

# TWENTY23

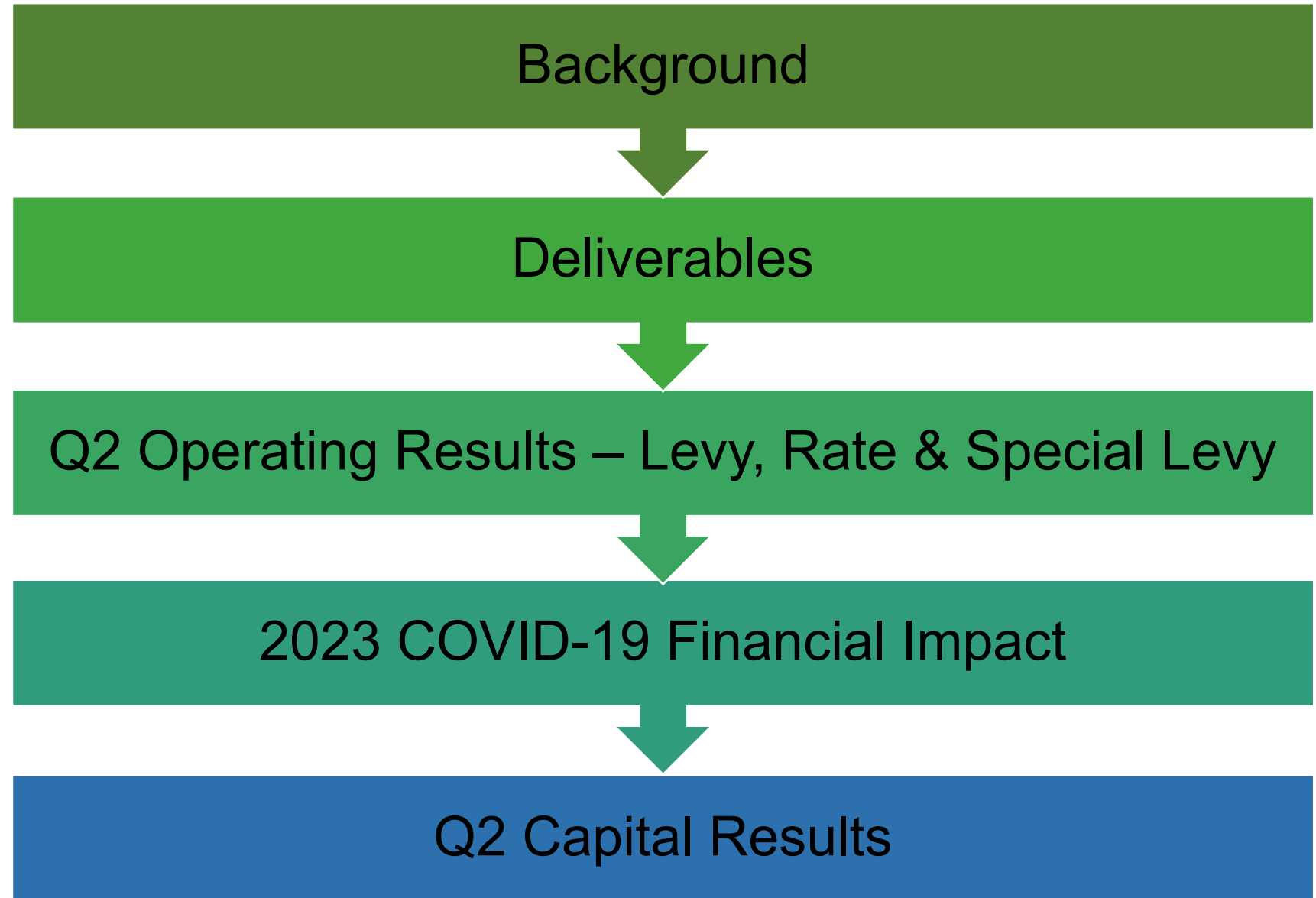
NIAGARA REGION

## Q2 2023 FINANCIAL UPDATE

Corporate Services Committee

September 13, 2023

# Agenda

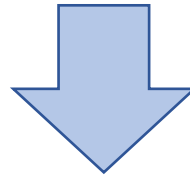


# Background

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

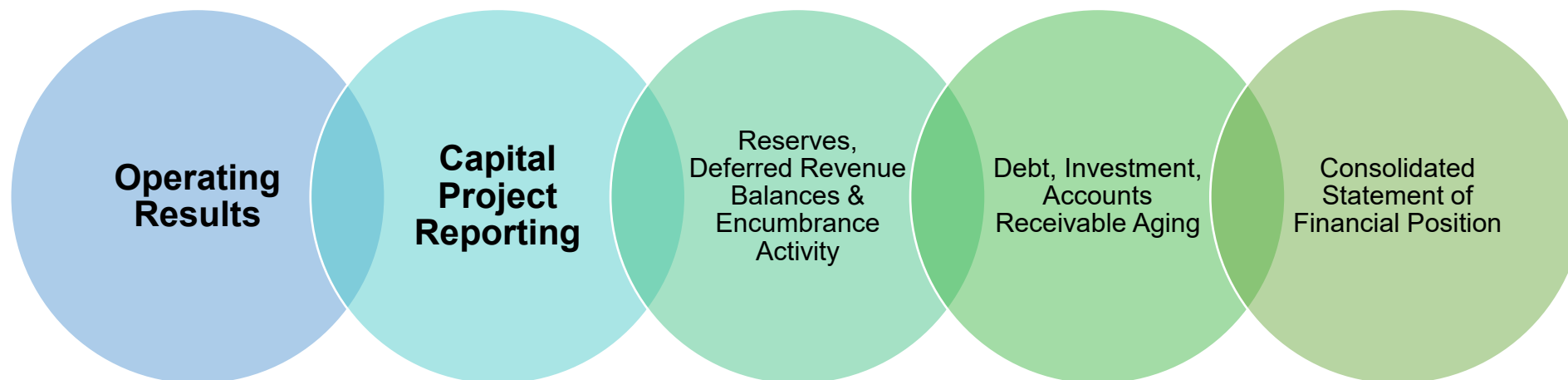
# Deliverables

Q2 2023 Financial Update is available on the Niagara Region's external website:

## [June 2023 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:



# 2023 Key Messages as of Q2

- Purpose of report is to provide Q2 2023 financial results to Council for information purposes to **inform the 2024 budget process**
- Surplus/Deficits forecast for year largely due to staff gapping and other inflationary pressures.
- To fund COVID-19 a transfer of \$18.4 million from Taxpayer Relief Reserve was budgeted however **\$7.9 million is forecasted to be returned to reserve**
- To fund Bill 23 impacts a transfer of \$19.3 from Taxpayer Relief Reserve was budgeted however **\$7.8 million is forecasted to be returned to reserve**

# 2023 Q2 High-Level Results

(In millions of dollars)

	Annual Forecast at Q2 (Deficit)	Percentage of Expense Budget
<b>Regional Departments</b>	<b>(\$0.1)</b>	<b>(0.01%)</b>
<b>ABC's</b>		
Court Services	\$0.2	2.42%
Niagara Regional Housing	(\$0.2)	(0.64%)
Niagara Regional Police Services	(\$0.6)	(0.32%)
Niagara Peninsula Conservation Authority	\$0	0.54%
<b>Total General Levy</b>	<b>(\$0.7)</b>	<b>(0.07%)</b>
<b>Rate Supported: Water/Wastewater</b>	<b>(\$4.0)</b>	<b>(2.50%)</b>
<b>Special Levy: Niagara Transit Commission</b>	<b>\$1.0</b>	<b>1.25%</b>
<b>Special Levy: Waste Management</b>	<b>\$1.6</b>	<b>2.50%</b>

# Q2 Summary Results – Levy no ABC

(In millions of dollars)

	Forecasted Surplus/ (Deficit) (after indirect allocations)	Percentage of Gross Budget
Regional Departments and General Government	(\$0.1) ←	(0.01%)

## Major factors impacting Regional Departments & General Government:

- Utilities (-\$1.2) **ONGOING INTO 2024**
- Cost of health and dental benefits (-\$1.5) **ONGOING INTO 2024**
- Inflationary pressures and market shortages of raw food (-\$0.7) **ONGOING INTO 2024**
- Timing of implementation of Vision Zero (-1.4) **ONE-TIME IN 2023**
- Gapping in the filling of vacant positions (+\$4.7) **ONE-TIME IN 2023**

# Q2 Summary Results – ABCs

(In millions of dollars)

	Forecasted Surplus/ (Deficit) (after indirect allocations)	Percentage of Gross Budget
Agencies, Boards and Commissions (ABCs)	(\$0.6) ←	(0.24%)

## Major factors impacting ABCs:

- Property maintenance costs within NRH (-0.8) **ONGOING INTO 2024**
- Property taxes for NRH owned united (-0.3) **ONGOING INTO 2024**
- Legal claims within NRPS (-1.1) **ONE-TIME IN 2023**
- Courts infraction revenues (+1.1) **ONE-TIME IN 2023**



# Q2 Summary Results – Rate Drivers

(In millions of dollars)

	Forecasted Surplus/(Deficit) (after indirect allocations)	Percentage of Gross Budget
Water	(\$0.1)	(0.24%)
Wastewater	(\$3.9)	(3.59%)
<b>Total Rate-Supported Programs</b>	<b>(\$4.0)</b>	<b>(2.50%)</b>

## Major factors impacting Water & Wastewater:

- Chemical costs & sludge disposal and management (-\$2.4) **ONGOING INTO 2024**
- Repairs and maintenance spending due to aging infrastructure (-\$1.0) **ONGOING INTO 2024**
- Utilities (-\$0.7) **ONGOING INTO 2024**

# Q2 Summary Results – Special Levy

(In millions of dollars)

	Forecasted Surplus/(Deficit) (after indirect allocations)	Percentage of Gross Budget
Niagara Transit Commission	\$1.0	1.25%
Waste Management	\$1.6	2.50%

## Major factors impacting Niagara Transit Commission:

- Insurance premiums (+\$1.2) **ONGOING INTO 2024**
- Fare revenue including student fare passes (+\$4.6) **MONITOR INTO 2024**
- Cost of health and dental benefits (-\$2.1) **ONGOING INTO 2024**

## Major factors impacting Waste Management:

- Waste Diversion funding (+\$0.9) **ONE-TIME IN 2023**
- Labour related costs due to gapping (+\$0.2) **ONE-TIME IN 2023**
- Lower commodity prices for recycling purchases (+\$0.4) **ONE-TIME IN 2023**

# 2023 Q2 COVID-19 Expenditures & Funding Summary

(in millions of dollars)

Budgeted COVID-19 Reserve Funding	Forecasted COVID-19 Expenditures	Confirmed External COVID-19 Funding	Forecasted COVID-19 Reserve Funding
\$18.4	\$15.0	(\$4.5)	\$10.5

Forecasted Taxpayer Relief reserve transfer is primarily funding COVID-19 costs within Public Health and may be reduced in future quarters depending upon Ministry funding announcements.

# 2023 Q2 – Taxpayer Relief Reserve

(in millions of dollars)

	2023 Budget	2023 Forecast
<b>Opening Balance (reflects 2022/2023 year-end transfers)</b>	<b>\$47.3</b>	<b>\$47.3</b>
Bill 23 Impacts	(\$19.3)	(\$11.5)
2023 Council Reserve Draw (Tax mitigation strategy)	(\$4.0)	(\$4.0)
Non-COVID Transfers (net)	(\$1.4)	(\$0.9)
2022 COVID-19 Recovery Seniors (One-time)	-	\$2.9
2023 COVID-19 Funding Requirements	(\$18.4)	(\$10.5)
Forecasted 2023 Operating Deficit	-	(\$0.7)
<b>Closing Balance</b>	<b>\$4.2</b>	<b>\$22.6</b>

**Notes:**

(1) Actual use for COVID-19 in 2023 is \$7.9 million less than budget primarily due to confirmed external funding for 2023 expenses

# Stabilization Reserve Position

(in millions of dollars)

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

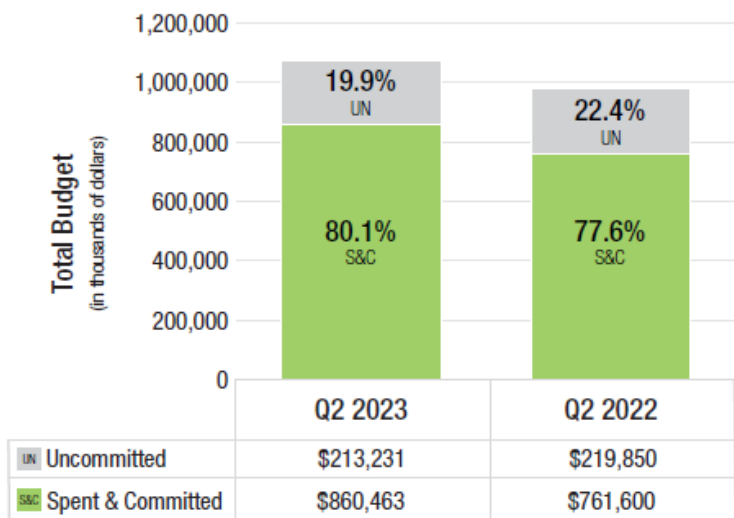
Balances below target impact the ability to manage operational risks

Stabilization Reserve (Note 1)	Forecasted Balance at Dec. 31, 2023 Before Year-End Transfer	Estimated Year-End Transfer (Note 2)	Forecasted Balance at Dec. 31, 2023	Reserve Target Balance		Conclusion
				Low (10%)	High (15%)	
Taxpayer Relief	\$23.3	(\$0.7)	\$22.6	\$75.3	\$112.9	Underfunded
Transit Stabilization	\$0	\$1.0	\$1.0	\$7.1	\$10.6	Underfunded
Water Stabilization	\$3.6	(\$0.1)	\$3.5	\$2.6	\$3.9	Within Funding Targets
Wastewater Stabilization	\$5.5	(\$3.9)	\$1.6	\$6.8	\$10.3	Underfunded
Waste Management Stabilization	\$4.0	\$1.6	\$5.6	\$6.4	\$9.7	Underfunded
Police Contingency	\$1.2	\$0	\$1.2	N/A - Assessed by NRPS		
Police Services Board Contingency	\$0.2	\$0	\$0.2			

# Capital Project Status

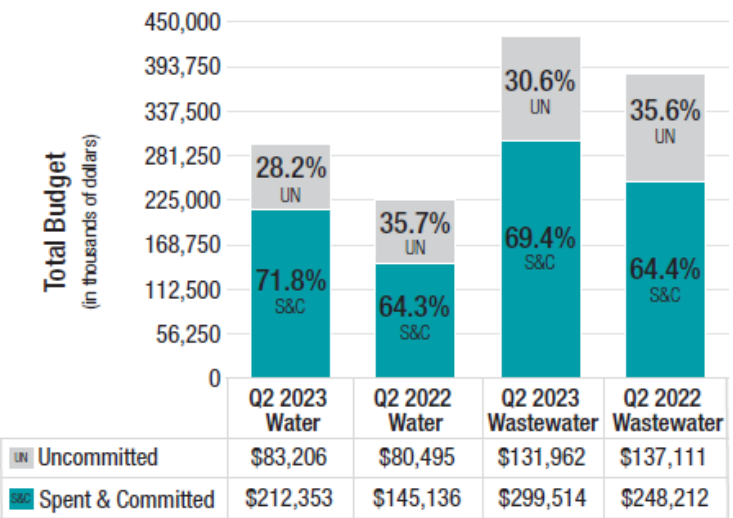
## Levy

Project Budgets Spent and/or Committed at Quarter End  
Active projects with budgets greater than \$1 million.



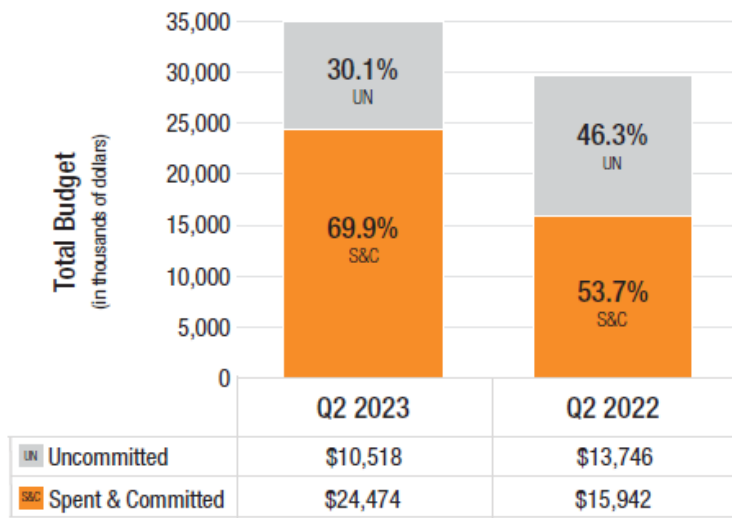
## Water & Wastewater

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.

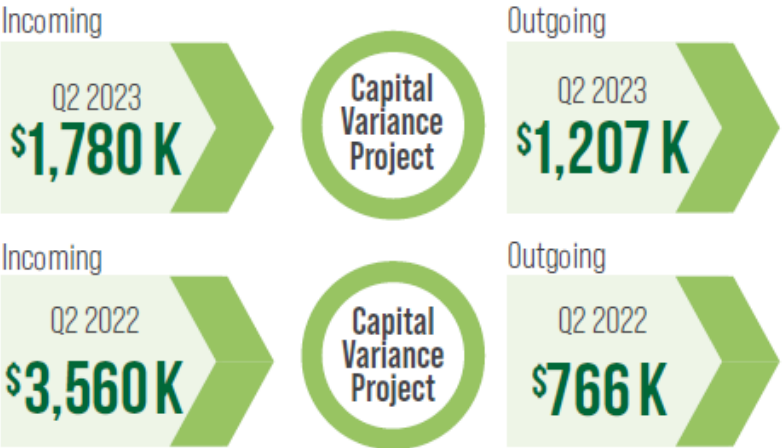


Year over year capital spend is growing in rate programs due increasing capital investment.

# Capital Variance Projects

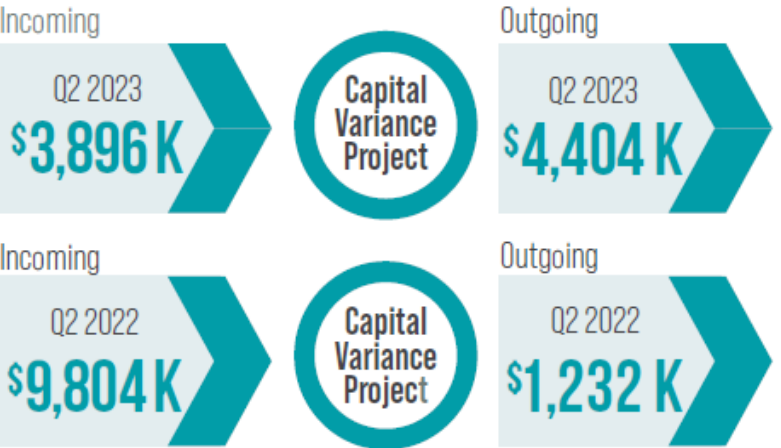
## Levy

### Year-to-Date Capital Variance Project Transfers



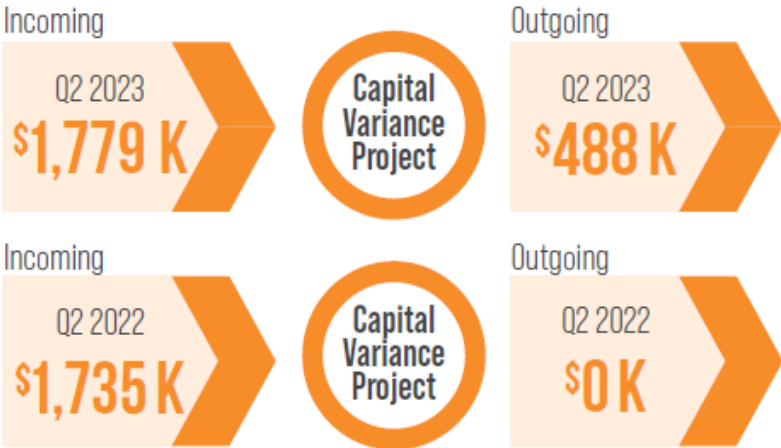
## Water & Wastewater

### Year-to-Date Capital Variance Project Transfers



## Waste Management

### Year-to-Date Capital Variance Project Transfers



**Net of \$1.4 million** has been made available for future capital

# Other/Next Steps

- Staff are using these financial results to inform 2024 budget related to on-going pressures, mitigation opportunities, one-time pressures versus sustainability risks.
- Q3 results will be reported to Council in December.



# Questions?

**Donovan D'Amboise**

**Acting Associate Director, Reporting & Analysis**