

NIAGARA REGION BUDGET

2020

BUDGET PLANNING

POLICY REVIEW

June 12th, 2019



Budget Planning Policy

What we're going to cover today:

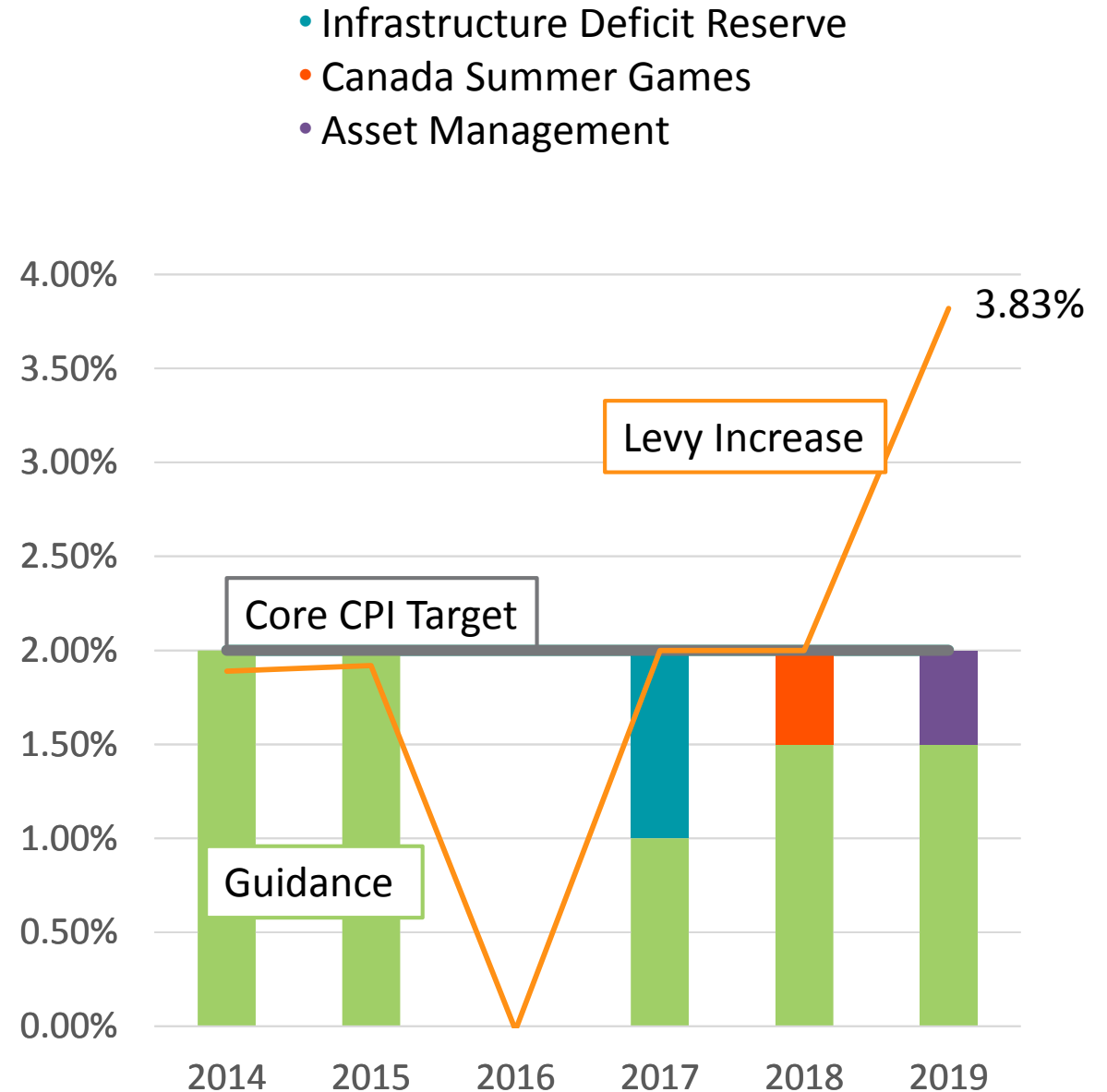
- Current Affordability Policy
- Formalizing guiding principles
- Budget Planning Requirements
- Next Steps

Budget Planning Process

- In June Council presented with signal of next year budget pressures and opportunities
 - Year-to-date financial information
 - prior year's multi-year budget
 - strategic documents
- Proposed new programs will be signaled to Committees
- Estimate assessment growth revenue from new development

Current Guidance Policy

- Policy establishes Guidance at Bank of Canada's Core CPI target plus Assessment Growth
- Policy applies to Departments and ABCs
- Often new priorities cannot be supported



Guiding Principles

Form a strong foundation for budget planning

Facilitate decision making

Shape corporate culture

Support financial accountability and transparency

Guiding Principles

- Currently have a Budget Control By-law
- Use of most recent quarterly results
- Respects current financial policies
- Recognition of pressures, risks, and opportunities
- Use of business cases for transparency
 - Thresholds
 - Staffing increases

Other Requirements for Budget Planning



BASE BUDGET
DEVELOPMENT

CAPITAL
FINANCING

ASSESSMENT
GROWTH

NEW
PROGRAMS

I. Base Budget Development

Current Position

- Base service budgets have been constrained
- Some budget line items are increasing in excess of CPI and new programs must be accommodated in the same limit
- Risks are accepted to keep within guidance
- Programs are delayed or deferred

I. Base Budget Development

Options for Planning

Three options have been investigated:

1.a. Core CPI Target

➡ 1.b. Municipal Price Index (MPI) for Levy, Waste Management, Water and Wastewater

➡ 1.c. Separate MPI for ABCs

Municipal Price Index

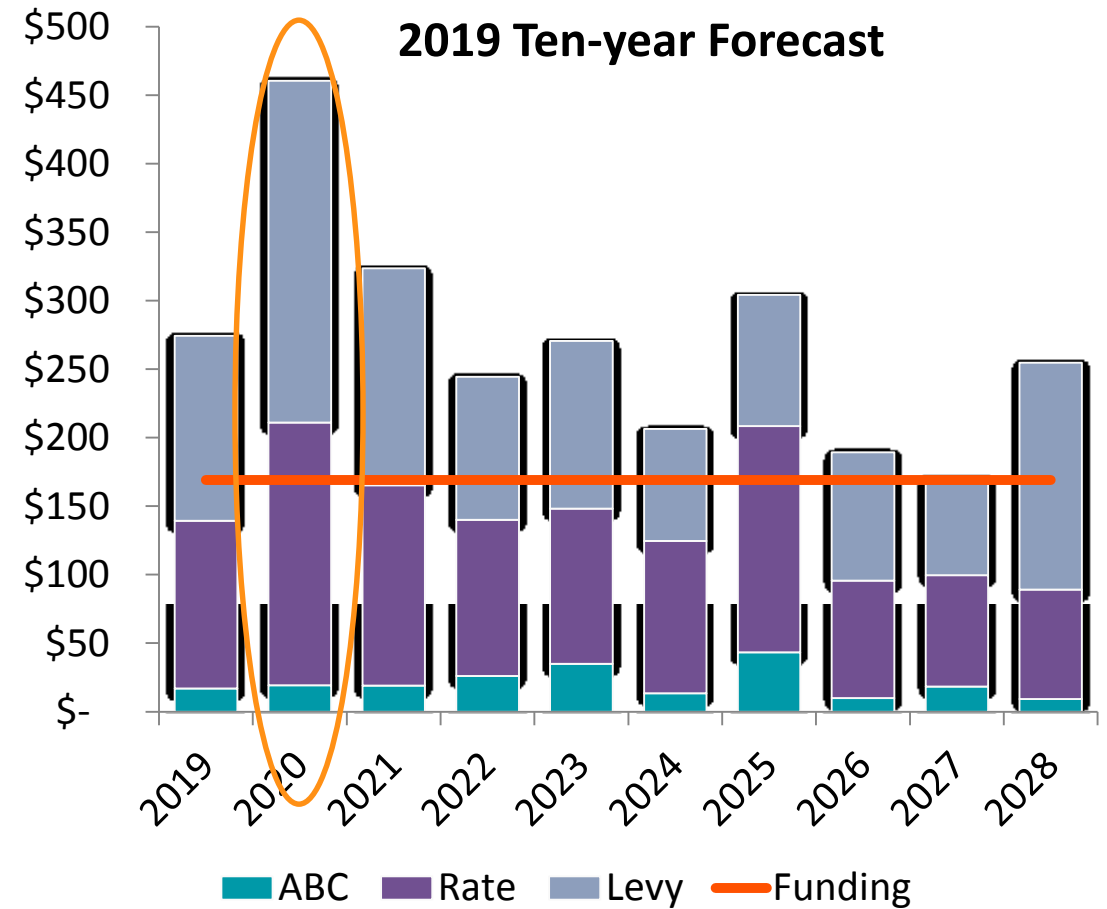
- A price index is the weighted average of prices of a basket of goods and services
- MPI represents the inflation on municipal purchases
- Informs the budgetary process of external economic conditions
- Used by municipalities, such as Calgary, Edmonton, York Region

Conference Board of Canada creates unique MPIs for different municipalities

2. Capital Financing

Current Position

- The 2016 Asset Management Plan identified a backlog of \$546 million
- 2020 represents the deferral of capital need resulting from limits in guidance
- PW 4-2019 approved a strategy to fund Water and Wastewater asset replacement



2. Capital Financing

Options for Planning

Three options were investigated:

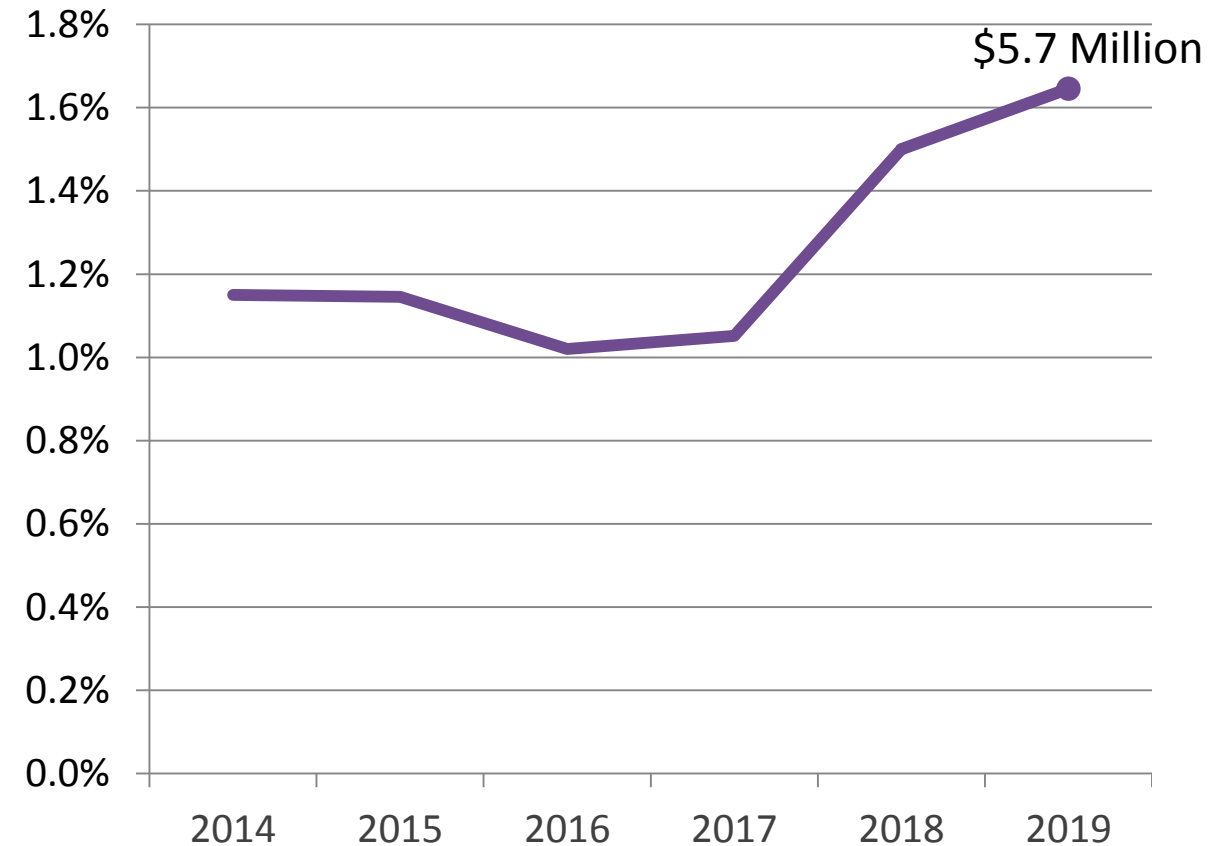
- ➡ 2.a. Separate Levy and Rate Increases
- 2.b. Incorporate into MPI
- ➡ 2.c. Assessment Growth apportionment to Capital Reserve

3. Assessment Growth

Current Position

- 2019 assessment growth was 1.65%, apportioned based on share of costs
 - 62% Region/38% NRPS
- Staff prioritize Region share to costs of growth
 - Regional Development Charge (RDC) grants in 2019
 - Tax increment grants (TIGs) in 2018

Historical Assessment Growth



3.Assessment Growth

Prioritization

Four priorities were ranked:

3.a. Tax Increment Grants



Policy Approved Commitments

3.b. Operating costs of growth capital



Sustainment of Growth

3.c. Financing of new/growth capital

3.d. Development incentives



Investing in Growth

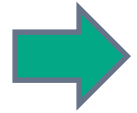
4. New Programs

Current Position

- New programs are requested to support need, strategy, or opportunity
- Historically funded by assessment growth or reductions in base budget spending

4. New Programs

Options



4.a. Separate Increases in addition to base budget

4.b. Incorporate into MPI

4.c. Assessment Growth

Next Steps

- 2020 Budget Planning report to BRCOTW June 20th will incorporate guiding principals and recommended policy options
- **Budget Planning By-law** to be developed that incorporates Committee's direction regarding guiding principals and budget requirements (to presented to Committee later this year)



Questions?

