

September 23, 2024

Regional Chair Bradley and Council
Regional Municipality of Niagara Region
1815 Sir Isaac Brock Way
Thorold, ON L2V 4T7

RE: 2025 Proposed Operating Budget and Special Levy Requisition - Niagara Transit Commission

Dear Regional Chair Bradley and Council,

Please be advised that its meeting of September 17, 2024, the Niagara Transit Commission passed the following motion:

That Report NTC 28-2024, dated September 17, 2024, respecting 2025 Operating Budget and Special Levy Requisition, **BE RECEIVED** and the following recommendations **BE APPROVED**:

1. That the Niagara Transit Commission (NTC) Board **APPROVE** the proposed 2025 base gross operating budget submission of \$85,306,542 and net base Special Levy of \$60,488,929 for a net increase of \$2,137,219 or 3.66%;
2. That the 2025 net special levy include additional capital financing of \$2,166,667 or 3.71% over 2024 net special levy **BE APPROVED**;
3. That the net Special Levy of \$62,655,596 (inclusive of recommendations 1 and 2 above) **BE APPORTIONED** between the local municipalities as per Appendix 2 determined in accordance with the methodology approved in PW 55-2021 and based on final 2024 current value assessment;
4. That this report **BE PROVIDED** to the Budget Review Committee of the Whole (BRCOTW) for consideration at its meeting on October 17, 2024, and subsequently Regional Council on November 21, 2024, for approval and subsequent calculation of the Special Levy tax rates for each municipality following Regional Council tax policy decisions; and
5. That a copy of this Report **BE CIRCULATED** to the Local Area Municipalities.

I would ask that this information be placed on the agenda for the Regional Budget Review Committee of the Whole meeting scheduled for Thursday, October 17, 2024.

The presentation materials will be provided in advance of the meeting. Please be advised that General Manager, Carla Stout, and myself, in my capacity as Board Chair, will be in attendance to address this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Mat Siscoe". The signature is fluid and cursive, with a long horizontal stroke at the end.

Mat Siscoe,
Board Chair, Niagara Transit Commission

Subject: **2025 Operating Budget and Special Levy Requisition**

Report to: Niagara Transit Commission Board

Report date: **Tuesday, September 17, 2024**

Recommendations

1. That the Niagara Transit Commission (NTC) Board **APPROVE** the proposed 2025 base gross operating budget submission of \$85,306,542 and net base Special Levy of \$60,488,929 for a net increase of \$2,137,219 or 3.66%;
2. That the 2025 net special levy include additional capital financing of \$2,166,667 or 3.71% over 2024 net special levy **BE APPROVED**;
3. That the net Special Levy of \$62,655,596 (inclusive of recommendations 1 and 2 above) **BE APPORTIONED** between the local municipalities as per Appendix 2 determined in accordance with the methodology approved in PW 55-2021 and based on final 2024 current value assessment;
4. That this report **BE PROVIDED** to the Budget Review Committee of the Whole (BRCOTW) for consideration at its meeting on October 17, 2024, and subsequently Regional Council on November 21, 2024, for approval and subsequent calculation of the Special Levy tax rates for each municipality following Regional Council tax policy decisions; and
5. That a copy of this Report **BE CIRCULATED** to the Local Area Municipalities.

Key Facts

- The purpose of this report is to seek approval for the proposed 2025 Operating Budget for NTC.
- At Niagara Region's BRCOTW meeting on July 25, 2024, the budget planning strategy presented for 2025 included a focus on aligning with the Budget Planning By-law's principles and priorities of sustainability and affordability. The strategy used was to maintain delivery of base services in light of inflationary pressures, support the capital funding gap and continue to address the impacts of funding the operating with reserves.

- The 2025 budget is based on 2023 actuals and 2024 June year-to-date actuals pro-rated annually, as well as a current understanding of key contracts and inflationary increases.
- The budget increase is driven by increases in rightsizing of labour related costs, fuel costs, increased insurance premium, increased shared services, and the elimination of the WEGO contract revenue from the City of Niagara Falls. Cost pressures have been partially offset by increased fare revenues from incremental ridership, reduction in consulting and savings from the commingled specialty contract.
- The NTC budget will be presented to Regional Council on November 21, 2024 for consideration and approval in accordance with the Council approved timetable and Article 7.3 of the Municipal Service By-law (MSB).

Financial Considerations

The 2025 NTC operating budget includes a base increase of 7.38% or \$4,303,886 to maintain current service standards, including a commitment to the triple majority strategy to increase contributions to capital reserves and reduce reliance on funding operations through Provincial Gas Tax. No additional service levels were considered in the 2025 budget in order to stabilize the budget, balance taxpayer affordability, as well as await further insights from the pending strategic review.

The 2025 proposed operating budget is provided in Table 1 below, with further details by object of expenditure and comparison to 2024 included in Appendix 1.

Table 1: Proposed NTC 2025 Operating Budget

Item	2024	2025	\$ Change	% Change
Gross Expenditure	\$82,704,767	\$85,306,542	\$2,601,775	3.15%
Gross Revenue	(24,353,057)	(24,817,613)	(464,556)	1.91%
Net Base Budget after Indirect Allocations	\$58,351,710	\$60,488,929	\$2,137,219	3.66%
Capital Financing	0	2,166,667	2,166,667	3.71%
Total Base Budget	\$58,351,710	\$62,655,596	\$4,303,886	7.38%

Table 2 compares the expected 2025 budget, included in the 2025 Budget Strategy report CSD 29-2024 presented to Council on July 25, 2024, and the proposed 2025 budget. The NTC proposed budget is less than the expected budget included in the budget strategy. Although there were some incremental pressures, there were some efficiencies found through reviewing the budget more closely. These efficiencies include the addition of supplemental tax revenue and write-offs into the NTC budget, refinement

in consulting and branding costs required in the first two years of amalgamation, and savings realized from the award of one contract for the delivery of commingled specialty services.

Table 2: 2025 Proposed Operating Budget compared to Budget Strategy Report

Budget Categories	Budget Strategy	2025 Proposed Budget	Reduction
Base Services	3.93%	3.15%	(0.77%)
PGT Strategy	0.51%	0.51%	-
Net Base Services	4.44%	3.67%	(0.77%)
Capital Financing	3.71%	3.71%	-
Subtotal	8.15%	7.38%	(0.77%)
Estimated Assessment Growth	1.50%	1.50%	-
Total	6.65%	5.88%	(0.77%)

Analysis

The pressures specific to the 2025 operating budget by object of expenditure are as follows:

Operating Expenditures

- **Labour Related Costs** – Labour related costs have increased by \$3.85 million due to the rightsizing of the actual benefits issued based on historical data, annual performance wage increases for non-union FTE’s and final negotiated collective bargaining agreement annual wage increases. No new FTE’s were requested by NTC through the 2025 budget.
- **Administrative** – The decrease of \$0.41 million relates mainly to refinement in expected consulting costs which were higher for the first two years after amalgamation and a reallocation and review of the marketing budget to support the new Customer Experience department.
- **Operational & Supply** - The decrease of \$1.72 million relates mainly to savings on the commingled On-demand/Specialized specialty services contract approved for July 1, 2024. These savings are due to consolidating to one service provider across the Region with a 2-year signed contract.
- **Equipment, Vehicles, Technology** – The increase in equipment, vehicles, technology of \$0.4 million relates mainly to incremental fuel costs of \$0.3 million.

The 2025 budget estimate was prepared based on current fuel usage and the Niagara Region corporate fuel price budget assumptions which highlighted estimated costs for fuel and gasoline to be used in the 2025 estimates. The remaining \$0.1 million increase relates to incremental costs for new IT software support.

- Financial Expenditures – This new budget line of \$0.1 million is related to the estimate for the allocation of tax write-offs reconciled by the local area municipalities at the end of each year. The supplemental tax revenues are recorded in taxation noted below. The budget is based on the 2023 actuals reconciliations.
- Transfer to Capital Reserves - The capital needs of the NTC are significant, which requires a balance between operational budget affordability and capital sustainability. Included in the triple majority strategy was the strategy to build up capital reserves. The strategy included phasing in \$6.5 million of required annual transfers to capital reserve over 3 years (\$2.17 million in 2023; \$4.33 million in 2024 and \$6.5 million in 2025 and ongoing). This strategy along with provincial gas tax (PGT) is intended to support renewal of the infrastructure up-loaded to the NTC. This strategy aligns with the continued investments required in the 2024 NTC AMP approved in CSD 22-2024, which indicated an average annual funding gap of \$3.3 million between available funding and the required investment to sustain the current level of service. The total required annual transfer to capital reserves to complete all approved 2025 capital projects would be \$2,426,692. However, by only contributing the minimum to cover 2025 capital projects, this will leave a \$0 balance in the capital reserve by the end of 2025. This will put pressure on 2026 and future capital requests resulting in required projects relating to repairs and replacements having to be delayed. Regional Council approved the full transfer as recommended in this report at their Budget review Committee-of-the-Whole meeting on September 12, 2024.
- Shared Services – There is an increase in shared services costs in 2025 of \$315 thousand. This is due to an 8.9% expected increase in insurance premium of \$176 thousand, increased labour costs of \$236 thousand related to the shared services provided by 14 permanent FTE's of the Niagara Region offset by a reduction of \$97 thousand in one-time ADP and consulting costs required in 2024.

Operating Revenues

- WEGO Transition - The WEGO contract with the City of Niagara Falls ended in September 2024. The Commission is committed to maintaining the required level of service for the local residents of the City of Niagara Falls along Lundy's Lane. Local routes 116 & 216 now maintain the base local service and address the removal of the (visitor transportation system) VTS Red Line. There is no longer a contracted fee received for this service resulting in reduced revenues of \$1.8 million.
- Fare Revenues – There is a \$1.5 million increase to 2025 budgeted fare revenue as a result of expected increased ridership and forecasted 2024 fare revenues. In addition, there is a slight increase related to the implementation of the fare harmonization effective July 1, 2025 (approved through report NTC 22-2024).
- Provincial Gas Tax (PGT) Revenue - Also included in the triple majority strategy was the strategy to earmark reserve PGT entirely for capital for long-term asset sustainability, however as a 2023 budget mitigation strategy \$1.6 million of PGT was used in the operating budget. The 2025 budget includes the reduction of PGT used in operating by \$0.3 million. This reduction is to continue to be reduced to \$0 over 5 years in order to reduce the use of PGT to fund operations thus removing an unsustainable source of funding from operating and ensuring capital needs are met.
- Supplemental Taxes – Increased budgeted revenues of \$0.87 million based on actual 2023 supplemental tax revenue received is to be allocated to the Transit Special Levy. Supplemental tax revenue relates to incremental tax revenue received during the year related to new assessment and can fluctuate year over year based on assessment growth.
- Advertising Revenues – Increased advertising revenues of \$0.3 million based on 2024 forecasted annual revenues to be received through current contracts.

As with any budget, the following are additional risks identified:

- Fuel prices continue to fluctuate, which we will report through our quarterly reviews to the Board.
- Year-end local area municipality reconciliations of Supplemental Tax revenue and Tax write-offs which fluctuate year over year as it is hard to predict as these are based on how much assessment will change in a given year.

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- 2025 budget does not take into consideration any phased-in service hour alignments for conventional or specialty services based on the triple majority strategy to increase services by 2025.
 - Potential for increases in ridership or changes related to the implementation of fare harmonization.
 - Fluctuations in vehicle maintenance costs as it is difficult to predict which parts may be required to be repaired.

Full-time Equivalents

The budget includes labour related costs that accommodate the organization chart and corporate and administrative services supported by Regional shared services as approved in 2022. In accordance with the Budget Planning By-law the staff complement in Table 3 and 4 is provided for in the recommended NTC budget as full-time equivalents (FTE) which converts headcount based on full time hours for each position as per the Budget Planning By-law. In 2025, there is an increase of two permanent FTE's added within the shared services support (Table 3). One FTE is being moved from a temporary FTE to a permanent FTE as they have been supporting our payroll department since amalgamation. The second FTE is for the contract administrator position in facilities which was temporary in 2023 during amalgamation. During the 2024 budget process it was assumed that the temporary position may not be required. However, this position continued as temporary in facilities supporting NTC, but the cost was not charged back to NTC for 2024. After two years the position is being requested to be permanent FTE for 2025 and to continue to support the contract administration in facilities relating to NTC.

Table 3: 2025 proposed NTC permanent Staff Compliment compared to 2024

Full-Time Equivalents by Division	2025 Permanent	2024 Permanent	Variance
Corporate	2.0	2.0	-
Fleet & Facilities	68.0	68.0	-
Operations	338.3	338.3	-
Planning & Performance	14.0	14.0	-
Customer Experience	29.0	29.0	-
Total NTC FTEs	451.3	451.3	-
Shared Services	14.0	12.0	2.0
TOTAL FTE	465.3	463.3	2.0

Table 4: 2025 proposed NTC temporary Staff Compliment compared to 2024

Full-Time Equivalents by Division	2025 Temporary	2024 Temporary	Variance
Corporate	1.0	1.0	(0.0)
Planning & Performance	1.0	1.0	(0.0)
Total NTC FTEs	2.0	2.0	(0.0)
Shared Services	0.0	1.0	(1.0)
TOTAL FTE	2.0	3.0	(1.0)

2025 Transit Requisition

The net requisition amount will be allocated to the LAMs in accordance with the methodology approved in PW 55-2021. As such, costs will be apportioned on the following basis:

- Municipal service cost of \$43.7 million is apportioned based on proportionate share of service hours. This methodology recognized that the cost for each municipality would not reflect the actual cost of services delivered in the municipality but reflects the triple majority approved methodology that best aligned with the Transit financial model evaluation criteria.
- Regional transit which was transferred to NTC upon amalgamation is apportioned based on the proportionate share of Regional assessment. The 2025 value of 17.5 million is based on the 2024 budgeted allocation adjusted for an estimated increase for inflation of 2%.
- 2022 Revenue shortfalls that were funded with one time funding of \$5.7 million were directly levied on the previous conventional transit providers (Niagara Falls, St. Catharines and Welland). The strategy to gradually reduce this impact on these municipalities was to reduce it by \$2.8 million or 50% in 2024 proportionately and the remaining balance will be reduced by 50% again in 2025 and 2026 (\$1.4 million in each of these years).

Appendix 2 presents the results of this methodology by municipality with Appendix 3 providing a further year over year comparison both by municipality and by average household in each municipality.

The net requisition, after estimated assessment growth, changes by municipality ranges from -6.1% to 28.3%. These requisition changes are the result of the differences in local

service hours, 2024 assessment changes and budget increase. The large difference in range is mainly driven by service hours. The cost per household at this time is an estimate only as the actual special levy tax rate will be calculated based on final 2024 tax roll assessment to be delivered in December and subject to Regional tax policy decisions in the first quarter of 2025. The actual cost per household at that time will also reflect actual municipal assessment growth which can only be estimated at this time at the average of 1.5% for all of the Region.

Additional Considerations:

The NTC is currently undergoing a strategic review and master plan which is to be completed in 2025. As the results of this plan are not known at this time, NTC staff is not recommending any new service changes within the 2025 budget until this plan is complete. The following is a list of additional items and requests by the Board and Council that have been considered throughout the 2025 budget planning process but are not recommended at this time.

1. A motion was passed by the Town of Fort Erie requesting consideration for a new fixed route in Fort Erie. The estimated annual operating costs for a new fixed conventional route would be approximately \$839,560 or 1.4% increase to the operating budget. These costs would include labour (five additional FTE's), maintenance of vehicles, fuel, etc. In addition, a new bus would also be required which depending on the size of the vehicle could cost up to approximately \$1 million or an increase of 1.7% on the operating budget as this request would require an increase to the transfer to capital reserves to fund the capital purchase. The NTC has currently maximized our capital reserve balances and there is no request included within the capital budget ask for a new growth bus. In addition, it will take approximately 18 months for a new bus to be received from the time ordered.
2. As part of the triple majority vote, there was a Service Strategy developed to harmonize all operating hours by 2025. The estimated annual operating cost of harmonizing all conventional and in-house specialized hours in St. Catharines, Welland and Niagara Falls is \$1,957,398 or 3.4% increase to the operating budget. These costs include labour (twelve additional FTE's), maintenance of vehicles, fuel, etc. There are no immediate capital needs for this service increase.
3. As part of the triple majority vote, there was a Service Strategy developed to introduce Sunday and Holiday service on IMT routes. The estimated annual

operating cost of this new service is \$976,128 or 1.7% increase to the operating budget. These costs include labour (six additional FTE's), maintenance on vehicles, fuel, etc. There are no immediate capital needs for this service increase.

4. Further to enquiries by local area municipalities and a motion from West Lincoln to the Board and as part of the triple majority vote, there was questions about initiating the Service Strategy developed to harmonize all operating hours by 2025. The estimated cost of harmonizing all hours and introduction of Sunday and Holiday service on contracted out commingled service is \$863,200 or a 1.5% increase to the operating budget. This service is currently contracted out and there would be no requirement for additional FTE's or capital needs. The actual implementation date during the 2025 year would be dependent on the provider's ability to ramp up.

Alternatives Reviewed

The recommended budget is in alignment with the budget strategy received by Regional Council to maintain delivery of base services and support capital sustainability. Several budget mitigation options were investigated through the line-by-line analysis described in the Financial Implications and Analysis sections of this report. The budget proposed is staff's best recommendations, however at the discretion of the Board, programs can be identified for elimination from or addition to the budget.

Relationship to Niagara Transit Commission Strategic Priorities

The 2025 special levy budget supports all facets of the organization in their support of NTC's strategic priorities.

Other Pertinent Reports

- NTC 20-2024 2025 Capital Budget
- CSD 29-2024 2025 Budget Strategy

Prepared by:
Tim Luey
Deputy General Manager
Planning & Performance

Submitted by:
Carla Stout, DPA
General Manager
Niagara Transit Commission

This report was prepared in consultation with Stephanie Muhic, Program Financial Specialist, and reviewed by Melanie Steele, Associate Director, Reporting & Analysis.

Appendices

Appendix 1	2025 vs 2024 NTC Operating Budget by Operating Expenditure
Appendix 2	2025 NTC Requisition Summary by Municipality
Appendix 3	2025 vs 2024 Requisition by Municipality & Cost by Household
Appendix 4	2025 Operating Business Case – Enhanced Capital Financing

Appendix 1 - 2025 vs 2024 NTC Operating Budget by Operating Expenditure

Operating Expenditure	2025	2024	Variance \$	Variance %
Labour Related Costs	47,207,205	43,352,418	3,854,787	8.89%
Administrative	2,299,542	2,706,401	(406,859)	-15.03%
Operational and Supply	7,878,060	9,596,051	(1,717,991)	-17.90%
Occupancy & Infrastructure	1,262,000	1,239,000	23,000	1.86%
Equipment, Vehicles, Technology	15,864,980	15,431,765	433,215	2.81%
Partnership, Rebate, Exemption	512	-	512	0.00%
Financial Expenditures	129,410	-	129,410	0.00%
Transfers to Capital Reserve	4,333,334	2,166,667	2,166,667	100.00%
Debt	2,162,477	2,192,199	(29,722)	-1.36%
Shared Services	6,335,689	6,020,266	315,423	5.24%
Total Gross Expenses	87,473,209	82,704,767	4,768,442	5.77%
Fare Revenue	(19,696,998)	(18,180,846)	(1,516,152)	8.34%
Tax Revenue	(874,598)	-	(874,598)	0.00%
Other Revenue	(4,075,125)	(5,903,492)	1,828,367	-30.97%
Federal & Provincial Revenue	(170,892)	(167,000)	(3,892)	2.33%
Transfers from Encumbrance Reserve	-	(101,719)	101,719	-100.00%
Total Gross Revenues	(24,817,613)	(24,353,057)	(464,556)	1.91%
Total Special Levy	62,655,596	58,351,710	4,303,886	7.38%

Appendix 2 - 2025 Requisition Summary by Local Area Municipality

	2024			2025						2024	
Municipality	2024 Service Hours	2024 Service Hours Allocation %	2025 Service Hours	2025 Service Hour allocation %	2025 Service Hour Allocation	2025 Regional Assessment Allocation ¹	2025 Direct Municipal Allocation ²	2025 Special Levy Requisition	2024 Special Levy Requisition	Change	
Fort Erie	25,444	5.6%	32,294	7.0%	3,054,552	1,119,755	0	4,174,307	3,216,271	958,036	
Grimsby	8,483	1.9%	8,741	1.9%	826,774	1,326,855	0	2,153,629	2,017,945	135,684	
Lincoln	5,980	1.3%	8,251	1.8%	780,427	1,084,485	0	1,864,912	1,570,406	294,506	
Niagara Falls	130,411	28.6%	130,411	28.2%	12,335,020	3,653,361	513,744	16,502,125	15,595,172	906,953	
Niagara-on-the-lake	15,912	3.5%	12,599	2.7%	1,191,686	1,494,386	0	2,686,072	2,815,212	(129,140)	
Pelham	2,545	0.6%	2,520	0.5%	238,356	756,004	0	994,360	946,537	47,823	
Port Colborne	5,655	1.2%	6,420	1.4%	607,240	554,269	0	1,161,509	1,019,075	142,434	
St. Catharines	193,924	42.6%	193,924	41.9%	18,342,444	4,387,624	592,500	23,322,568	21,863,873	1,458,695	
Thorold	14,647	3.2%	14,647	3.2%	1,385,397	822,138	0	2,207,535	2,004,606	202,929	
Wainfleet	-	0.0%	-	0.0%	0	263,017	0	263,017	256,677	6,340	
Welland	52,565	11.5%	52,565	11.4%	4,971,899	1,483,306	318,750	6,773,955	6,497,598	276,357	
West Lincoln	-	0.0%	-	0.0%	0	551,607	0	551,607	548,338	3,269	
Total	455,566	100.0%	462,372	100.0%	43,733,795	17,496,807	1,424,994	62,655,596	58,351,710	4,303,886	

¹ 2024 Total Regional Allocation adjusted for 2% CPI allocated based on the 2024 Municipal current value assessment.

² The strategy was to reduce the direct municipal allocation by 50% in 2024 and 25% in each of 2025 and 2026. This results in the 2025 allocation being a 50% reduction over 2024.

Appendix 3 - 2025 vs 2024 Cost Per Local Area Municipality

Municipality	2024 Approved Budget	2025 Approved Budget	Change in \$	Change in %	Estimated Forecasted Assessment Growth ¹	Change net of Estimated Assessment Growth
Fort Erie	3,216,271	4,174,307	958,036	29.8%	1.5%	28.3%
Grimsby	2,017,945	2,153,629	135,684	6.7%	1.5%	5.2%
Lincoln	1,570,406	1,864,912	294,506	18.8%	1.5%	17.3%
Niagara Falls	15,595,172	16,502,125	906,953	5.8%	1.5%	4.3%
NOTL	2,815,212	2,686,072	(129,140)	-4.6%	1.5%	-6.1%
Port Colborne	1,019,075	1,161,509	142,434	14.0%	1.5%	12.5%
Pelham	946,537	994,360	47,823	5.1%	1.5%	3.6%
St. Catharines	21,863,873	23,322,568	1,458,695	6.7%	1.5%	5.2%
Thorold	2,004,606	2,207,535	202,929	10.1%	1.5%	8.6%
Wainfleet	256,677	263,017	6,340	2.5%	1.5%	1.0%
Welland	6,497,598	6,773,955	276,357	4.3%	1.5%	2.8%
West Lincoln	548,338	551,607	3,269	0.6%	1.5%	-0.9%
Total Base Budget	58,351,710	62,655,596	4,303,886	7.4%	1.5%	5.9%

¹ - Estimate of assessment growth as per the 2025 Budget Strategy Report CSD 29-2024.

Appendix 3 - 2025 vs 2024 Cost per Household (Net of Assessment Growth)

Municipality	2024 Household Current Value Assessment	2024 Approved Budget	2024 Cost per Household	2025 Approved Budget	2025 Cost per Household ²	Change in \$	Change in %
Fort Erie	234,434	3,216,271	162	4,174,307	211	48	29.8%
Grimsby	449,251	2,017,945	165	2,153,629	176	11	6.7%
Lincoln	403,747	1,570,406	141	1,864,912	168	26	18.8%
Niagara Falls	283,758	15,595,172	292	16,502,125	309	17	5.8%
NOTL	543,320	2,815,212	247	2,686,072	236	(11)	-4.6%
Pelham	400,278	946,537	121	994,360	127	6	5.1%
Port Colborne	200,914	1,019,075	89	1,161,509	102	12	14.0%
St. Catharines	273,999	21,863,873	329	23,322,568	351	22	6.7%
Thorold	279,950	2,004,606	165	2,207,535	181	17	10.1%
Wainfleet	318,887	256,677	75	263,017	77	2	2.5%
Welland	229,501	6,497,598	243	6,773,955	253	10	4.3%
West Lincoln	385,958	548,338	93	551,607	93	1	0.6%
Total	-	58,351,710	-	62,655,596	-	-	-

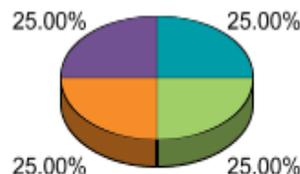
² - Estimate based on 2024 tax rate. Cost per household will be updated once 2024 final tax roll received.

2025 Business Case - Enhanced Capital Financing

FTE Scenario
Department
Committee Report #
Case Start Date

Niagara Transit Commission
NTC 20-2024 & Triple Majority
1/1/25

Effective Regions Equitable Region
Green Resilient Region Prosperous Region



Alignment to Council Strategic Priorities

The capital financing strategy supports all four of Council’s strategic priorities as it supports investment to deliver sustainable core services (Effective); Supports zero emissions growth projects to purchases buses and infrastructure (Green Resilient); access to transit such as shelters and bus stops replacements, terminals and parking lots (Prosperous); and investment in specialty vehicles (Equitable). Adequate funding supports projects that move all pillars forward.

Description

The Niagara Region's Capital Financing Policy is a strategy for establishing adequate levels of funding for capital projects that address sustainment, growth and new strategic investments. Included in report CSD 29-2024 Budget Strategy, was an enhanced contribution to capital of \$2,166,667 in order to support the infrastructure deficit in accordance with the Asset Management Plan and Capital Financing Strategy. The current operating contributions to the capital reserves for Transit is \$2,166,667. Sustainable reserve funding is critical to lowering the infrastructure deficit. In addition, it provides the Region more flexibility for future capital decisions.

2025 Business Case - Capital Financing - Enhanced Capital Financing

Business Reasons

The sustainability strategy for capital, as approved in the triple majority agreement, recommended phasing in \$6.5M of required annual transfers to capital reserves over 3 years (\$2.17M in 2023; \$4.33M in 2024 and \$6.5M in 2025 and ongoing). This strategy aligns with the continued investments required in the 2024 NTC AMP approved in CSD 22-2024, which indicated an average annual funding gap of \$3.3M between available funding and the required investment to sustain the current level of service. The AMP identified the replacement value of all NTC's assets (including facilities owned by the Region) to be \$293.3M with a backlog of \$52.4M.

To mitigate pressures in the 2024 budget, the enhanced capital contribution was paused in 2024. Staff are recommending that the incremental transfer of \$2.2M be reinstated in 2025 to progress towards the total \$6.5M required by 2026. Price escalations in capital renewal requirements will continue to be evaluated and reflected in budget recommendations.

NTC is forecasting a 2024 year-end balance in Capital Reserves of \$1.5M. Included in the 2025 operating budget submission will be the \$4.33M transfer to capital reserves. Based on the submission, \$3.99M is required from reserves to fund the capital budget for 2025. At a minimum, the Board would need to support a transfer to capital reserves of \$2,426,692 transfer from operating to fund the 2025 capital requests. This would leave a \$0 balance in Capital reserve resulting in capital pressures going into the 2026 capital budget process.

Included in Appendix 3 of the 2025 Capital Budget is a summary of the forecasted capital reserves over the next 10 years assuming the capital contribution is approved.

Risk Assessment Description: High-Priority

Risk associated with not funding the increased capital contributions would mean the capital program will continue to be strained thus resulting in capital project deferrals which may increase maintenance costs due to potential asset failures and significant disruptions in service due to asset failures. In addition, if the amount of the annual transfer to capital reserve is maintained at its current level, there would not be enough capital reserves to fund the capital requests for 2026 and beyond. The risk of not increasing the annual transfer to the capital reserves is a continued lack of funding balance in the Capital Transit Reserve to the point of potentially not being sufficient to fund the capital budget required to maintain existing assets.

In the approved 2025 Capital Budget, \$3,994,000 is required from capital reserves to fund the 2025 projects. If the 2025 enhanced transfer to capital is not approved the lowest priority project based on CAMRA results is the Welland Terminal Parking lot. The project has a gross cost of \$895,000. Based on the current reserve balance at the end of 2024 at a minimum an additional \$260,025 is required to be able to fund the entire project to repair the parking lot.

2025 Business Case - Capital Financing - Enhanced Capital Financing

Financial and Staffing Impacts

Category of Expenditure	2025	2026	2027
Labour Related Costs	-	-	-
Administrative	-	-	-
Operational & Supply	-	-	-
Occupancy & Infrastructure	-	-	-
Equipment	-	-	-
Community Assistance	-	-	-
Community Assistance	-	-	-
Financial Expenditures	-	-	-
Financial Expenditures	2,166,667	4,333,334	-
Gross Expenditure	2,166,667	4,333,334	-
Other Revenue	-	-	-
Federal & Provincial Grants	-	-	-
By-Law Charges & Sales	-	-	-
Transfers From Reserves	-	-	-
Gross Revenue	-	-	-
Net Tax Levy Impact	2,166,667	4,333,334	-
Permanent FTEs	-	-	-
Temporary FTEs	-	-	-
Net FTEs	-	-	-

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