Services
Rate Cost Pressures

Water & Wastewater
• Fuel prices up 40%
• Chemical prices up 20%
• CSO program 30% increase to return to $4 million

Waste Management
• Pressure will be dependent upon decisions relating to future of the MRF, end producer responsibility legislation, and reserve strategy
Base Services
2023 Budget Strategy

**Sustainability**
- Current 2023 estimate up to 4.4%
- Preserves funding for current services

**Affordability**
- Target 2%
- Choices will need to be made on delivery of services

- **Current** $597.0M
- **Sustainability** $25.3M
- **Affordability** $11.9M
Base Services
2022 use of Reserves

Reserves fund one-time programs and unforeseen costs

- 2022 budget used $40.6 million of reserve funding
  - $32.2 million of one-time items, primarily COVID-19
  - Waste tax rate mitigation of $2.4 million
  - Levy tax rate mitigation of $6.0 million
Assessment Growth
Estimated at 1.5% or $6.3 million

• MPAC delivers final assessment growth in December, staff will monitor throughout the budget process
• Policy prioritizes growth for incentives, capital financing, operating costs of growth, Council Priorities
• 2023 strategy to use as funding for continuity of services
Assessment Growth
2023 Budget Strategy

**Sustainability**
- Funding incentives and capital costs that support growth
- Water/Wastewater growth costs must be funded from rates

**Affordability**
- Contained within funding coming from assessment growth

Current
- $6.3M/1.5%

Sustainability
- $? Incentives

Affordability
- $? Inflation

#HereForYouNiagara
New Programs
2023 Budget Strategy

Sustainability
• Maintain base services that support Council Priorities
• Aligns with existing organizational capacity

Affordability
• No new programs recommended

Current $0

Sustainability $0M
Affordability $0M
Capital Financing
2023 Budget Strategy

Funding capital sustainability has been improving since 2019.

However, without further investment - project deferrals will increase capital backlog.

<table>
<thead>
<tr>
<th>Year</th>
<th>Levy</th>
<th>Water/Wastewater</th>
</tr>
</thead>
<tbody>
<tr>
<td>2022</td>
<td>1.00%</td>
<td>3.15%</td>
</tr>
<tr>
<td>2021</td>
<td>0.52%</td>
<td>1.00%</td>
</tr>
<tr>
<td>2020</td>
<td>1.54% (LTC)</td>
<td>3.15%</td>
</tr>
<tr>
<td>2019</td>
<td>0.40% (NRT)</td>
<td>3.15%</td>
</tr>
</tbody>
</table>
2023 Capital Budget Update
Preliminary Capital Budget
Subject to on-going review

<table>
<thead>
<tr>
<th>Gross Request</th>
<th>Amount (Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Submitted</td>
<td>$395</td>
</tr>
<tr>
<td>Current Funding Available</td>
<td>234</td>
</tr>
<tr>
<td>Deferred Capital</td>
<td>161</td>
</tr>
<tr>
<td>2023 Strategy</td>
<td>16</td>
</tr>
<tr>
<td>Net Deferred Capital</td>
<td>$145</td>
</tr>
</tbody>
</table>

*Inclusive of external funding to allocated projects
Capital Financing
10 year strategy to support 2022 AMP

**Sustainability**
- Levy (Dept + ABCs) 3.8%
- Water/Wastewater 7.2%
- Fund backlog over 10 years
- Target of $437M by 2032

**Affordability**
- Levy (Dept + ABCs) 2.5%
- Water/Wastewater 5.0%
- Fund backlog over 50 years
- Target of $290M by 2032

Current
- Sustainability: $76M
- Affordability: $16M

Sustainability: $26M
Affordability: $16M
COVID-19
Pandemic and Recovery Costs

• Expectation that 2023 budget will be required to support:
  o COVID-19 clinical costs (call center, vaccines)
  o Recovery of services deferred during pandemic response

• Continue to fund as with 2021 and 2022 using Taxpayer Relief Reserve until funding from other levels of government is confirmed (one-time use)

• Net Levy impact of zero
Transit Commission
Special regional tax levy to be established in 2023

• Special Levy will be recommended in accordance with strategies proposed with the triple majority process; completely separate from the General Levy
• Municipal requisition will be calculated using approved methodology based on assessment and service hours; will vary by municipality (similar to Waste Management)
• Municipal transit upload was estimated at 7.3% of the General Levy
## Budget Planning By-law
### Sustainability

<table>
<thead>
<tr>
<th>Category</th>
<th>Levy</th>
<th>W/WW</th>
<th>Waste Management</th>
</tr>
</thead>
<tbody>
<tr>
<td>2023 Base Services</td>
<td>4.4%</td>
<td>3.2%</td>
<td>9.1%</td>
</tr>
<tr>
<td>2022 Base Services</td>
<td>1.4%</td>
<td>N/A</td>
<td>5.7%</td>
</tr>
<tr>
<td>New Services</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Assessment Growth</td>
<td>Net 0%</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Capital Financing</td>
<td>3.8%</td>
<td>7.2%</td>
<td>0.0%</td>
</tr>
<tr>
<td><strong>Sustainable Approach</strong></td>
<td><strong>9.6%</strong></td>
<td><strong>10.4%</strong></td>
<td><strong>14.8%</strong></td>
</tr>
</tbody>
</table>
## Budget Planning By-law
### Sustainability and Affordability

<table>
<thead>
<tr>
<th>Category</th>
<th>Levy</th>
<th>W/WW</th>
<th>Waste Management</th>
</tr>
</thead>
<tbody>
<tr>
<td>2023 Base Services</td>
<td>4.4%</td>
<td>3.2%</td>
<td>9.1%</td>
</tr>
<tr>
<td>2022 Base Services</td>
<td>0.7%</td>
<td>N/A</td>
<td>(3.6%)</td>
</tr>
<tr>
<td>New Services</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Assessment Growth*</td>
<td>(1.0%)</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Capital Financing</td>
<td>2.5%</td>
<td>5.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td><strong>Proposed Approach</strong></td>
<td><strong>6.6%</strong></td>
<td><strong>8.2%</strong></td>
<td><strong>5.5%</strong></td>
</tr>
</tbody>
</table>

*estimating 2/3 ($4M) of assessment growth to mitigate Levy budget

A line by line review will minimize pressure of discretionary and one-time items, maximize use of assessment growth and efficiency savings to recommend a responsible and sustainable budget.
## Meeting Timetable

<table>
<thead>
<tr>
<th>Meeting Type</th>
<th>Subject/Topic</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>BRCOTW</td>
<td>Budget Planning</td>
<td>July 21, 2022, 4:00 p.m.</td>
</tr>
<tr>
<td>Budget Workshop</td>
<td>Budget 101</td>
<td>December 8, 2022, 4:00 p.m.</td>
</tr>
<tr>
<td>BRCOTW</td>
<td>Capital</td>
<td>January 5, 2023, 6:30 p.m.</td>
</tr>
<tr>
<td>BRCOTW</td>
<td>Rate</td>
<td>January 12, 2023, 6:30 p.m.</td>
</tr>
<tr>
<td>Council</td>
<td>Rate By-law</td>
<td>January 19, 2023, 6:30 p.m.</td>
</tr>
<tr>
<td>BRCOTW</td>
<td>Transit Commission</td>
<td>January 19, 2023, 4:00 p.m.</td>
</tr>
<tr>
<td>BRCOTW</td>
<td>ABCs</td>
<td>January 26, 2023, 6:30 p.m.</td>
</tr>
<tr>
<td>BRCOTW</td>
<td>Consolidated Levy</td>
<td>February 9, 2023, 6:30 p.m.</td>
</tr>
<tr>
<td>Council</td>
<td>Levy, Capital, User Fee By-laws</td>
<td>February 23, 2023, 6:30 p.m.</td>
</tr>
</tbody>
</table>
Next Steps

• Council approval of the Budget Timetable

• Dec. 8 workshop education on process as opposed to typical content for Q&A

• Jan. 5 first Budget Review Committee to review Capital
Questions?