

NIAGARA REGION BUDGET

2020

BUDGET

PLANNING

June 20<sup>th</sup>, 2019



# 2020 Budget Planning

What we're going to cover tonight:

- Budget Overview
- 2020 Budget Plan
  - Base Services
  - Capital Requirements
  - New and Enhanced Services
  - Assessment Growth
- Budget Schedule
- Next Steps

# Budget Overview

## YOUR TAX DOLLARS DELIVER

***The budget process** reflects Niagara Regional Council's commitment to delivering services that matter most to our citizens and ensuring that critical infrastructure is kept in a state of good repair.*

*With an aim to strike a balance between sustainability and affordability the Region continues to invest every tax dollar in high-quality service and securing a stronger future for our residents.*



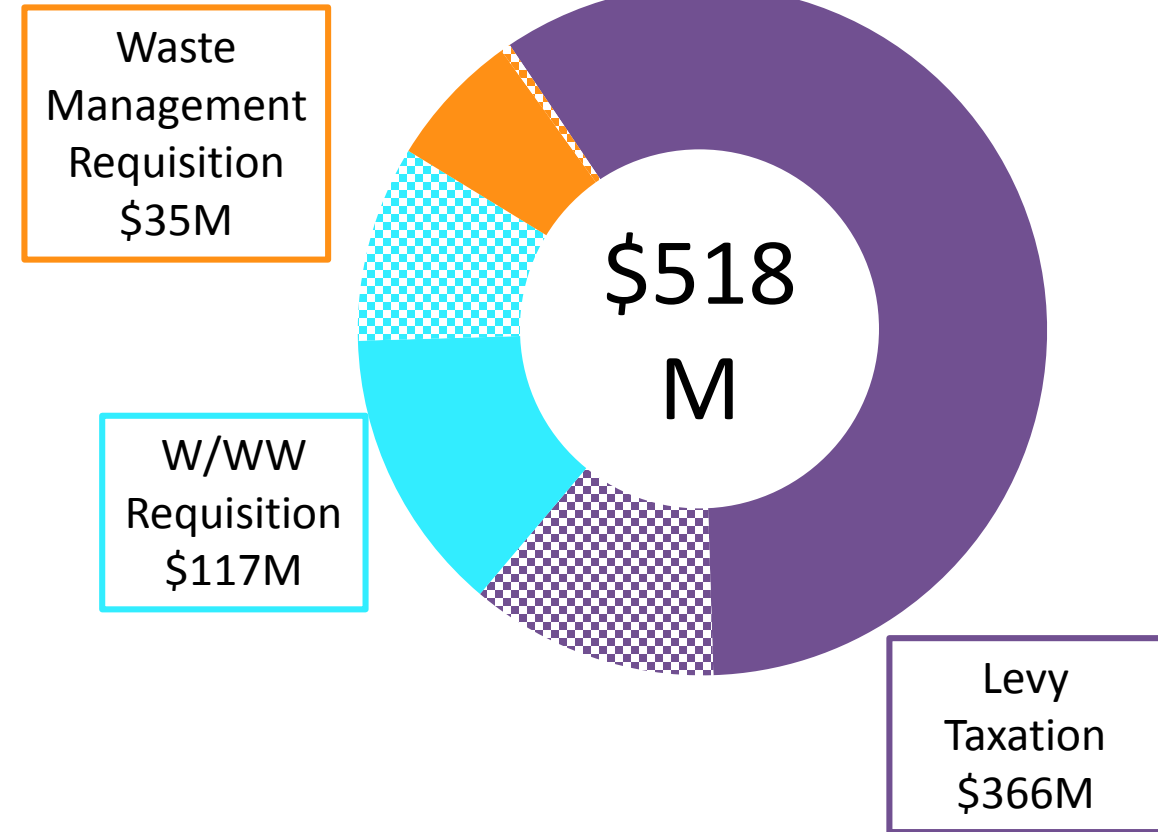
# Budget Overview

## 2019 Gross Operating and Capital Budget of \$1.25 Billion

$\frac{1}{2}$  is funded from...

- Federal and provincial grants
- Fees, charges and sales
- Other revenues (investment income, rent etc.)
- Reserves
- Debentures

The balance is made up of  
taxation and rates



Note: Hashed areas represent funds supporting capital

# Budget Development

As Per CSD 41-2019, Budget Planning Policy Review

- Guiding Principles will be established
  - Use of current year results, compliance with policies, use of business cases
- Recommendations made regarding four components of budget
  - Base Budget, Capital Financing, New Programs, and Assessment Growth

Resulting in greater sustainability and transparency

# Base Budget Development

## As Per CSD 41-2019, Budget Planning Policy Review

- 2020 guided by Regional **Municipal Price Index (MPI)**
  - vs Core CPI used historically as a hard cap to the budget increase
  - MPI is an inflation index based on the Region's 5 year historical actual expenditure mix and type as calculated by the Conference Board of Canada
- Unique index for each operating budget
  - Departments = 2.7%, ABCs = 3.0%, Waste Mgmt = 2.1%
- Does take into consideration:
  - 2019 ongoing cost pressures, new 2020 other service delivery pressures including compensation and benefits, contracts, utilities etc., cost saving strategies from targeted efficiencies
- Does not consider changes in revenue i.e. Provincial download



# Base Budget Development

## Guiding Principles – 2019 Year-to-date Levy

- Forecasted 2019 operating variances of \$9.45 M pressure
  - \$7.77 M or 2.12% will continue into 2020 comprised of:
    - \$0.6 M - SAEO Provincial Funding Changes
    - \$5.0 M - Development Charge Exemptions
    - \$0.7 M - Emergency Medical Services, Staff Overtime & WSIB
    - \$0.5 M – Transportation External Signal Revenue
    - \$0.6 M – Seniors Staff Overtime/2019 Case Mix Index (CMI) results
- As per CSD 49-2019 Q1 Results
  - Provides detail on the \$1.68 M in one-time pressures
  - 2019 mitigation strategies with in year savings and DC Reserve payback
  - Net zero deficit forecast at Q1 for year end 2019

# Base Budget Development

## Guiding Principles – 2020 Levy Pressures

- 2019 Provincial budget announcements deferred to 2020
  - \$2.70 M – EMS, Public Health and Long term care funding
  - In addition to \$7.77 M from 2019 is a impact of \$10.47 million or 2.86%
- New 2020 Pressures - pressures related to Compensation, Transportation, Long-term Care, Homelessness contracts etc. total \$22.38 million or 6.12%
  - \$17.95 M or 4.91% Expenses (appendix 3)
  - \$4.43 M or 1.21% Revenues (appendix 4)



# Base Budget Development

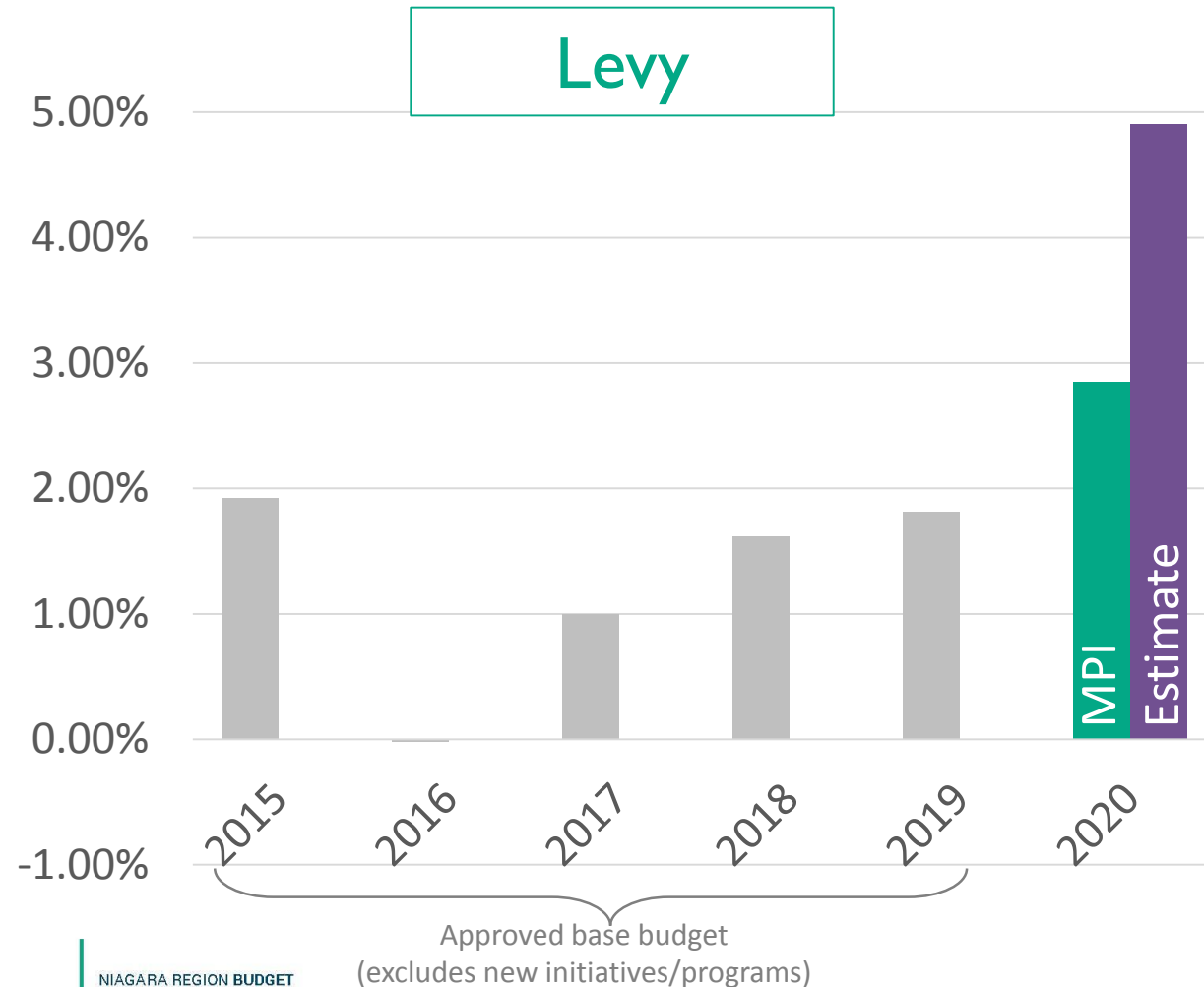
## Guiding Principles – 2019 and New 2020 Rate Pressures

Forecasted 2019 Rate operating variances:

- Waste Management Forecast operating variance is \$3.30 M
  - 2019 into 2020 - \$2.18 M or 6.16% –End Market Revenue
  - New 2020 - \$0.50 M or 1.40% –Collections contract
- Water/Wastewater Forecast operating variance is \$1.38 M
  - 2019 into 2020 \$0.38 M or 0.32% - Chemical Costs

# Base Budget Development

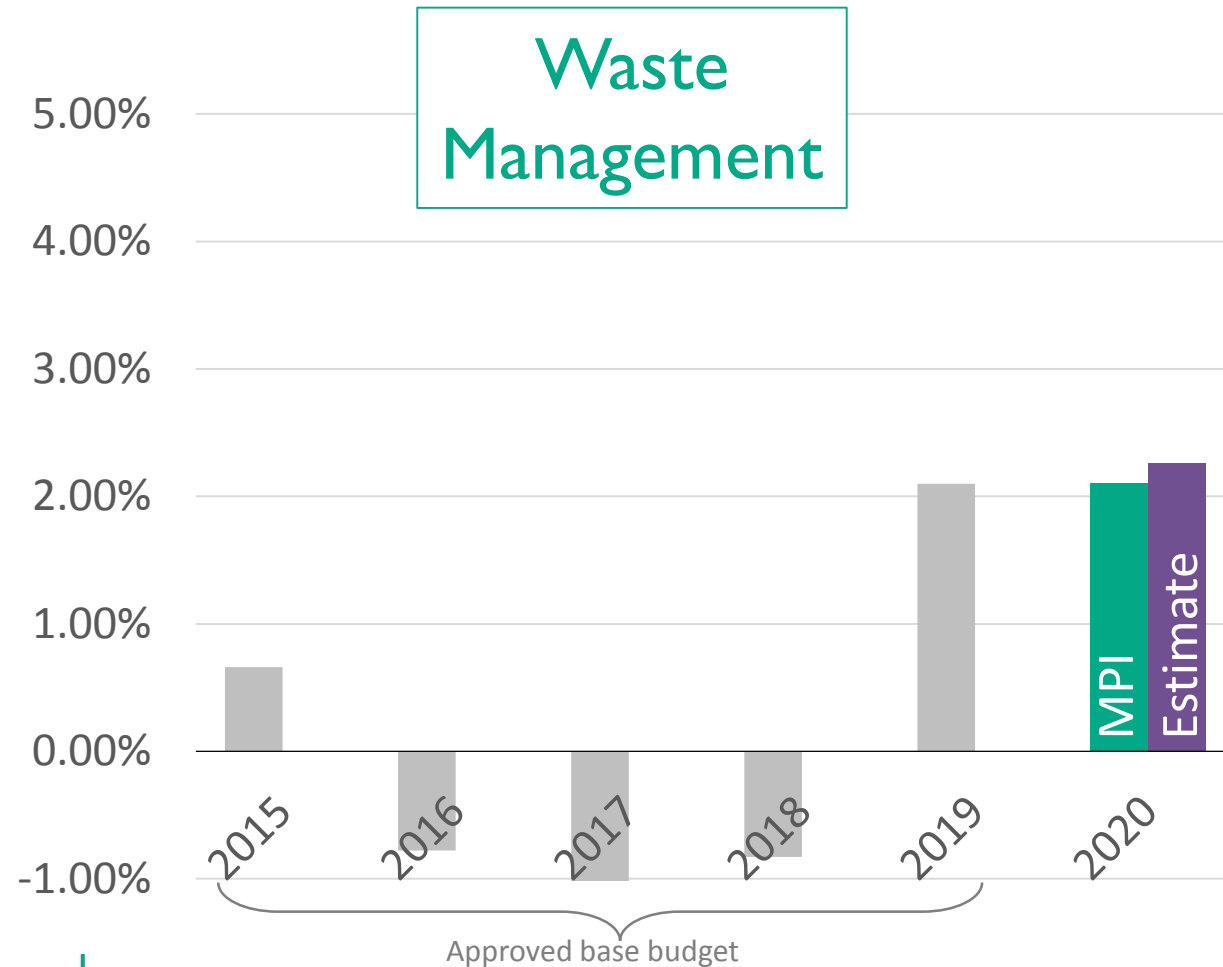
## Pressure on Current Service Delivery



- Staff due diligence to contain pressures is underway
- Where expense pressures estimated at 4.91% cannot be mitigated:
  - Risks will be identified
  - Business cases will be provided for transparency and Council consideration
- Pursue other sources of revenue

# Base Budget Development

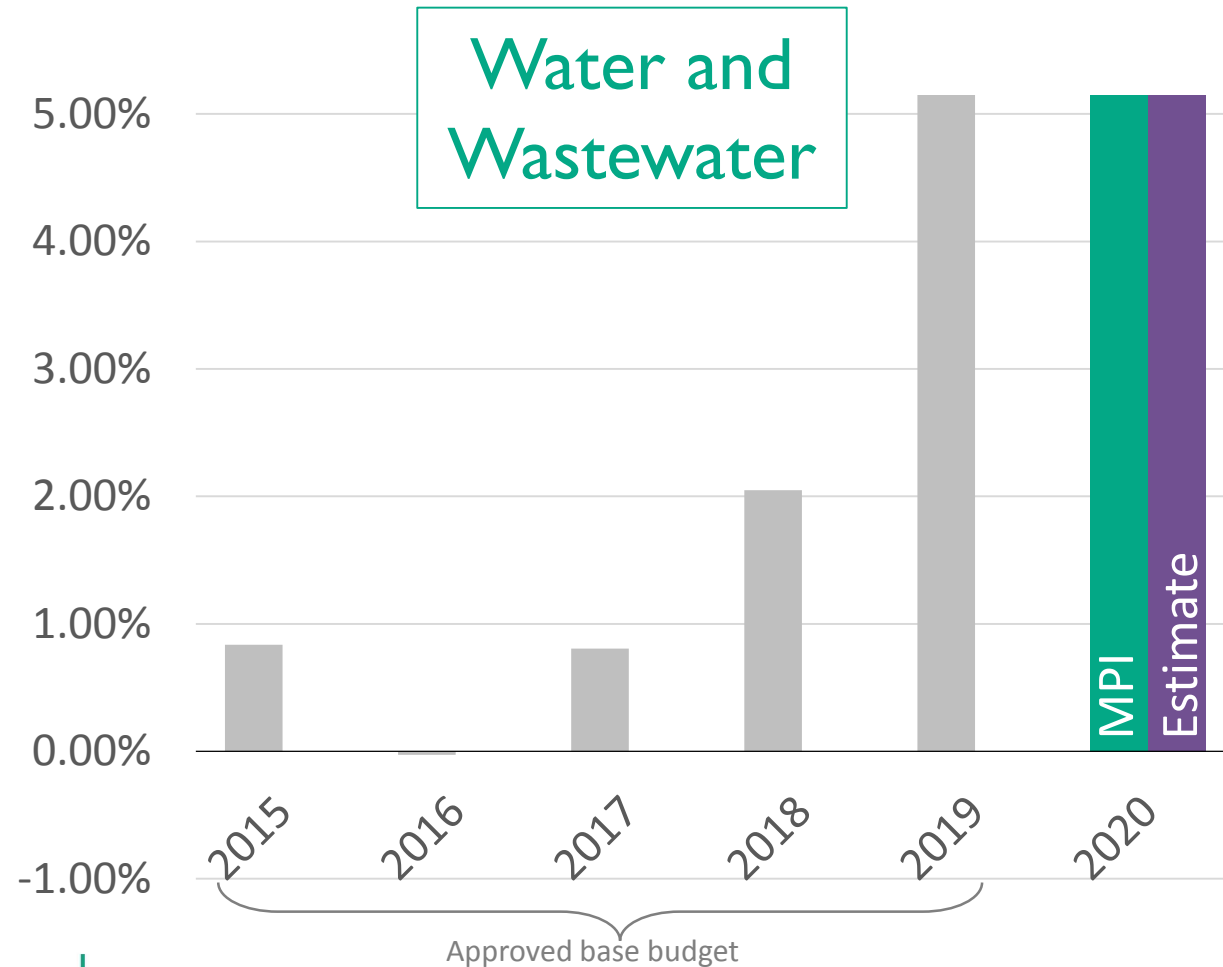
## Pressure on Current Service Delivery



- Staff due diligence to contain pressures is underway
- Where expense pressures estimated at 2.26% cannot be mitigated:
  - Risks will be identified
  - Business cases will be provided for transparency and Council consideration
- Pursue other sources of revenue

# Base Budget Development

## Pressure on Current Service Delivery



- Staff due diligence to contain pressures is underway
- Where expense pressures cannot be mitigated:
  - Risks will be identified
  - Business cases will be provided for transparency and Council consideration
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# Building the Budget

## Base Budget Preliminary Estimates

| Budget Item                         | Levy         | Waste Management | Water and Wastewater |
|-------------------------------------|--------------|------------------|----------------------|
| Municipal Price Index               | \$5.0 M      | \$0.7 M          |                      |
| MPI for ABCs                        | \$5.4 M      |                  |                      |
| Water Wastewater Financial Strategy |              |                  | \$6.0 M              |
| Expense Subtotal                    | \$10.4 M     | \$0.7 M          | \$6.0 M              |
| <b>Expense Increase %</b>           | <b>2.85%</b> | <b>2.10%</b>     | <b>5.15%</b>         |
| Revenue pressures                   | \$4.4 M      | \$2.2 M          |                      |
| Subtotal                            | \$14.8 M     | \$2.9 M          | \$6.0 M              |
| <b>Increase %</b>                   | <b>4.06%</b> | <b>8.26%</b>     | <b>5.15%</b>         |

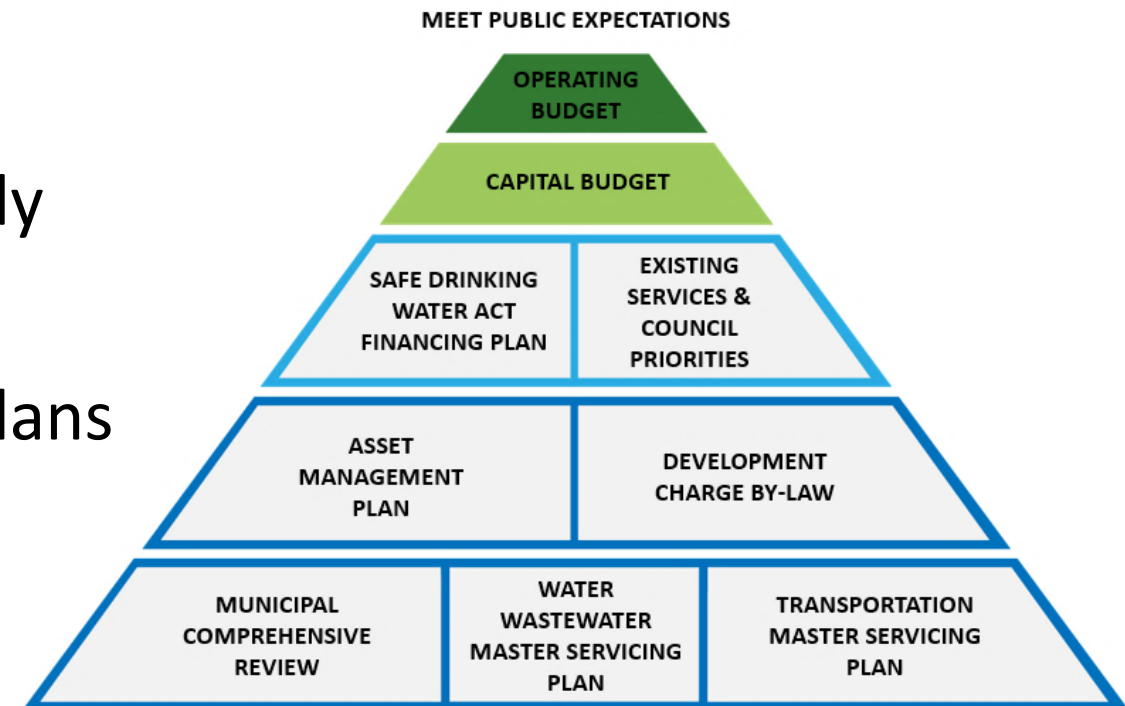
- MPI is a benchmark for expense pressures
  - Currently expense pressures estimated in excess of MPI
- Revenues are not incorporated into the MPI
  - Decisions regarding continuity of service have incremental impacts
  - Continued advocacy regarding provincial download

# Capital Expenditure

## Based on Established Strategies

Approved strategies are the basis for long-term sustainability and growth strategies for the Region:

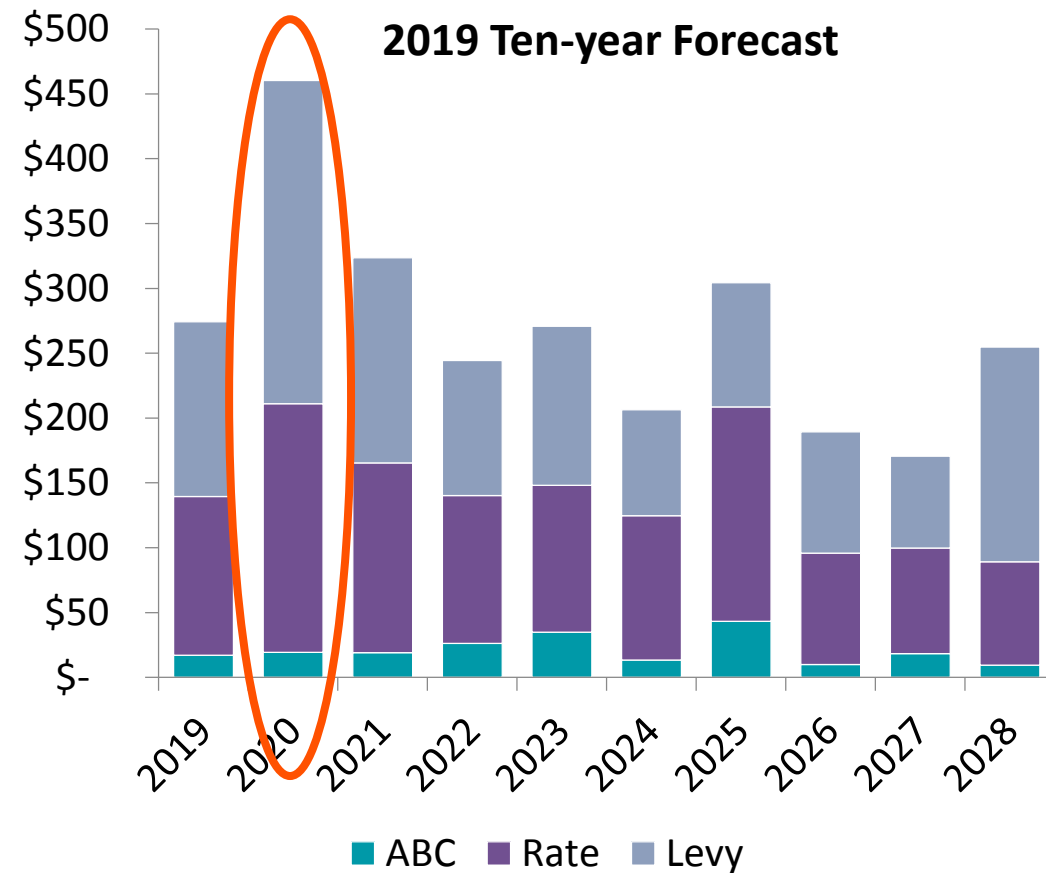
- Asset Management Plan (AMP)
- Development Charge background study
- Growth Plan (MCR)
- Water Wastewater Master Servicing Plans
- Transportation Master Servicing Plan





# Capital Financing

## Require Sustained Increases to Fund AMP Gap



- AMP identified a \$546 million backlog
- Asset Management Office will provide long-range strategies to mitigate but won't fully address shortfalls
- Estimate 2.0% increase each year for 10 years to close the gap
  - 1% (2012,2017), 1.3% (2015,2016)
- Or continue to defer renewal

# Building the Budget

## Capital financing requirements

| Budget Item            | Levy         | Waste Management | Water and Wastewater |
|------------------------|--------------|------------------|----------------------|
| Expense Subtotal       | \$10.4 M     | \$0.7 M          | \$6.0 M              |
| Revenue pressures      | \$4.4 M      | \$2.2 M          |                      |
| Base Subtotal          | \$14.8 M     | \$2.9 M          | \$6.0 M              |
| <b>Base Increase %</b> | <b>4.06%</b> | <b>8.26%</b>     | <b>5.15%</b>         |
| Capital financing      | \$7.3 M      |                  | See above            |
| Subtotal               | \$22.1 M     | \$2.9 M          | \$6.0 M              |
| <b>Increase %</b>      | <b>6.04%</b> | <b>8.26%</b>     | <b>5.15%</b>         |

- Transparent Capital funding strategy
- Added onto Base funding
  - Does not erode funding for current service delivery
  - May support pay as you go or
  - Reserves for on-going sustainability
- Capital expenditure will be driven by AMP and growth strategies

# New Initiatives and Programs

## Transparency for Council Decision Making

- New and enhanced programs of \$16.5M:
  - Niagara Regional Transit, long-term care homes, airports, GO Transit, affordable housing, Waterfront Investment Program
  - Refer to table 1 of the report (page 5)
- New programs will be considered at appropriate committee or COTW
- financial requirements referred to Budget Review Committee for a complete view of corporate need
- Budget Review Committee will make all funding decisions

# Building the Budget

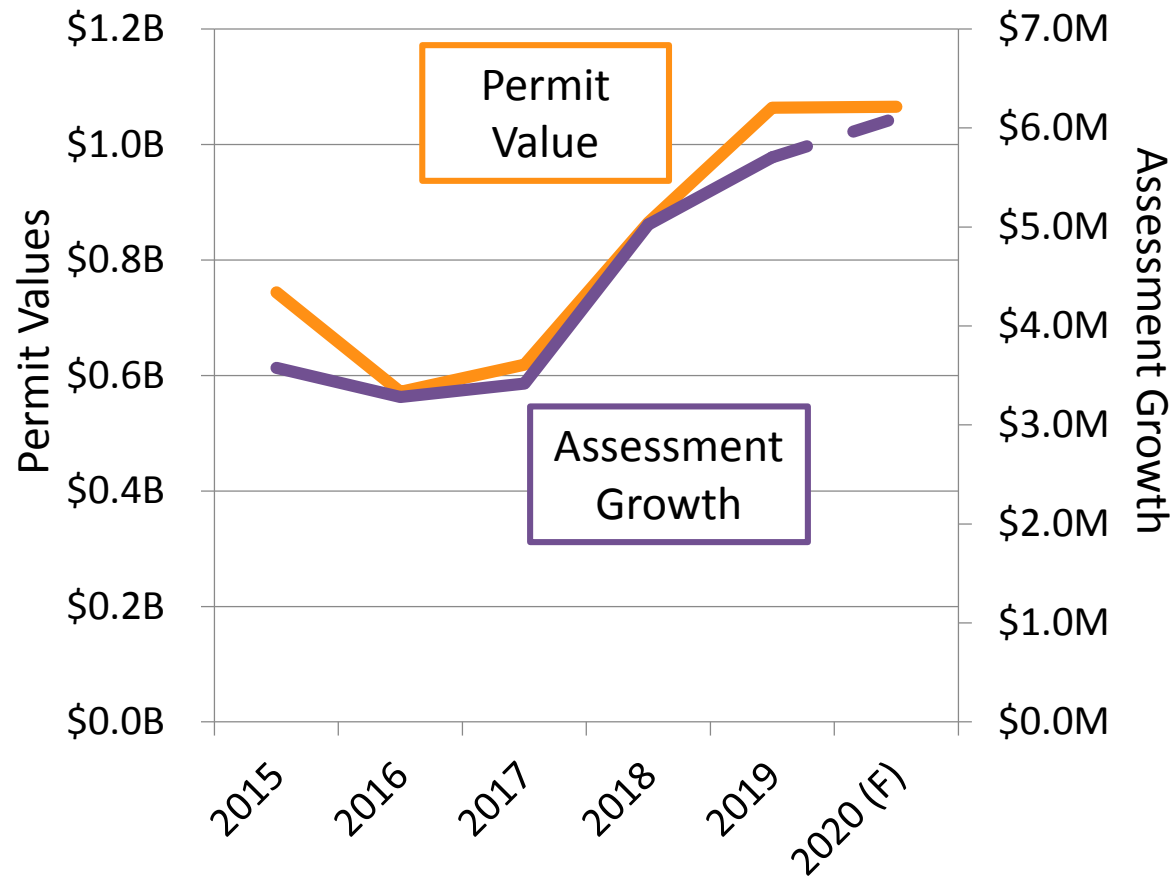
## New Initiatives and Programs

| Budget Item       | Levy          | Waste Management | Water and Wastewater |
|-------------------|---------------|------------------|----------------------|
| Expense Subtotal  | \$10.4 M      | \$0.7 M          | \$6.0 M              |
| Revenue pressures | \$4.4 M       | \$2.2 M          |                      |
| Capital financing | \$7.3 M       |                  | See above            |
| Subtotal          | \$22.1 M      | \$2.9 M          | \$6.0 M              |
| <b>Increase %</b> | <b>6.04%</b>  | <b>8.26%</b>     | <b>5.15%</b>         |
| New Programs      | \$16.5 M      |                  |                      |
| Total             | \$38.6 M      | \$2.9 M          | \$6.0 M              |
| <b>Increase %</b> | <b>10.55%</b> | <b>8.26%</b>     | <b>5.15%</b>         |

- Transparent funding for new programs
- Added onto Base funding
  - Does not erode funding for current service delivery
  - May recommend phasing options
  - costs will be refined and business cases completed

# Assessment Growth

1.65% or \$6.1 million new tax revenue from growth



- Experiencing sustained higher growth
- Incentives have contributed to growth (including Tax Increment Grants of \$1.3 million for 2020)
- Balance of revenue (after funding TIGs) should support growth operating and capital costs
- Net zero impact on taxes

# Proposed 2020 Budget Schedule

Budget deliberations begin with **Capital**, then **Rates**, then **ABCs**, and finish with **Levy** prior to the end of the year.

| OCTOBER |    |    |    |    |    |    |
|---------|----|----|----|----|----|----|
| S       | M  | T  | W  | T  | F  | S  |
|         |    | 1  | 2  | 3  | 4  | 5  |
| 6       | 7  | 8  | 9  | 10 | 11 | 12 |
| 13      | 14 | 15 | 16 | 17 | 18 | 19 |
| 20      | 21 | 22 | 23 | 24 | 25 | 26 |
| 27      | 28 | 29 | 30 | 31 |    |    |

| NOVEMBER |    |    |    |    |    |    |
|----------|----|----|----|----|----|----|
| S        | M  | T  | W  | T  | F  | S  |
|          |    |    |    |    | 1  | 2  |
| 3        | 4  | 5  | 6  | 7  | 8  | 9  |
| 10       | 11 | 12 | 13 | 14 | 15 | 16 |
| 17       | 18 | 19 | 20 | 21 | 22 | 23 |
| 24       | 25 | 26 | 27 | 28 | 29 | 30 |

| DECEMBER |    |    |    |    |    |    |
|----------|----|----|----|----|----|----|
| S        | M  | T  | W  | T  | F  | S  |
| 1        | 2  | 3  | 4  | 5  | 6  | 7  |
| 8        | 9  | 10 | 11 | 12 | 13 | 14 |
| 15       | 16 | 17 | 18 | 19 | 20 | 21 |
| 22       | 23 | 24 | 25 | 26 | 27 | 28 |
| 29       | 30 | 31 |    |    |    |    |



Budget Workshop



BRCOTW Meeting



Council/Committee/Committee of the Whole



# Next Steps

- Discussion, review and approval of CSD 40-2019 today
  - Staff will incorporate BRC direction from today into developing the budget
- Budget process will be based on guiding principles and concepts of new policy as approved in CSD 41-2019, June 12, 2019
  - possible sustainability review options for 2020 and forecast
  - asset management strategies for 2021 and forecast
- Capital first to be considered with BRC on October 10
- Preceded by Committee of the Whole on October 3 to review
  - Budget Planning By-law and
  - Capital Financing Policy



Questions?

