

2024 Capital Budget

Budget Review Committee of the Whole
October 12, 2023

Key Themes

2024 Capital Budget

1. Asset Management Plan (AMP) reaffirmed that funding available is less than funding required therefore projects prioritized and backlog continues
2. Internal funding available has been assigned to projects using the approved Capital Financing Policy
3. Development Charge funding has been applied to all growth projects
4. Projects considered in alignment with Councils priorities

2024 Capital Budget

What we're going to cover:

- 2024 Key Drivers
- Financing Strategy
- 2024 Capital Budget Outcomes
- Risks & Considerations
- Next Steps

2024 Key Drivers

Asset Management Plan (AMP)

- 2021 AMP recap:
 - Capital assets of \$9.8B (includes backlog in excess of \$2B)
 - Requires average annual renewal investment (AARI) of \$438M, currently at \$78M (2023)
- AARI recommended for sustainability annual increases for 10 years:
 - General Levy of 3.8% (\$16.1M) and
 - Water/wastewater rates of 7.2% (\$9.5M)
- Budget Strategy recommended for affordability
 - General Levy of 2.5% (\$11.1M) and
 - Water/Wastewater rates of 5.0% (\$7.3M)
- O.Reg. 588/17 requires a financially sustainable AMP by June 2025

2024 Key Drivers

Strategy for 2021 AMP

Program	Current State (2024 Proposed Budget)	10-Year AARI + Backlog Strategy	50-Year AARI Strategy
General Tax Levy	\$47M	\$269M	\$158M
Water/Wastewater	\$49M	\$164M	\$122M
Waste Management	-	\$5M	\$10M

- Niagara Transit Commission (NTC) to continue with incremental capital contribution of \$2.2 million
- Niagara Regional Police Service (NRPS) to continue with incremental capital contribution of \$0.3 million

The 2024 Budget Strategy (commenced in 2023) is less than recommended in AMP to balance other operating budget pressures and affordability

2024 Key Drivers

Safe Drinking Water Act (SDWA)

- Water and Wastewater Capital represents 52% of assets in the AMP
- O.Reg. 453/07 requires a Rate 10-Year Financial Plan to ensure long-term sustainability
- The recommended Financial Plan supports a capital plan of \$1,285M over 10 years but requires a deferral of 34% of the capital recommended in the AMP.

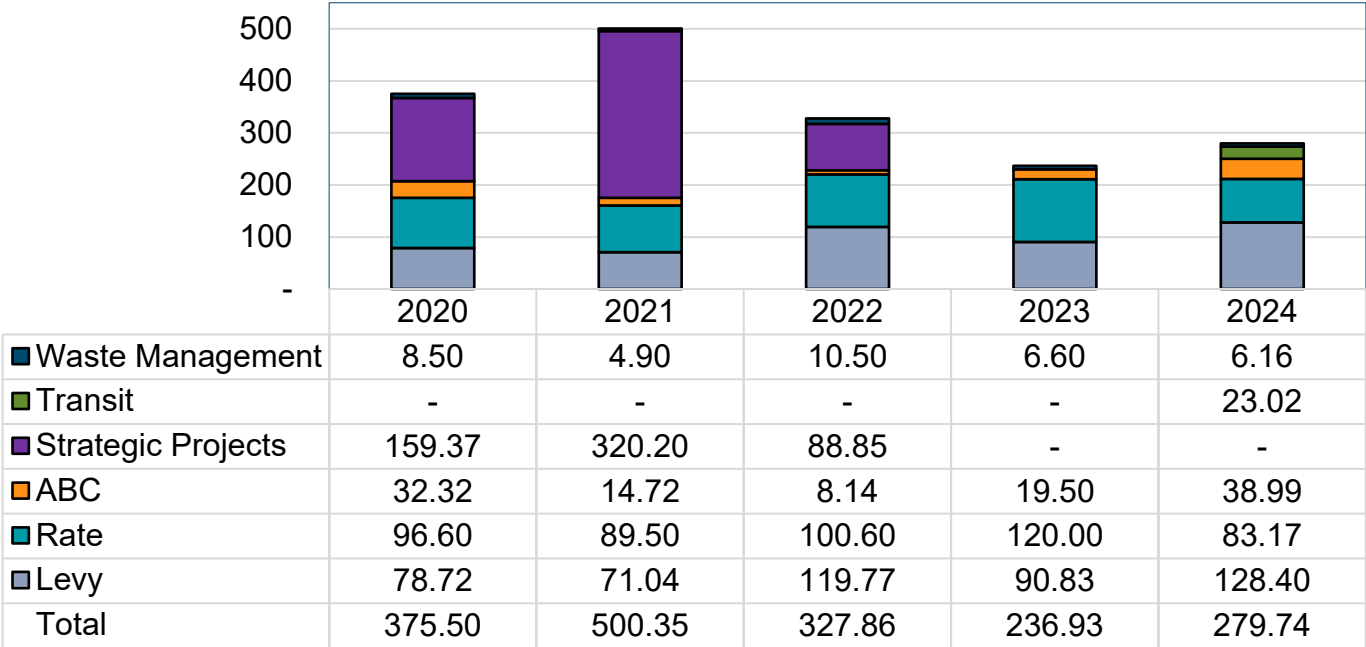
2024 Key Drivers

Available Funding

- Available for renewal of \$141.6M inclusive of \$20.8 M in incremental 2024 operating budget funding
- \$11.1M (General Levy), \$7.3M (Rate), \$2.2M (NTC) and \$0.3M (NRPS)
- Projects recommended in accordance with AMP, master plans and the DC background study prioritized using Asset Management Office risk evaluation methodology
- Methodology provides for prioritization of corporate/Council priorities
- Funding allocated based on the Capital Financing Policy
- reserves for sustainment and debt for strategic/growth projects

2024 Recommended is \$279.7M

Capital Budget and Historical Trend (in \$ Millions)



- 5 year historical average of renewal and growth investments is \$340.2M
- 5 year historical average excluding strategic projects is \$226.5M


Strategic Projects include the South Niagara Falls Wastewater Treatment Plant and Gilmore Lodge/Linhaven Long Term Care homes

2024 is \$53.2M greater than average to include investment of \$31.1M in affordable housing and \$23.0M for transit

2024 Recommended 10-Year Plan

Historical Trend

Increase of \$812 million



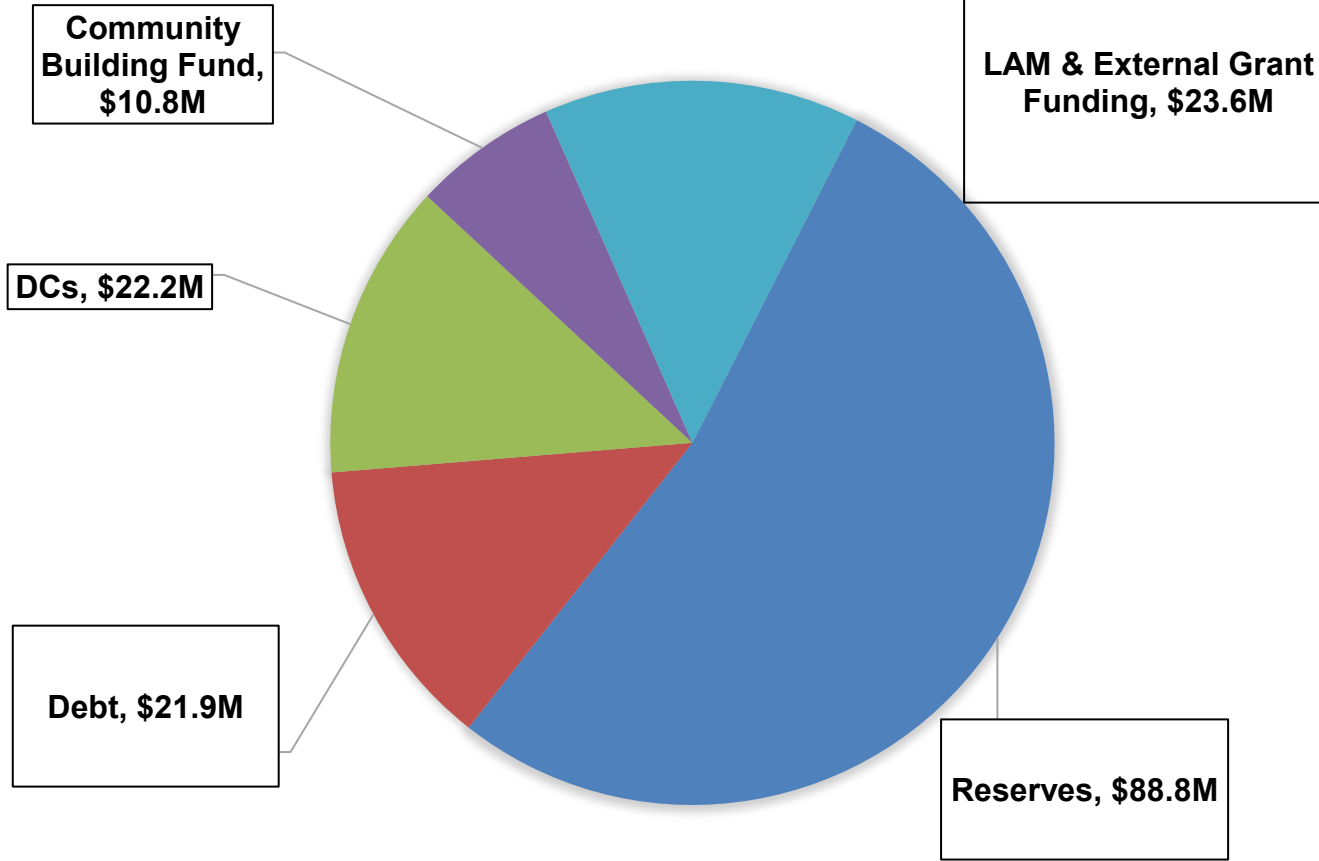
Historical 10-Yr Plan (\$ Millions)	2020	2021	2022	2023	2024
10 Year Capital Plan	2,999	3,028	2,979	3,466	4,278
Funded Capital	1,811	2,204	2,034	2,696	2,349
Deficit	1,188	824	945	770	1,929

Funding is \$2.4B in 2024 for next 10 year
However deficit continues to support increases for housing, transit
and water/wastewater

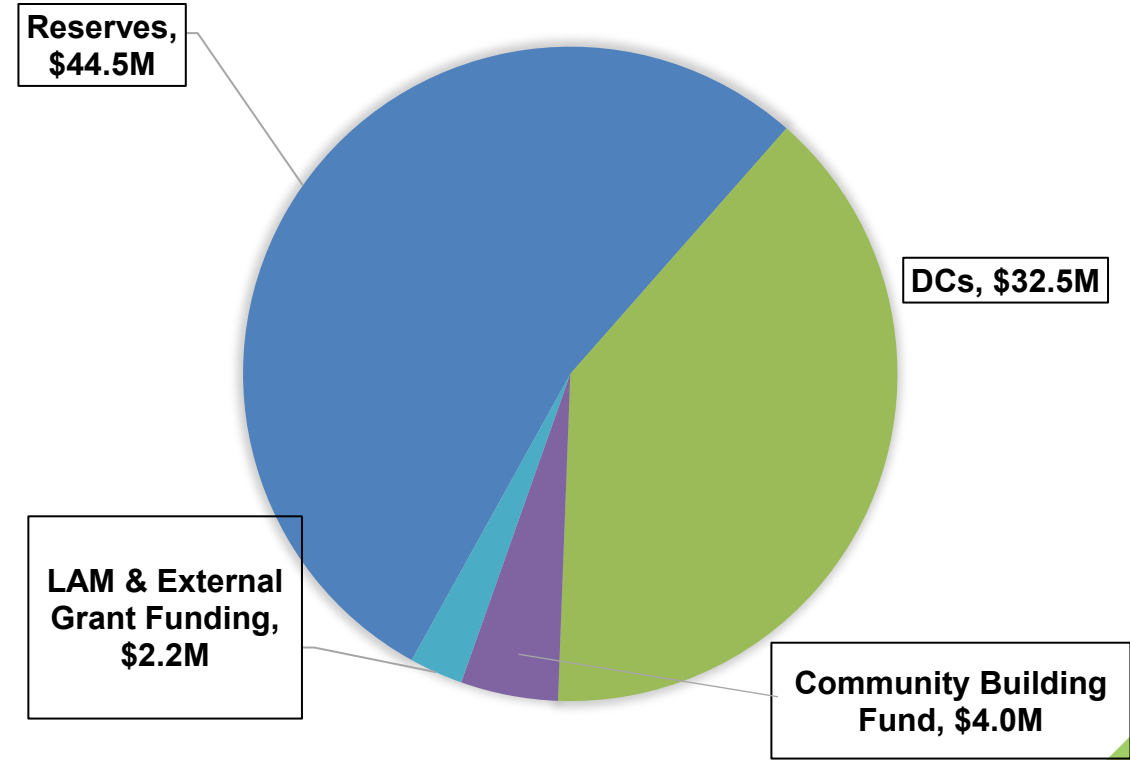
Financing Strategy for \$279.7M

General Levy and Rate

\$167.3M LEVY



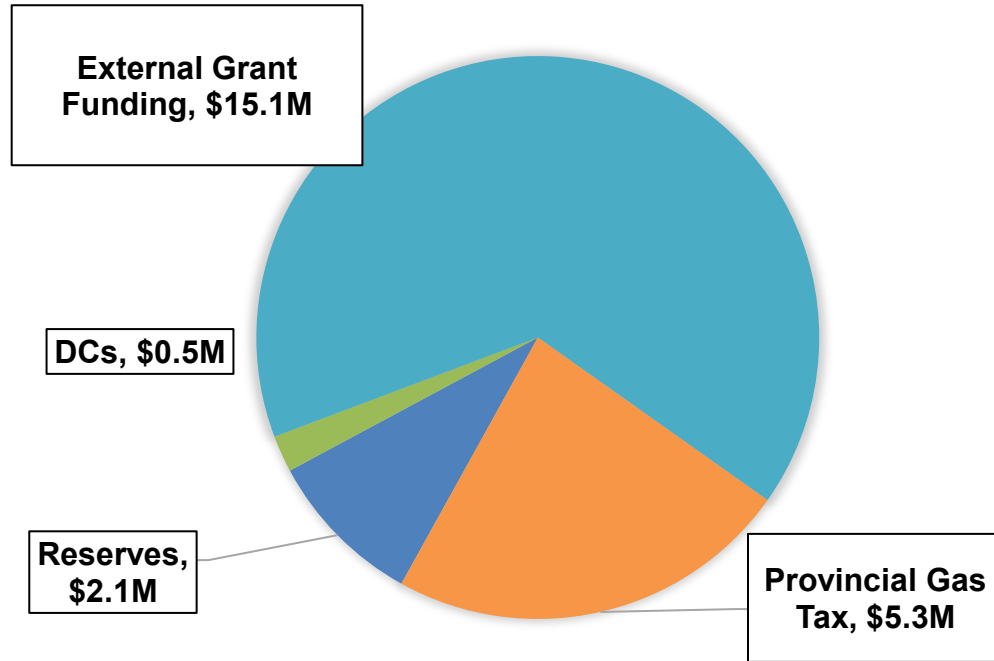
\$83.2M RATE



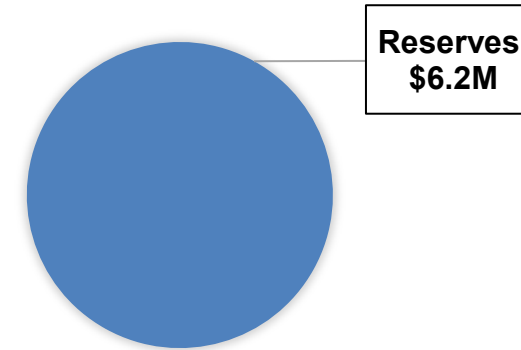
Financing Strategy for \$279.7M

Special Levy

\$23.0M TRANSIT



\$6.2M WASTE MANAGEMENT



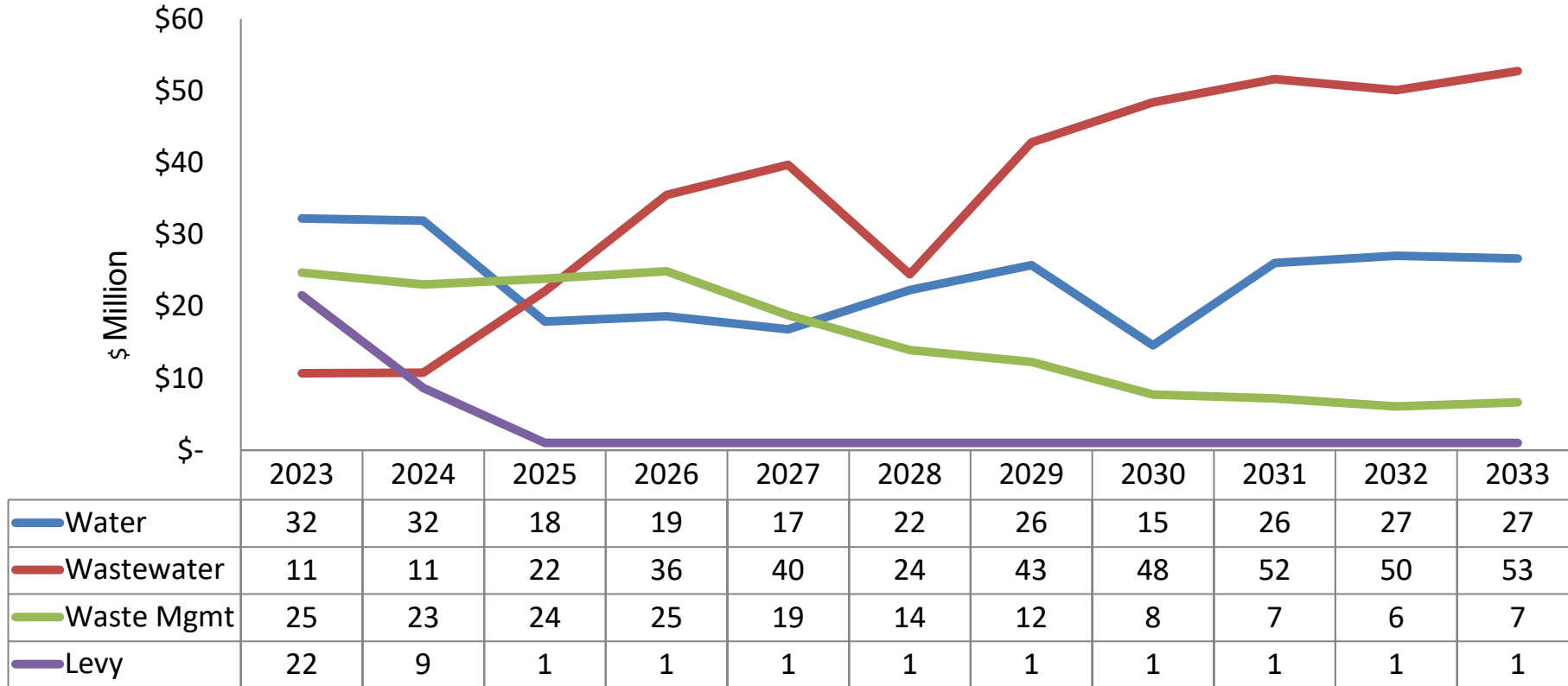
Financing Strategy

Capital Financing Policy

Project Type	<p>Asset Management Plan</p> <ul style="list-style-type: none"> Responsible Growth and Infrastructure Planning Current tax base maintaining existing level of service 	<p>Strategic Investments</p> <ul style="list-style-type: none"> Debt required to support projects with future beneficiaries 	<p>Growth</p> <ul style="list-style-type: none"> Business/Economic Growth Growth pays for growth
	<p>Other External Sources</p> <ul style="list-style-type: none"> Grants, Subsidies, Local Area Municipal Cost Share etc. 		
Funding Source	<p>Pay as you go (Reserves)</p> <ul style="list-style-type: none"> Utilize funds set aside from Operating budgets 	<p>Federal Gas Tax / Community Building Fund</p> <ul style="list-style-type: none"> Federal Funding to support local infrastructure priorities 	<p>Development Charges</p> <ul style="list-style-type: none"> Used for Growth projects based on DC study & receipts
	<p>Debt</p> <ul style="list-style-type: none"> Funds raised from creditors for Capital projects Required to transition to the policy 		

Financing Strategy

Capital Reserves



- Water and wastewater reserves are progressing towards the targeted balances
- Waste Management is at its targeted balance
- Levy funding is fully utilized to address the backlog

Financing Strategy

Largest Growth Projects (\$55.2M in 2024)

<u>Project</u>	<u>Growth Share</u>	<u>% of Project Budget</u>	<u>Impact</u>
New Fort Erie Elevated Tank	\$11.0M	50%	<ul style="list-style-type: none">Supports residential growth of 14,149 people and 7,305 employment population equivalents out to 2051
Spring Gardens Pumping Station Upgrades	\$9.8M	78%	<ul style="list-style-type: none">Supports residential growth of approximately 1,750 people and 750 employment population equivalents out to 2051
New Trunk Main from Grimsby WTP to New Grimsby Reservoir	\$4.5M	89%	<ul style="list-style-type: none">Supports residential growth of 37,731 people and 13,381 employment population equivalents out to 2051

Financing Strategy

Debt for Strategic Projects of \$21.9M

- No debt expiring for Water/Wastewater
- Net \$1.3M of General Levy debt servicing available - buys \$21.9 million in assets
 - Opportunity
 - \$3.5M of levy servicing costs maturing in 2023
 - Pressure
 - (\$0.8M) to increase debt placeholder for rising interest rates
 - (\$1.4M) reduced construction funding per diem for LTC homes that have reached 20 years of age

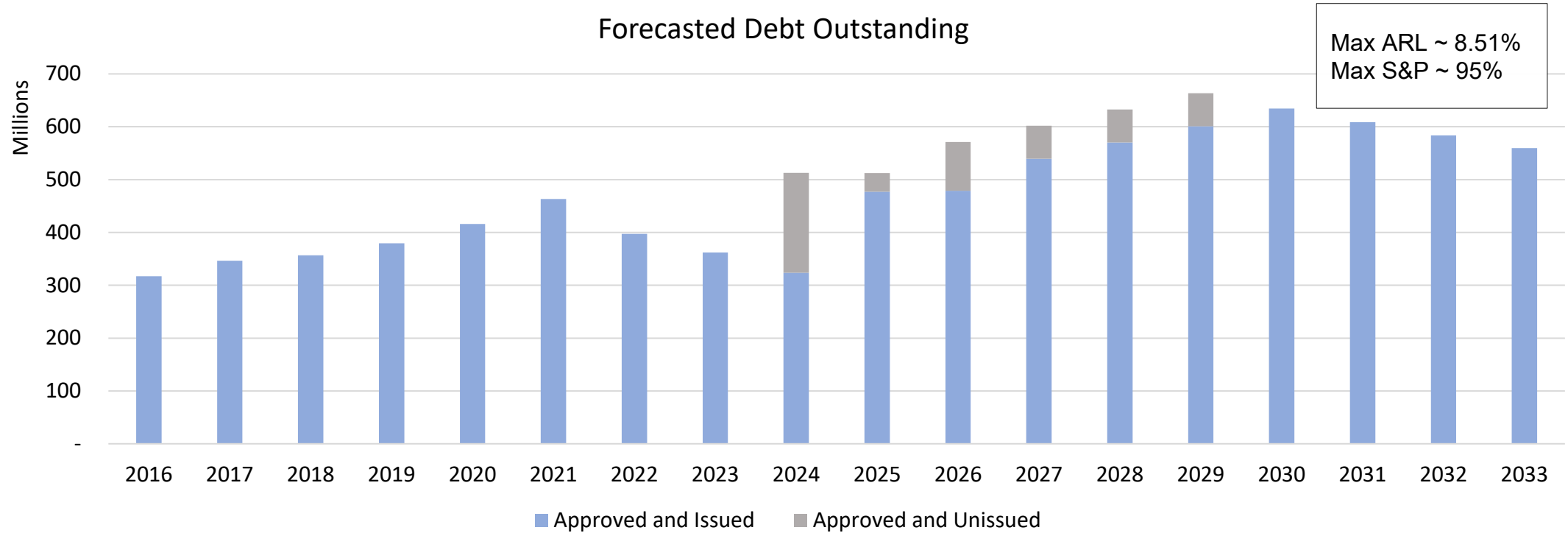
Financing Strategy

Debt For Strategic Projects of \$21.9M

Project	Gross Request	DC's and Other External Funding	Recommended Debt Funding	Debt Charges
Grimsby Main St from DSBN High School to Park Rd	\$10.0M	\$4.0M	\$6.0M	\$0.4M
RR81 St. Paul W CNR Bridge	\$14.6M	\$8.7M	\$5.9M	\$0.3M
NRH Geneva Street Development	\$13.9M	\$7.2M	\$6.7M	\$0.4M
RR20 Hwy 20 Smithville Phase 4	\$9.2M	\$5.9M	\$3.3M	\$0.2M
Total	\$47.7M	\$35.3M	\$21.9M	\$1.3M

Financing Strategy

Debt Forecast



Niagara is within desired metrics over the forecasted 10 Year period

Financing Strategy

Debt Metrics

Metric	Key Threshold	Average of Comparable Regions ²	Current State	2024 Forecast ¹
S&P Ratio ³	120.0%	37.0%	80.0%	90.5%
Annual Repayment Limit (ARL)	25.0%	4.8%	6.7%	8.5%
Debt as a % of Reserves & Reserve Funds	N/A	48.6%	69.7%	87.3%
Debt per Household (upper tier)	N/A	\$1,502	\$1,889	\$2,368

1- Estimated issuance of \$40.0M for lower tiers and \$188.9M for the Region

2-Comparable regions are Durham, Halton, and Waterloo based on 2022 FIRs

3- S&P Ratio is equal to total consolidated debt outstanding as a % of operating revenue

Niagara is within limits however higher compared to similar regions

2024 Capital Budget Outcomes

Health Equity Informed Planning (HEIP)

- Capital projects are screened to determine what social determinants of health (SDOH) they may have
- Seven projects from the 2024 recommended capital program were selected for screening
 - The SDOH and their positive/negative impacts are highlighted in Appendix 8 to CSD 43-2023
- Separate report forthcoming

2024 Capital Budget

Budget Planning Principles

Sustainability

- 80% of the 2024 budget focuses on sustainability/renewal investment
- Funding allocated per the Capital Financing Policy

Transparency

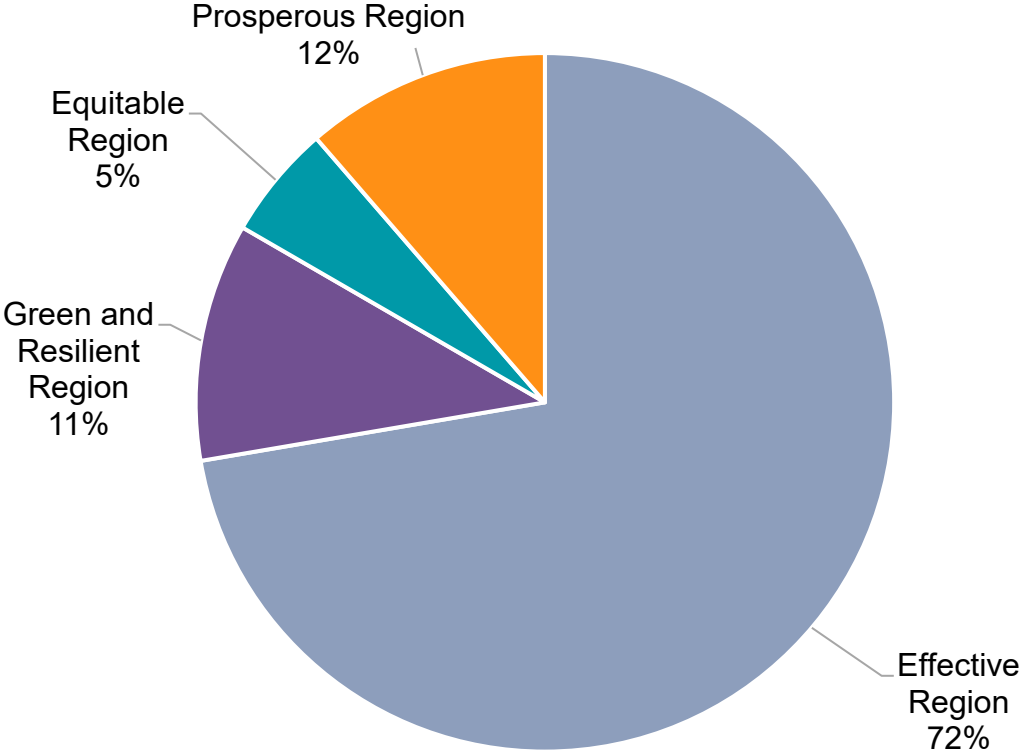
- Highest ranked projects based on risk and alignment to corporate/council priorities

Affordability

- Funding of backlog uses the 50-year AARI vs. 10-year AARI
- 2.5% Levy budget strategy and 5.0% WWW budget strategy in alignment with 2021 AMP

2024 Capital Budget Outcomes

Alignment to Council Priorities



Alignment to Council Priorities	2024 Projects
Green and Resilient Region	<ul style="list-style-type: none"> New Fort Erie Elevated Tank 21- Spring Gardens Pumping Station Upgrades and Forcemain Replacement
Equitable Region	<ul style="list-style-type: none"> NRH Geneva Street Development 24-NRH Annual Building Capital
Prosperous Region	<ul style="list-style-type: none"> Replace 40' Conventional Buses Struc Rehab – St. Paul W CNR Bridge Replacement

Risks

Inflation Volatility

Interest Rates

External Funding
Confirmation
(SNF WWTP)

Climate Change

Supply
Chain/Industry
Limitations

Staffing/Capacity

Considerations

External Funding

Transit Funding

Alignment to
Council Priorities

More Housing
Projects

Community
Building Fund

Next Steps

- CSD 43-2023 recommends approval of the 2024 Capital Budget in principle
 - Initiating all but 1 project (St. Paul CNR Bridge - \$14.6M)
- Operating Budget will consider recommendation for incremental capital transfers:
- \$11.1M (General Levy), \$7.3M (Rate), \$2.2M (NTC) and \$0.3M (NRPS)
- If incremental transfers not approved by Council, the capital program will have to be modified (See CSD 43-2023 Appendix 3)
- Capital Budget By-law to be approved concurrent with Operating Budget By-law in December


Questions?

