2020 Budget Planning

What we’re going to cover tonight:

• Budget Overview
• 2020 Budget Plan
  o Base Services
  o Capital Requirements
  o New and Enhanced Services
  o 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

$518M

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

$518M
$117M
$366M
$35M

W/WW Requisition
Levy Taxation
Waste Management Requisition
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)
  o vs Core CPI used historically as a hard cap to the budget increase
  o 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
  o Departments = 2.7%, ABCs = 3.0%, Waste Mgmt = 2.1%

• Does take into consideration:
  o 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
  o $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
  o Provides detail on the $1.68 M in one-time pressures
  o 2019 mitigation strategies with in year savings and DC Reserve payback
  o 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
  o $2.70 M – EMS, Public Health and Long term care funding
  o 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%
  o $17.95 M or 4.91% Expenses (appendix 3)
  o $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
  o 2019 into 2020 - $2.18 M or 6.16% – End Market Revenue
  o New 2020 - $0.50 M or 1.40% – Collections contract

• Water/Wastewater Forecast operating variance is $1.38 M
  o 2019 into 2020 $0.38 M or 0.32% - Chemical Costs
• 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
• Staff due diligence to contain pressures is underway

• Where expense pressures estimated at 2.26% cannot be mitigated:
  o Risks will be identified
  o 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:
  o Risks will be identified
  o Business cases will be provided for transparency and Council consideration

• Pursue other sources of revenue
Building the Budget
Base Budget Preliminary Estimates

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

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<tr>
<td>Subtotal</td>
<td>$22.1 M</td>
<td>$2.9 M</td>
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<tr>
<td>Increase %</td>
<td>6.04%</td>
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- **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:
  o Niagara Regional Transit, long-term care homes, airports, GO Transit, affordable housing, Waterfront Investment Program
  o 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

- 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

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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.

<table>
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<th>OCTOBER</th>
<th>NOVEMBER</th>
<th>DECEMBER</th>
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- **Budget Workshop**: October 1, November 1, December 1
- **BRCOTW Meeting**: October 2, November 2, December 2
- **Council/Committee/Committee of the Whole**: October 3, November 3, December 3
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?