

# TWENTY23

NIAGARA REGION BUDGET

Niagara Transit Commission

2023 Budget

January 19, 2023

# Key Themes

1. Respected triple majority strategy for budget and municipal requisition
2. Transfer of transit staff and incorporation of shared services within the existing compensation budget
3. All initiated ICIP projects are accommodated with zero incremental budget
4. Sustainable revenue strategy for COVID-19 related revenue losses

# Agenda

1. 2023 Niagara Transit Commission (NTC) Operating Budget
2. 2023 NTC Capital Budget
3. 2023 Requisition and Special Levy

# I. 2023 Operating Budget

## Strategy

- Intent is to align with triple majority financial strategy
  - All transit budgets (used 2020 base budget) to be uploaded to NTC then adjusted for capital and inflation for 2023 estimated at **\$48.57M**
- 2023 Budget proposing same capital and inflation strategy estimated now at **\$55.05M**
- Increase from triple majority estimate of \$6.48M

# 2023 NTC Operating Budget

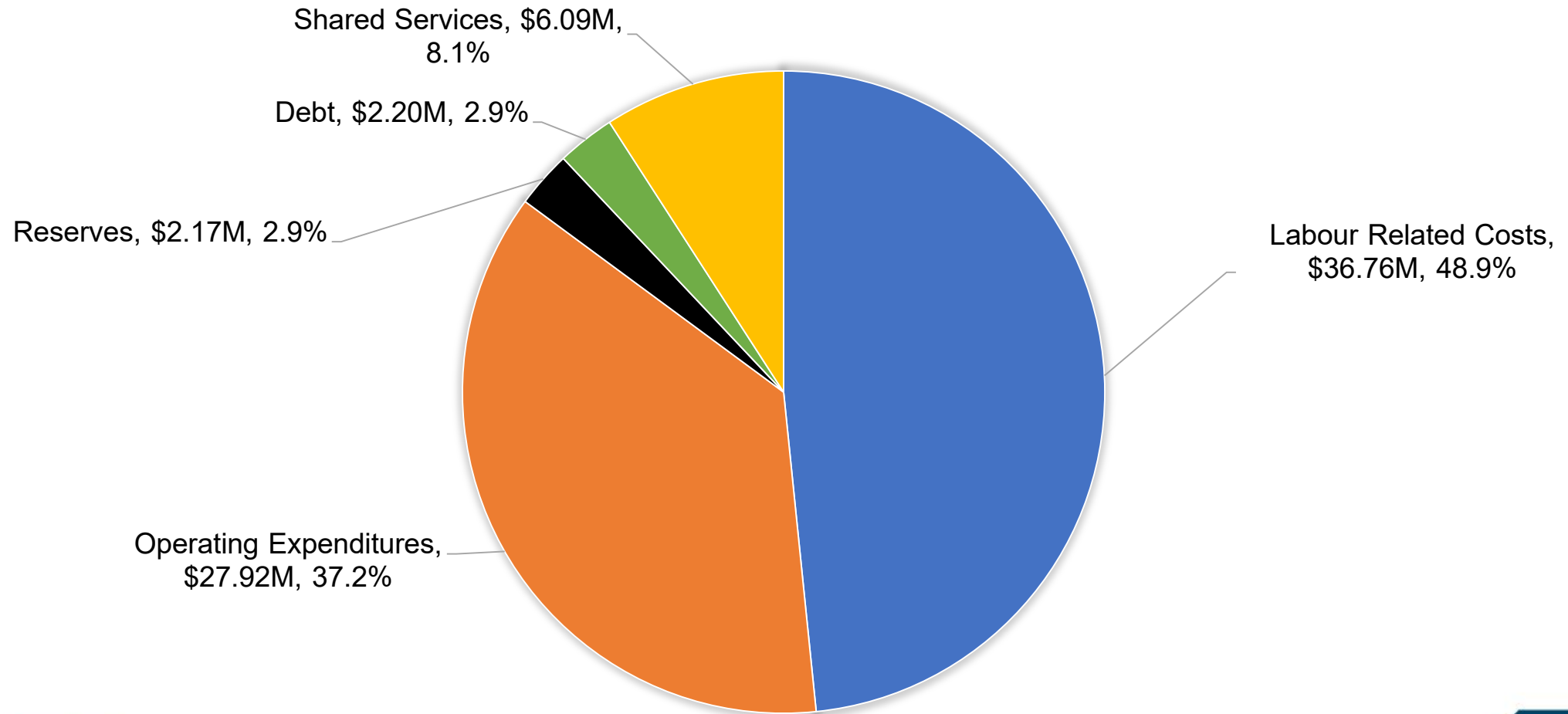
## \$6.48M Increase By Expenditure (\$ Millions)

	Financial Strategy Estimate	Proposed 2023 NTC Budget	Difference: Pressure (Savings)	Comments
Labour Related Costs	\$38.20	\$36.76	\$(1.44)	Shared services / new organizational structure
Operating Expenditures	31.02	27.92	(3.10)	Shared services / new organizational structure, net of \$1.28M in service enhancements
Reserves	2.17	2.17	0.00	No variance
Debt	1.97	2.20	0.23	New debentures issued
Shared Services	<u>0.00</u>	<u>6.09</u>	<u>6.09</u>	Shared services / new organizational structure
Total Gross Expenses	\$73.36	\$75.14	\$1.78	
Revenues – Fares and Other	(23.50)	(18.30)	5.20	\$5.70M in 2022 unsustainable reserves, less \$0.5M revenue increase
Provincial Gas Tax Revenue (PGT)	(1.29)	(1.61)	(0.32)	Deferred provincial gas tax phase-out
One time Reserve Funding	<u>(0.00)</u>	<u>(0.18)</u>	<u>(0.18)</u>	One-time 2022 funding to fund 2023 costs
Total Net Special Levy	\$48.57	\$55.05	\$6.48	

Increase largely due to 2022 reduction in farebox revenue and service enhancements  
 Unsustainable reserve use allocated directly to municipality until farebox revenue recovers

# 2023 NTC Operating Budget

Where does the money go? Gross Budget = \$75.14M



# 2023 NTC Operating Budget

## Staff Complement

Function	Headcount	FTE Temporary Employees	FTE Permanent Employees
Administration	5	0	5
Planning & Performance	27	1	23
Fleet	63	1	59.7
Operations	343	0	321.4
Shared Services	<u>16</u>	<u>3.3</u>	<u>12.1</u>
Totals	454	5.3	421.2

# 2023 NTC Operating Budget

## Shared Services (levels of service yet to be determined by agreement)

Area	Region Shared Service	NTC
HR	<ul style="list-style-type: none"> <li>- Run payroll for four unique pay cycles which include weekly and biweekly deliverables; all related pay and HRIS transactions for hiring, leaves, transfers, and terminations; and related reporting requirements including HR and general ledger reporting</li> <li>- manage remittances for source deductions, garnishments and court orders and any other payables; payroll year end deliverables</li> <li>- Manage AON benefit consolidation consultancy and benefits/pension administration</li> </ul>	Manager, Training and development, Timekeeping/Scheduling, Recruitment, Labour Relations and Collective Bargaining, Health and Safety, Attendance/Disability Management, Policy Development, Performance Management
Clerks	Manage meetings, escribe, FOI process	Records management system and processes
IT	Provide advice for Cyber Security services and programs	<ul style="list-style-type: none"> <li>-Network infrastructure and support</li> <li>-Transit software and hardware</li> </ul>
Legal	<ul style="list-style-type: none"> <li>-Insurance, risk, claim and ligation support</li> <li>-General solicitor advice (agreements, leases, licenses, procurement, day to day support) - External legal if needed</li> </ul>	-HR legal matters and specialized transit matters would continue to be funded from NTC budget.



# 2023 NTC Operating Budget

## Shared Services

Area	Region Shared Service	NTC
Facilities	<ul style="list-style-type: none"> <li>-Facilities management (maintenance, contracted services management, etc.)</li> <li>-Security still to be assessed</li> <li>-Capital facilities renewal/replacement project managers - Still needs some assessment but could likely be charged to capital</li> </ul>	<ul style="list-style-type: none"> <li>-On street asset management and maintenance</li> <li>-Customer service</li> </ul>
Real Estate	Lease/licensing management and property acquisitions	None
Procurement	<ul style="list-style-type: none"> <li>-Support formal procurement process with systems and coordination</li> <li>-Procurement by-law support</li> </ul>	<ul style="list-style-type: none"> <li>-Procurement and bid drafting, requisitioning, compliance with by-law</li> <li>-Low value and informal procurement</li> <li>-RFP evaluations</li> <li>-Vendor performance, contract management</li> </ul>
Finance	<ul style="list-style-type: none"> <li>-Use of PeopleSoft Financials and Hyperion Planning as core financial systems</li> <li>-Provide accounting transaction processing support in AP, AR/revenue, banking and system support and training</li> <li>-Provide budgeting preparation &amp; submission, internal &amp; external financial reporting requirements, financial analysis, external audit support</li> <li>-Direction on budget targets as presented and approved to Regional Council</li> <li>-Provision of financial strategy and support</li> </ul>	<ul style="list-style-type: none"> <li>- Purchase requisition/order performance and business strategy resources</li> </ul>
Communications	None	NTC to resource

# 2023 One Time Special Levy

For Employment Liabilities (Not Included in \$55.05M Net Special Levy)

- Employees will transfer to NTC with medical/dental/LTD benefit obligations that will be a significant cost to the NTC at a later date
- Previous providers have not budgeted for this cost nor set the funding aside in reserves representing a significant risk to the NTC
- In order to mitigate NTC budget pressures that will impact remaining 9 municipalities in the future:
  - The estimate will be levied/recovered from St. Catharines, Niagara Falls and Welland directly in accordance with the MTA provisions
  - An estimate of these obligations has been determined (subject to a future actuarial valuation)
  - Funds received for this purpose will be set aside in 'special purpose' reserve to be used to fund the NTC expenses when incurred

# 2023 Budget Mitigations

## Strategies Implemented for 2023 Budget:

- 1) New service level increases deferred to 2024 as per the triple majority strategy
- 2) Included \$0.50M modest increase in 2023 farebox revenues
- 3) Using \$1.61 million in PGT for operating, phasing out over 3 years starting in 2024. (\$7.31M in PGT/Reserve funding in 2022 budget reduced by \$1.61M, equal to 24% of annual \$6.83M PGT)

# 2023 Budget Risks

- Increased student demand may drive increase service and costs
- Inflation in excess of 2% and fuel, however it is recommended that real inflationary pressures be managed post budget once operational staff onboard and we have line of sight to all pressures and opportunities
- Cost of claims related to potential changes in insurance deductibles
- Strategic supports may not have adequate resourcing i.e. communications, IT, performance measurement, etc.
- PGT/reserves used in operating limits the NTC's capital program
- \$2.17M transfer to reserve required to support 2023 capital

# 2. 2023 Capital Budget

## Overview

- NTC to assume \$159.33M in capital assets (historical cost) with annual life cycle replacement needs of **\$14.11M** (replacement cost)
- PGT for capital **\$5.22M** (\$6.83M less \$1.61M for operating)
- **Gap of \$8.89M** per year to be funded from reserve strategy or other levels of government

# NTC Capital Forecast Recommended

(\$ Millions)

Source	2023	10 year forecast 2024-2033	Total
In-flight	\$52.26		\$52.26
Niagara Falls Fareboxes	2.00		2.00
Welland Facility		15.00	15.00
10 Year forecast		189.58	189.58
Growth forecast	<u>0.00</u>	<u>40.80</u>	<u>40.80</u>
Total GROSS CAPITAL	\$54.26	\$245.38	\$299.65
Total External Funding (ICIP/PGT/DC's)	<u>(54.26)</u>	<u>(169.90)</u>	<u>(224.16)</u>
Net FUNDING (Reserves)	\$0.00	\$75.49	\$75.49

Capital strategy provides \$65.00M over 11 years in reserve funding

The funding gap of \$10.49M will impact timing of capital projects

# 3. 2023 NTC Budget Upload

- All local transit service operating costs will belong to the NTC
  - LAM and Regional budgets will upload/transfer to the NTC
- Current transit budgets will offset any special levy from the NTC as per the guiding principle of the triple majority process

# 2023 NTC Requisition

## Methodology

- A requisition will be determined for each LAM as determined in accordance with methodology approved in the ‘triple majority’ approval process.
- Requisition based on sum of:
  1. Local net transit costs and incremental capital will be apportioned based on proportion of service hours
  2. Inter-municipal Regional Transit service cost apportioned based on municipal share of Region wide 2022 assessment as per CSD 10-2023



# 2023 NTC Special Levy

## Methodology

- Region will determine Special Levy Tax Rate required to recover each municipal requisition
- Municipal final tax bills to property owners will include a separate line for Transit Special Levy Taxes
  - Tax rate set by Region just like Regional General Levy rate and Waste Management Special Levy Rate
- LAMs will pay the Region the amount of the requisition in four instalments (like taxes) and collect the Transit special levy from property owners to recover the amount paid to Region

# 2023 Requisition by Municipality

(\$ Millions)

<sup>1</sup> Based on 2022 Municipal Assessment.

Municipality	2023 Local Service Hours	2023 Local Service Hour %	Service Hour Allocation	Regional Assessment Allocation <sup>1</sup>	Direct Municipal Allocation	Total Before EFB – 2023 Requisition
St. Catharines	193,499	42.6%	\$13.93	\$4.25	\$2.37	\$20.55
Niagara Falls	125,048	27.5%	9.00	3.51	2.05	14.56
Welland	57,031	12.6%	4.10	1.38	1.28	6.76
Niagara-on-the-lake	15,912	3.5%	1.15	1.44	0.00	2.59
Port Colborne	5,655*	1.2%	0.41	0.53	0.00	0.94
Pelham	5,655*	1.2%	0.41	0.71	0.00	1.12
Thorold	14,751	3.2%	1.06	0.71	0.00	1.78
Fort Erie	25,444*	5.6%	1.83	1.04	0.00	2.88
Grimsby	5,655*	1.2%	0.41	1.27	0.00	1.68
Lincoln	5,655*	1.2%	0.41	1.02	0.00	1.43
West Lincoln	0	0.0%	0.00	0.53	0.00	0.53
Wainfleet	<u>0</u>	<u>0.0%</u>	<u>0.00</u>	<u>0.25</u>	<u>0.00</u>	<u>0.25</u>
Total	454,305	100%	\$32.70	\$16.65	\$5.70	\$55.05

\*On demand service hour allocation adjusted to reflect current NTC cost per hour however actual service hours remain consistent with current contracts.

# 2023 Requisition by Municipality

## Including EFB estimate (\$ Millions)

Municipality	2023 Local Service Hours	2023 Local Service Hour %	Service Hour Allocation	Regional Assessment Allocation**	Direct Municipal Allocation with EFB	Total – 2023 Requisition
St. Catharines	193,499	42.6%	\$13.93	\$4.25	\$3.59	\$21.77
Niagara Falls	125,048	27.5%	9.00	3.51	2.48	14.99
Welland	57,031	12.6%	4.10	1.38	1.56	7.05
Niagara-on-the-lake	15,912	3.5%	1.15	1.44	0.00	2.59
Port Colborne	5,655*	1.2%	0.41	0.53	0.00	0.94
Pelham	5,655*	1.2%	0.41	0.71	0.00	1.12
Thorold	14,751	3.2%	1.06	0.71	0.00	1.78
Fort Erie	25,444*	5.6%	1.83	1.04	0.00	2.88
Grimsby	5,655*	1.2%	0.41	1.27	0.00	1.68
Lincoln	5,655*	1.2%	0.41	1.02	0.00	1.43
West Lincoln	0	0.0%	0.00	0.53	0.00	0.53
Wainfleet	<u>0</u>	<u>0.0%</u>	<u>0.00</u>	<u>0.25</u>	<u>0.00</u>	<u>0.25</u>
Total	454,305	100%	\$32.70	\$16.65	\$7.63	\$56.98

\*Service hours allocation adjusted.

# Report Recommendation Changes as Per CSD 10-2023

- Recommendation 1 – to reduce gross budget for changes to presentation of shared service cost allocation
- Recommendation 2 – to confirm 2022 assessment for 2023 requisition apportionment

# Next Steps

- Council approval of budget and requisition
- Forward to LAMs for information
- On-going support to LAMs regarding transit upload and changes to tax bill
- Refine estimate for Employee Future Benefits
- Region to calculate tax rates with tax policy March/April 2023

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