

TWENTY22

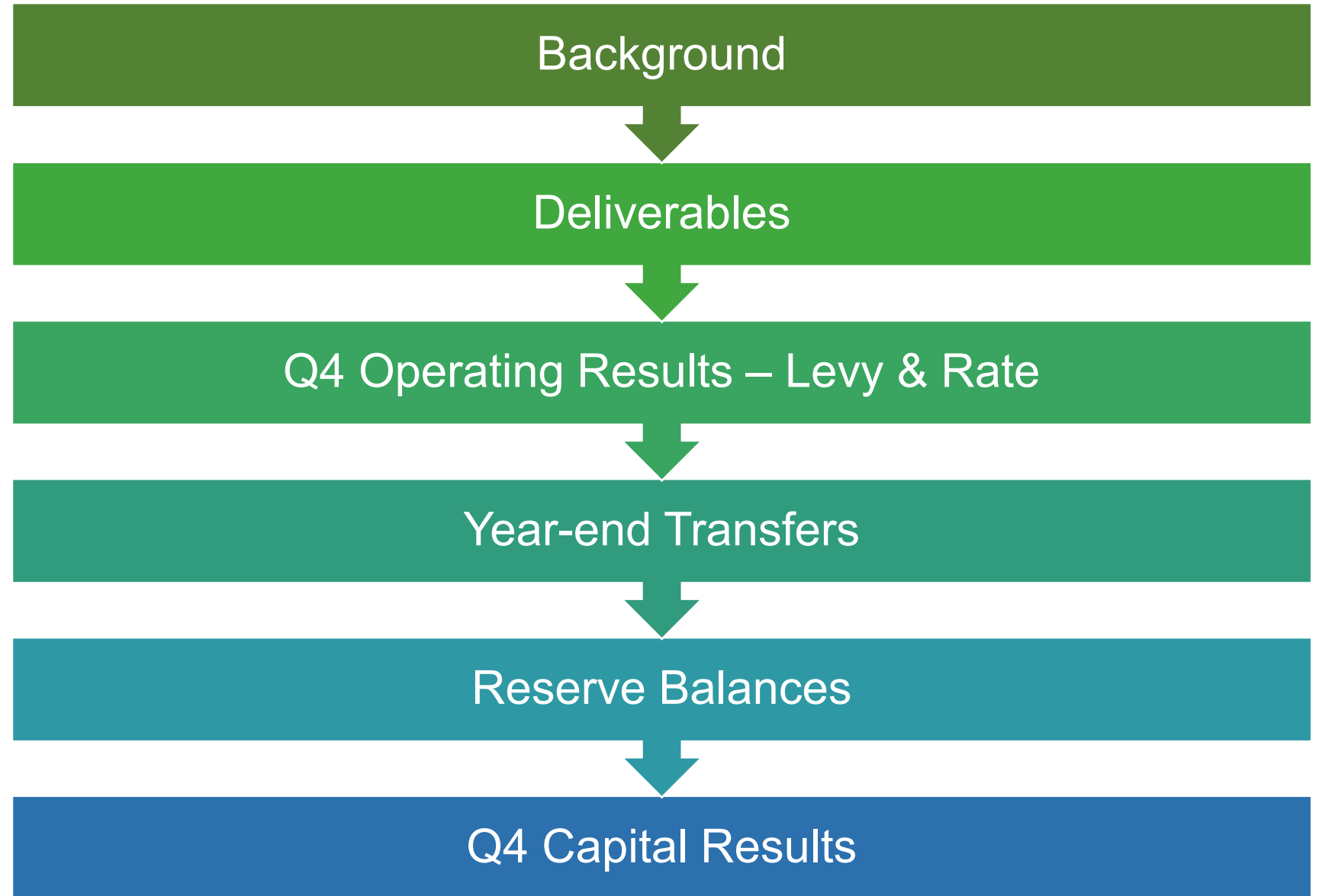
NIAGARA REGION

Q4 2022 FINANCIAL UPDATE

Corporate Services Committee

March 8, 2023

Agenda

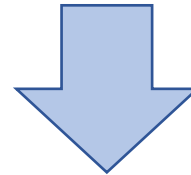


Background

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

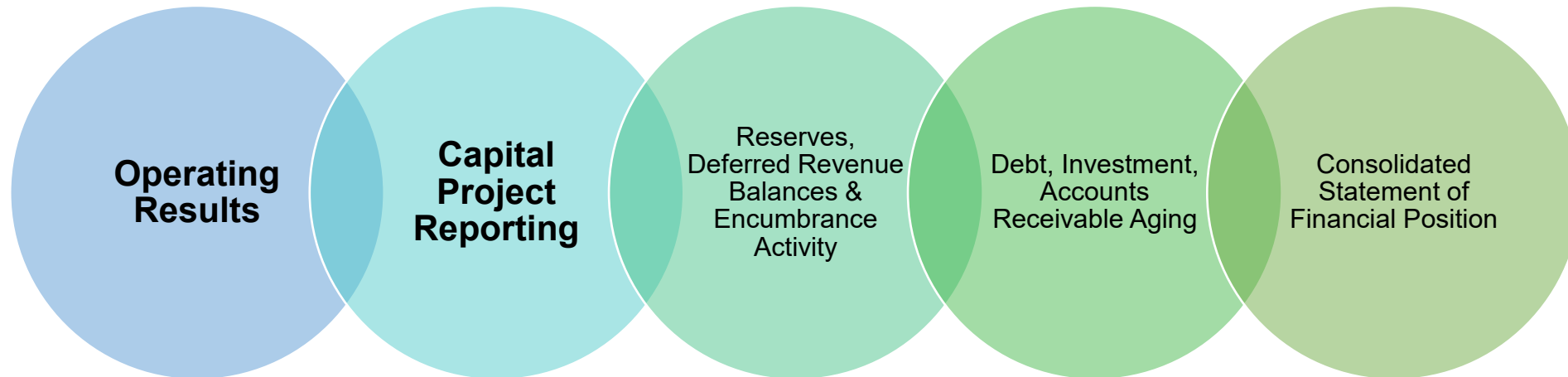
Deliverables

Q4 2022 Financial Update is available on the Niagara Region's external website:

[December 2022 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:



2022 Key Messages

- Levy deficit largely driven by significant pressures from development charge grants
- Of the \$25.4 million in funds budgeted for COVID-19 from Taxpayer Relief Reserve **\$22.3 million has been returned through securing external funding**
- Transfer recommendations aligned with Operating Surplus/Deficit Policy, with funds allocated to/from stabilization and capital reserves
- Recommend excess funds be maintained in respective Capital Variance Project (CVP) to address anticipated inflationary pressures in the capital program

Q4 Summary Results

(in thousands)	Surplus/ (Deficit) (after indirect allocations)	Percentage of Gross Budgeted Expenditures
Levy Supported Departments and Programs:		
Regional Departments	(\$1,565)	(0.22%)
Agencies, Boards and Commissions (ABCs)	(\$685)	(0.27%)
Total Levy-Supported Programs	(\$2,250)	(0.23%)
Rate Supported Departments		
Waste Management	\$1,177	1.68%
Water and Wastewater	\$438	0.30%
Total Rate Supported Departments	\$1,615	0.75%

Q4 Summary – Regional Departments

(in thousands)	Surplus/ (Deficit) (after indirect allocations)	Percentage of Gross Budget
Regional Departments and General Government	(\$1,565) ←	(0.22%)
Agencies, Boards and Commissions (ABCs)	(\$685)	(0.27%)
Total Levy-Supported Programs	(\$2,250)	(0.23%)

Factors impacting Regional Departments (Deficit of \$1,565):

- -\$11,948 in Development Charge (DC) grant payments
- +\$4,608 in labour related costs
- +\$1,742 in insurance claim payouts
- +\$2,241 in consulting fees

Q4 Summary – ABCs

(in thousands)	Surplus/ (Deficit) (after indirect allocations)	Percentage of Gross Budget
Regional Departments and General Government	(\$1,565)	(0.22%)
Agencies, Boards and Commissions (ABCs)	(\$685) ←	(0.27%)
Total Levy-Supported Programs	(\$2,250)	(0.23%)

Factors impacting ABCs (Net Deficit of \$685):

- -\$1,663 in property maintenance costs in NRH
- +\$1,233 in rental revenue in NRH
- -\$777 in decreased ticket volumes and court closures
- +\$463 in labour related savings in NRPS
- +\$457 in computer software support savings in NRPS
- -\$223 revenue reduction in NRPS

Q4 Summary – Rate Programs

(in thousands)	Surplus/(Deficit) (after indirect allocations)	Percentage of Gross Budget
Water and Wastewater	\$438	0.30%
Waste Management	\$1,177	1.68%
Total Rate-Supported Programs	\$1,615	0.75%

Factors Impacting Water & Wastewater (Surplus of \$438):

- +\$1,607 in utility savings
- -\$1,202 in sludge management and chemical costs
- -\$620 in water sales

Factors Impacting Waste Management (Surplus of \$1,177):

- +\$938 from price increases in the recyclable commodity markets
- -\$611 in collection contract costs
- +\$525 in labour related costs

2022 COVID-19 Financial Impacts

(in thousands of dollars)

Program Area	Net Expenditures	Confirmed External Funding	Levy Surplus/ (Deficit) before transfer	Transfer (to) / from Reserve
Regional Departments	\$44,573	\$43,164	(\$1,409)	\$2,788
ABCs & Rate	\$1,875	\$35	(\$1,840)	\$319
Total Niagara Region	\$46,448	\$43,199	(\$3,249)	\$3,107

Shortfall in provincial funding largely attributed to Seniors Services operating costs. Additional funding may be forthcoming for the service area in 2023.

Taxpayer Relief Reserve Forecast

Reflects COVID-19 costs, Bill 23 estimates and 2023 budget decisions

(in millions)	2022 Budget	2022 Actual	2023 Budget	2024 Forecast
Opening Balance	\$61.6	\$61.6	\$48.7	\$5.5
2022 Council Reserve Draw (Tax mitigation strategy)	(\$6.0)	(\$6.0)	(\$4.0)	(\$2.0)
Non-COVID-19 Transfers (net)	(\$1.6)	(\$1.6)	(\$2.5)	(\$0.3)
Bill 23 per CSD 14-2023			(\$19.3)	
Total COVID-19 Funding Transfers	(\$25.4)	(\$3.1)	(\$17.4)	(\$5.5)
Year-End Levy Surplus (Deficit) Transfer	\$0	(\$2.2)	\$0	\$0
Forecasted Closing Balance	\$28.6	\$48.7	\$5.5	(\$2.3)

Stabilization Reserve Targets

Target per Policy is 10% to 15% of operating expenses for stabilization reserves

Balances below target impact the ability to manage operational risks

Stabilization Reserve (Note 1)	Balance at Dec. 31, 2022 Before Year-End Transfer	Year-End Transfer	Balance at Dec. 31, 2022	Reserve Target Balance		Conclusion
				Low (10%)	High (15%)	
Taxpayer Relief	\$50,943	(\$2,239)	\$48,704	\$71,011	\$106,516	Below Target
Water Stabilization	\$3,642	\$49	\$3,691	\$2,460	\$3,691	On Target
Wastewater Stabilization	\$5,535	\$182	\$5,717	\$6,349	\$9,524	Below Target
Waste Management Stabilization	\$6,103	\$1,177	\$7,280	\$6,588	\$9,882	On Target
Police Contingency	\$954	\$0	\$954	N/A - Assessed by NRPS		
Police Services Board Contingency	\$242	\$0	\$242			

Year-end Recommendations

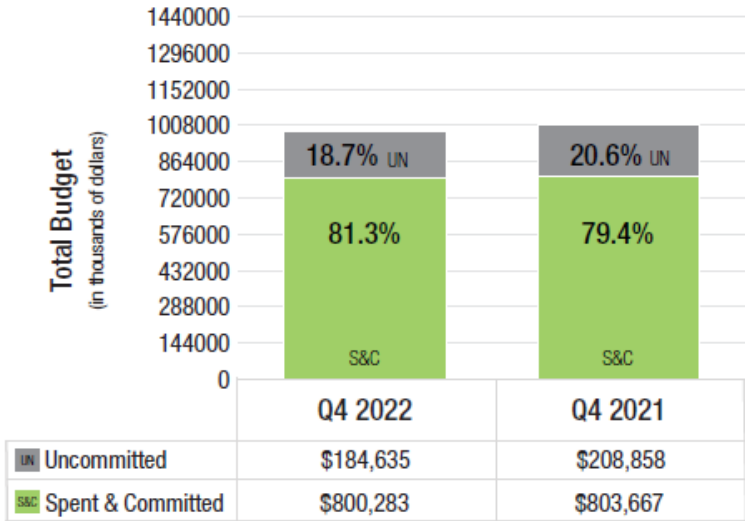
- Outlined in CSD 20-2023
- Aligned with Operating Surplus/Deficit Policy
- Surplus/deficit is allocated to/from reserves, either Stabilization or Capital depending on balance relative to target
- Capital Variance Projects to be maintained to address inflation risk

Capital Project Status

Levy

Project Budgets Spent and/or Committed at Quarter End

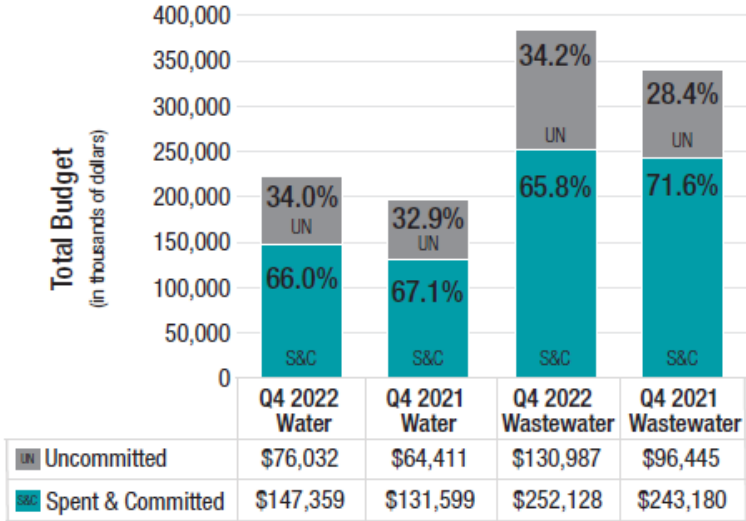
Active projects with budgets greater than \$1 million.



Water & Wastewater

Project Budgets Spent and/or Committed at Quarter End

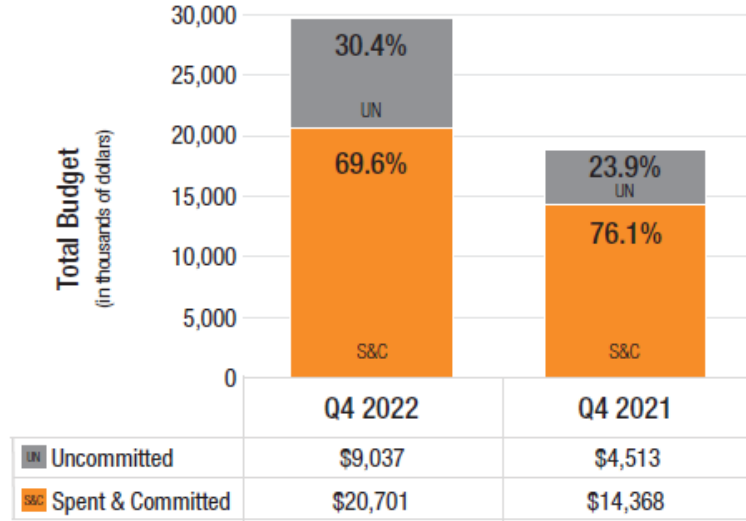
Active projects with budgets greater than \$1 million.



Waste Management

Project Budgets Spent and/or Committed at Quarter End

Active projects with budgets greater than \$1 million.

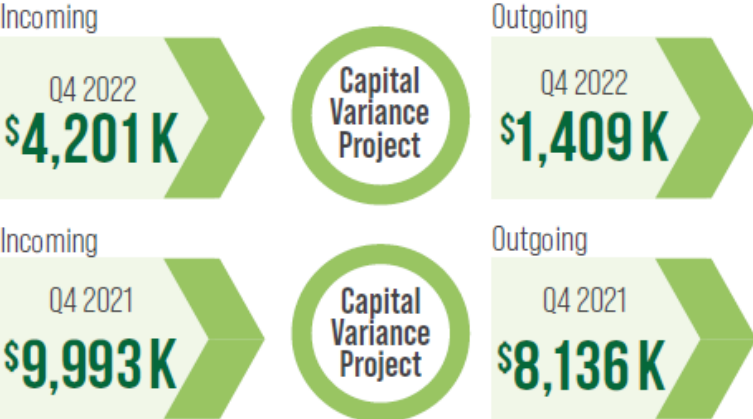


Year over year capital spend is growing in rate programs due increasing capital investment.

Capital Variance Projects

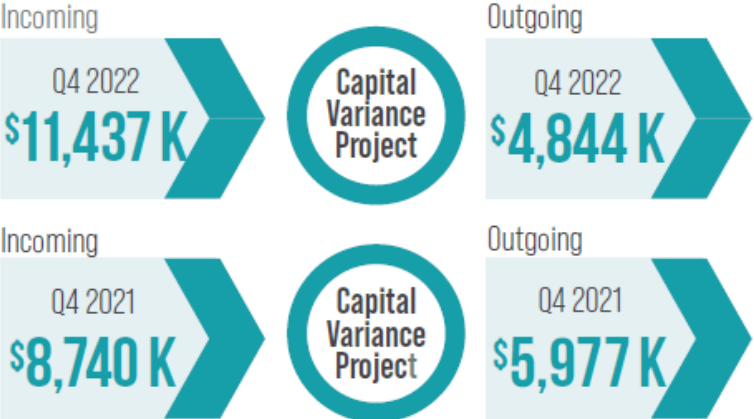
Levy

Year-to-Date Capital Variance Project Transfers



Water & Wastewater

Year-to-Date Capital Variance Project Transfers



Waste Management

Year-to-Date Capital Variance Project Transfers



Net of \$11.3 million has been made available for future capital

Capital Variance Projects

- \$21.7 million to be held in the Capital Variance Projects (1% of budget for active capital projects)
- Assist with significant inflationary pressures
- Draws from CVP greater than \$250 thousand require approval by council

CVP (in millions)	Opening Balance	Contributions	Total Balance	Minimum Balance
Levy	\$2.3	\$2.8	\$5.1	\$1.0
Waste Management	\$3.3	\$2.0	\$5.3	\$1.0
Wastewater	\$1.9	\$2.3	\$4.2	\$1.0
Water	\$2.9	\$4.2	\$7.1	\$1.0
Total	\$10.4	\$11.3	\$21.7	\$4.0

Next Steps

- Preparation of Consolidated Financial Statements
- Completion of external audit March 2023
- Presentation to Audit Committee on May 15, 2023
- Annual Report to be published in June 2023

Questions?

Donovan D'Amboise

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