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

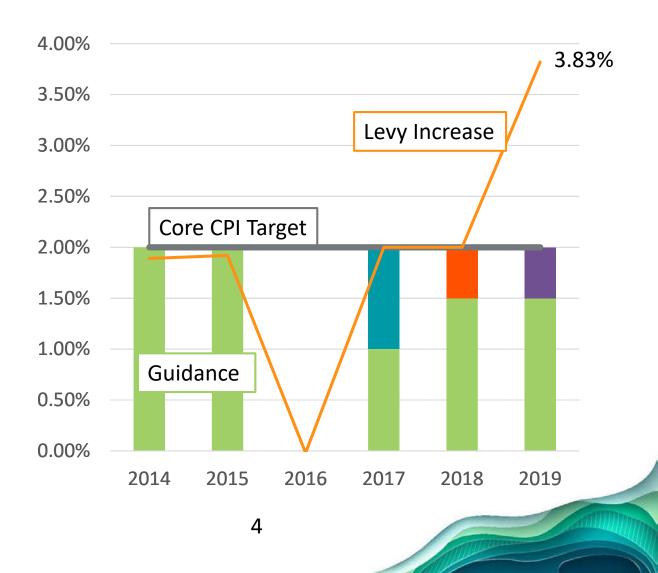
Current Guidance Policy

- 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

POLICY REVIEW

NIAGARA REGION BUDGET

- Infrastructure Deficit Reserve
- Canada Summer Games
- Asset Management





Form a strong foundation for budget planning

Facilitate decision making

Shape corporate culture

Support financial accountability and transparency

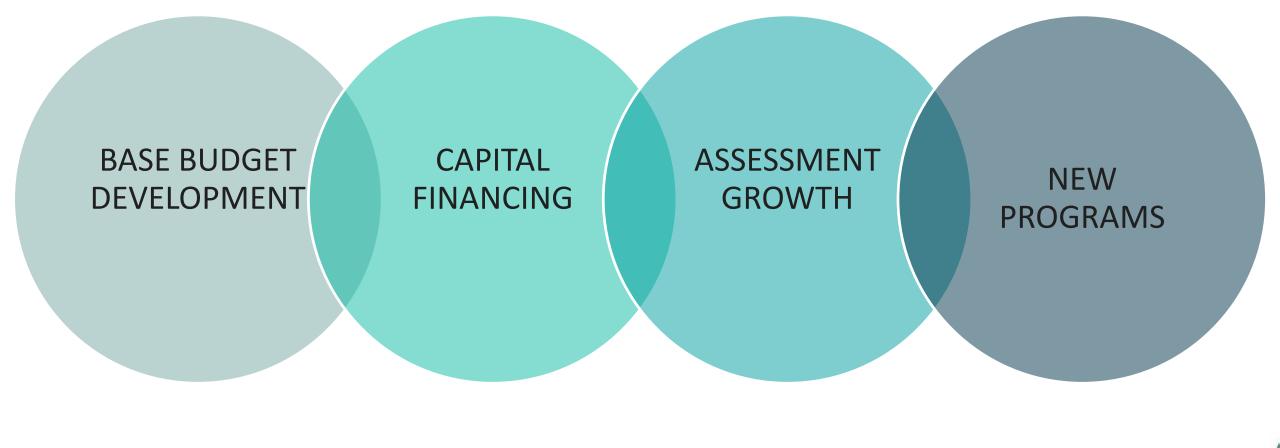
2020 POLICY REVIEW

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



2020 POLICY REVIEW

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





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



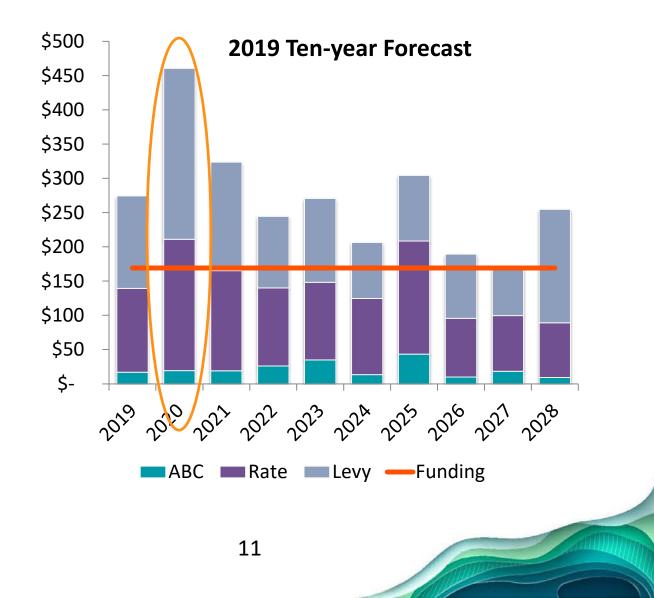
2. Capital Financing

Current Position

NIAGARA REGION BUDGE

- 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

POLICY REVIEW



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

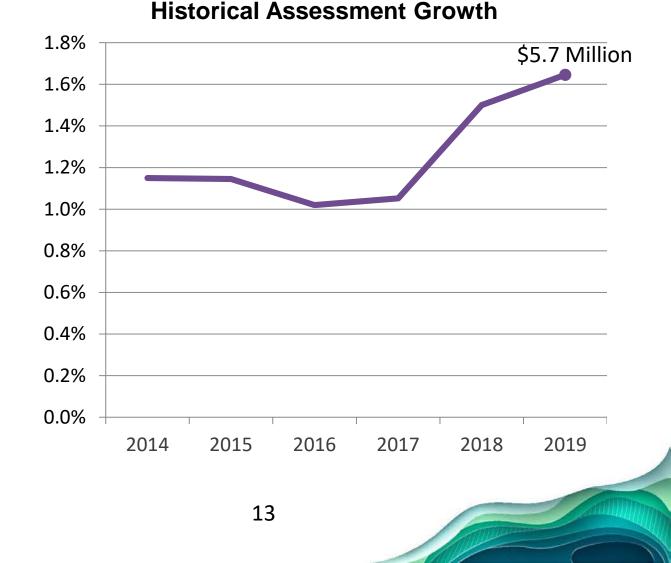
Current Position

NIAGARA REGION BUDGE

- 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

POLICY REVIEW

- Tax increment grants (TIGs) in 2018



3. Assessment Growth

Prioritization

Four priorities were ranked:

3.a. Tax Increment Grants

3.b. Operating costs of growth capital

3.c. Financing of new/growth capital

Sustainment of Growth

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





- 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)







