
Subject: Q3 2024 Financial Update

Report to: Corporate Services Committee

Report date: Wednesday, December 4, 2024

Recommendations

1. That the September 30, 2024, year to date actual results and forecast to December 31, 2024, representing the Q3 Financial Update of the Regional Municipality of Niagara (“the Region”) **BE RECEIVED** for information; and
2. That staff **BE AUTHORIZED** to use the Wastewater Stabilization Reserve to offset the rate-supported program forecasted deficit for 2024.

Key Facts

- The purpose of this report is to provide an overview of forecasted operating variances to year-end based on actual results as of September 30, 2024. Quarterly financial updates are provided as of June, September and December each year and include forecasted operating results; capital project reporting; reserves and deferred revenue; investments; debt; consolidated statement of financial position and accounts receivable.
- In addition, this report is to seek authorization for staff to plan to utilize the Wastewater Stabilization Reserve to offset pressures driving the rate-supported forecasted deficit. Council approval is required in accordance with section 6.5 (b) of the budget control by-law 2017-63. Final amount required from this reserve will be outlined in the 2024 year-end transfer report.
- A separate quarterly achievements report which highlights progress on key initiatives across the organization has been provided to supplement the financial results.
- Regional departments and General Government are projecting a forecasted surplus of \$8.7 million (1.09% of budget) at year-end. Levy-supported programs (Regional Departments consolidated with Agencies, Boards and Commissions (“ABCs”)) are forecasting an overall surplus of \$7.9 million (0.73% of budget) at year-end.

- Water and Wastewater are projecting an overall forecasted surplus of \$1.0 million (0.59% of budget) at year-end (\$1.5 million surplus in water and \$0.5 million deficit in wastewater). Niagara Transit Commission Special Levy is forecasting a nil surplus and Waste Management Special Levy is projecting a forecasted surplus of \$2.0 million (3.73% of budget).
- Departments prepare forecasts using assumptions and estimates based on information available at the time of writing the quarterly financial updates. This report was compiled in early November 2024. All financial implications quantified in this report include estimates up to December 31, 2024 unless otherwise noted. Estimates in this report are fluid and changing and as a result, the forecasts contain inherent risks and actual results may differ.

Financial Considerations

Full analysis and explanation of the general levy, special levy and rate-supported program forecasts can be found in the Q3 2024 Financial Update Report on the Region's website at the link below and in Appendix 1 to Report CSD 62-2024. The report is compliant under the Accessibility for Ontarians with Disability Act. Hard copies of the report can be made available upon request.

Q3 2024 Financial Update

[Budget and Financial Reports](https://niagararegion.ca/government/budget/past-budgets/default.aspx)

(<https://niagararegion.ca/government/budget/past-budgets/default.aspx>)

Table 1: Q3 2024 Results Summary

(in millions)	Forecasted Surplus/(Deficit) After Indirect Allocations	Percent of Gross Expense Budget
Regional Departments and General Government	\$8.7	1.09%
NRPS	(\$0.8)	(0.34%)
NRH	\$0.1	0.07%
Court Services	(\$0.1)	(0.27%)
NPCA	\$0.0	0.00%
Total General Levy	\$7.9	0.73%
Niagara Transit Commission	\$0.0	0.00%
Water and Wastewater	\$1.0	0.59%
Waste Management	\$2.0	3.73%

Recommendations to address final surpluses and/or deficits will be brought forward to Council as part of the 2024 Year-End Transfer report. Revenues and expenses that are driving the 2024 surplus/deficit were considered in the preparation of the 2025 budget and any sustainable savings or ongoing pressures were incorporated into the 2025 budget.

Analysis

New in 2024 is a complimentary report on the organizations 2024 achievements to date which can be found in Appendix 2 to this report. This achievements report is also posted on our website at the link below.

Q2 Achievements Report

[Growing Better Together: Council Strategic priorities 2023-2026 – Niagara Region, Ontario](#)

(<https://niagararegion.ca/priorities>)

The Q3 2024 financial results are being driven by many different factors, which are summarized below. Full details on the factors driving the results can be found in Appendix 1 to this report. High-level factors contributing to the results have been presented below.

Levy-Supported Programs:

Niagara Region's levy programs are operating at a net forecasted surplus of \$7.9 million.

The levy programs excluding agencies, boards and commissions (ABCs) are operating at a forecasted surplus of \$8.7 million. This forecasted surplus is driven by higher than budgeted overall investment income of \$6.2 million mainly due to gains on the sale of investments due to favourable market conditions, reduction in the legal liability accrual of \$6.7 million, net corporate related gapping of \$2.2 million, changes in work plans resulting in consulting savings of \$1.5 million. These favourable variances are offset by an unfavourable variance of \$8.4 million related to higher than budgeted development charge grants associated with mandatory exemptions, industrial and brownfield developments.

Niagara Region's ABCs are operating at a forecasted net deficit of \$0.8 million. The net deficit is primarily driven by the forecasted deficit within Niagara Regional Police Service of \$0.8 million. The NRPS deficit is driven by increased labour related costs.

It is recommended that at year-end, the forecasted operating surplus of \$7.9 million be transferred to the Taxpayer Relief Reserve. The balance of the Taxpayer Relief reserve is forecasted to be \$35.8 million or 4.65%, which is below the minimum funding target of 10% to 15% of the annual budgeted operating expenditures, which is \$77.0 million to \$115.4 million.

Niagara Transit Commission:

Niagara Transit Commission is operating at a forecasted nil surplus at year-end.

The net \$0 forecast is a result of reducing the provincial gas tax revenue recognized against operations below the budgeted amount by \$0.1 million as it was not needed. In the absence of this reduction, the forecast of a \$0.1 million surplus (0.07% of budget) was primarily the result of higher than anticipated fare revenue of \$3.2 million due to increased ridership and additional summer service for Brock University, lower than budgeted fuel costs of \$0.3 million, higher than budgeted advertising revenues of \$0.3 million and savings of \$0.8 million on the consolidation of the co-mingled specialized service contract consolidating 5 service providers down to 1 provider. This is offset by an unfavourable variance of \$0.3 million on related vehicle repairs and maintenance and parts and supplies as a result of incremental internal repairs and increased labour related costs due to higher than budgeted benefit and overtime costs, wage grievance settlement and prior year benefit plan deficit of \$3.5 million.

As the Commission is operating at a net forecast of \$0 at year end, no amount will be transferred to or drawn from the Niagara Transit Commission Stabilization Reserve resulting in a balance of \$2.1 million at year-end. The funding target of 10 to 15 percent of annual budgeted operating expenditures similar to other stabilization reserves, is \$8.1 million to \$12.1 million for the Niagara Transit Commission Stabilization Reserve. The reserve is below funding targets since it was newly established in 2023. Funding in this reserve will be considered annually through the budget process with the goal of developing and maintaining a long-term sustainable strategy.

Water and Wastewater Services:

Water and Wastewater Services are operating at a forecasted surplus of \$1.0 million at year-end, which consists of a \$1.5 million surplus within the Water division and a \$0.5 million deficit Wastewater division.

The forecasted surplus within the Water division is primarily the result of labour related savings due to salary gapping and delays in hiring vacant positions of \$0.2 million, an increase in water sales due to warm summer conditions of \$0.3 million, and less than anticipated repairs and maintenance work while vacant positions are recruited in the amount of \$0.8 million.

It is recommended that, at year-end, the forecasted surplus of \$1.5 million be transferred to the Water Stabilization Reserve. The funding target, of 10 to 15 percent of annual budgeted operating expenditures, is \$2.7 million to \$4.1 million. Including the forecasted surplus, the Water Stabilization Reserve is forecasted to have a balance of \$4.5 million, which is above the funding targets.

The forecasted deficit within the Wastewater division is primarily a result of external legal costs to support litigation associated with Wastewater infrastructure in the amount of \$0.7 million, repairs and maintenance costs due to aging infrastructure and necessary compliance work of \$0.5 million. These unfavourable variances are partially offset by labour related savings due to salary gapping and delays in hiring vacant positions of \$0.5 million and favourable utility costs due to plant optimization efforts and mild weather of \$0.1 million.

It is recommended that, at year-end, the forecasted deficit of \$0.5 million be funded by the Wastewater Stabilization Reserve. Including the forecasted deficit, the Wastewater Stabilization Reserve will have a balance of \$0.3 million, which is well below the funding targets. The funding target, of 10 to 15 percent of annual budgeted operating expenditures, is \$7.0 million to \$10.5 million. A minimal balance in the Wastewater Stabilization Reserve limits the ability to address risks in the future. It is recommended that there is a focus on mitigating pressure in Q4 to reduce the forecasted deficit while continuing to ensure critical repairs are completed.

Waste Management:

Waste Management Services are operating at a forecasted surplus of \$2.0 million at year-end.

The forecasted surplus is a result of lower than anticipated escalation costs in some contracts including \$0.5 million in the base collection contract, \$0.1 million in the compost facility contract and \$0.1 million in the landfill operations contract. Also driving the forecasted surplus is savings related to lower than anticipated purchases of blue/grey boxes and green bins of \$0.2 million and labour related savings due to salary gapping and delays in hiring vacant positions of \$0.4 million.

It is recommended that at year-end, the forecasted operating surplus of \$2.0 million be transferred to the Waste Management Stabilization Reserve. The funding targets of 10 to 15 percent of annual budgeted operating expenditures, is \$4.8 million to \$7.2 million. Including the forecasted surplus, the Waste Management Stabilization Reserve is forecasted to have a year-end balance of \$11.4 million, which is above the funding targets for the Reserve.

Capital Summary:

The active capital program managed by Niagara Region is \$2.5 billion at the time of writing this report. Throughout 2024 the active capital program has decreased by \$94.4

million. The decrease is primarily caused by project closures of \$108.4 million and budget reductions of \$18.0 million. This decrease is offset by gross budget adjustments of \$23.1 million and transfers from capital variance projects of \$8.9 million.

Of the active capital projects budget of \$2.5 billion, \$1.6 billion is spent and committed, resulting a budget remaining of \$0.9 billion).

Table 2: Capital Program Reconciliation

(in millions)	Levy Programs	Special Levy Programs	Rate Programs	Adjusted Program
Budget for Active Capital Projects on January 1, 2024*	\$1,243.3	\$120.6	\$1,197.8	\$2,561.8
Gross Budget Adjustment (including transfers from operating)	\$15.8	\$0.7	\$6.6	\$23.1
Transfer from Capital Variance Project	\$4.9	\$0.2	\$3.8	\$8.9
Budget Reductions on Active Capital Projects	(\$0.2)	(\$1.0)	(\$16.8)	(\$18.0)
Projects Closed	(\$65.7)	(\$5.6)	(\$37.1)	(\$108.4)
Total Adjusted Budget for Active Capital Projects at October 24, 2025	\$1,198.1	\$114.9	\$1,154.3	\$2,467.4
Spent & Committed	(\$938.3)	(\$66.9)	(\$573.5)	(\$1,578.8)
Budget Remaining	\$259.8	\$48.0	\$580.8	\$888.6
% of Budget Spent and/or Committed	78.3%	58.2%	16.6%	64.0%

*Comprised of all active capital projects (excluding capital variance projects) including the council approved 2024 budget

Reserve Impacts:

The 2024 forecasted transfers from the Taxpayer Relief Reserve are in line with the 2024 budget. The 2024 forecast also includes the forecasted 2024 levy surplus. The 2025 forecast includes additional initiatives around Smart Growth, Project Eagle and EMS funding. The impact of these changes on the Taxpayer Relief Reserve forecasted balance is shown below in Table 3.

Table 3: Taxpayer Relief Reserve Forecast

(in millions)	2024 Budget	2024 Forecast	2025 Forecast
Opening Balance	\$36.6	\$36.6	\$35.8
Bill 23 Impacts	(\$0.6)	(\$0.6)	-
2024 Council Reserve Draw (Tax mitigation strategy)	(\$4.0)	(\$4.0)	-
One-time Transfers (net)	(\$0.7)	(\$0.7)	(\$1.0)
Other	\$0.1	\$0.1	-
Homelessness 2024 Budget Pressure (One-time)	(\$2.4)	(\$2.4)	-
Extra Working Day	(\$1.1)	(\$1.1)	-
Smart Growth* - Regional DC Reduction Funding Strategy	-	-	\$4.9
Project Eagle DC Grant	-	-	(\$5.4)
EMS Funding due to Time Lag	-	-	(1.9)
Forecasted 2024 Operating Surplus	-	\$7.9	-
Closing Balance	\$27.9	\$35.8	\$32.4
Commitments – Smart Growth DC Refunds*	-	-	(\$4.9)
Available Balance	\$27.9	\$35.8	\$27.5

* Smart Growth funding strategy and commitment is proposed as part of the 2025 budget

Alternatives Reviewed

Forecasts for the year are provided using the best information and estimated based on circumstances known at the time of the financial update.

Relationship to Council Strategic Priorities

Council Strategic Priority: Effective Region

Objective 1.3 – Deliver fiscally responsible and sustainable core services.

Other Pertinent Reports

[CSD 43-2024 Q2 2024 Financial Update](#)

(<https://pub-niagararegion.escribemeetings.com/Meeting.aspx?Id=a6c5e2bd-d88f-4811-ad69-4050055c83d4&Agenda=Agenda&lang=English&Item=12&Tab=attachments>)

Prepared by:

Melanie Steele, MBA, CPA, CA
Associate Director, Reporting & Analysis
Corporate Services

Recommended by:

Daniel Carnegie
Commissioner/Treasurer
Corporate Services

Submitted by:

Ron Tripp, P.Eng.
Chief Administrative Officer

This report was prepared in consultation with the Corporate Leadership Team.

Appendices

Appendix 1	2024 Q3 Financial Update
Appendix 2	2024 Q3 Achievements Report