



NIAGARA REGION BUDGET

# 2020 CAPITAL BUDGET

October 10<sup>th</sup>, 2019



## Key Themes

### 1. New Budget Planning By-law

- Capital Financing Strategy proposed as an additional separate levy
- Current Strategy recommends 2.16% for levy and 3.15% for rate;

### 2. Balancing Sustainability, Transparency & Affordability

- Of this 2.16% a minimum of 1.54% to address LTC redevelopment

### 3. Projects aligned to Council strategic priorities

- Economic growth, healthy communities, responsible growth, sustainability/engaging gov't



## 2020 Capital Budget

What we're going to cover:

- 2020 Capital Expenditure
- 2020 Financing Strategy
- Multi-year Forecast
- Risk and Opportunities
- Next Steps

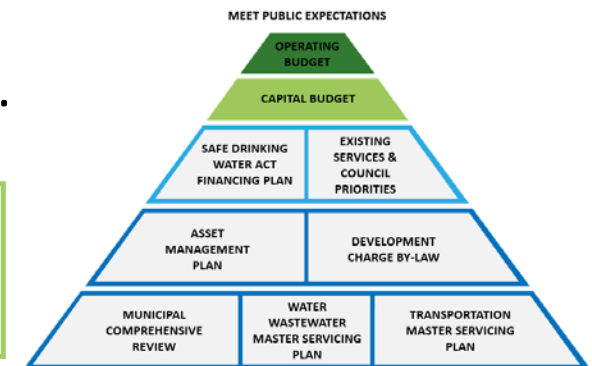


# 2020 Capital Expenditure Budget

How we identified capital projects?

- ✓ Departments submit capital projects based on master plans and asset management plan.
- ✓ Departments reprioritized/deferred to align with funding available.
- ✓ CLT and Finance reviewed risks and cross functional impacts of deferrals for final recommendation.
- ✓ Capital Workshop provided education and information.

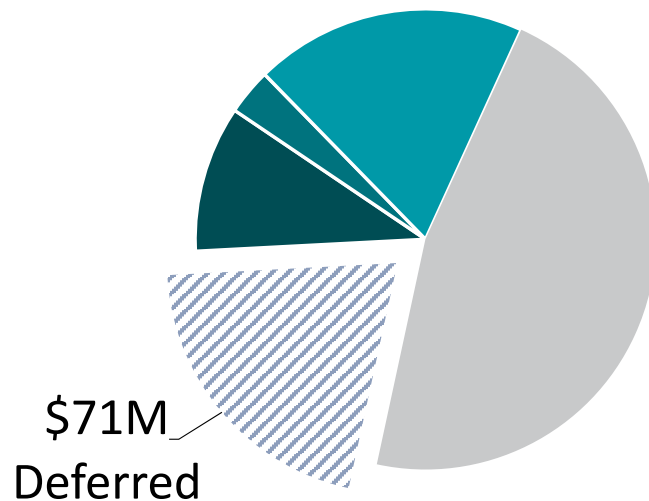
- ☐ BRC approval required.
  - Subject to additional operating budget considerations



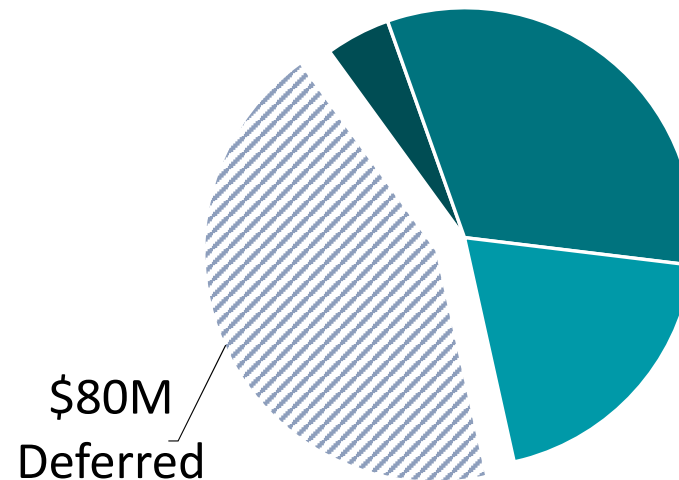
# 2020 Capital Summary

\$528M Capital Request - \$151M deferred

\$342M Levy Request

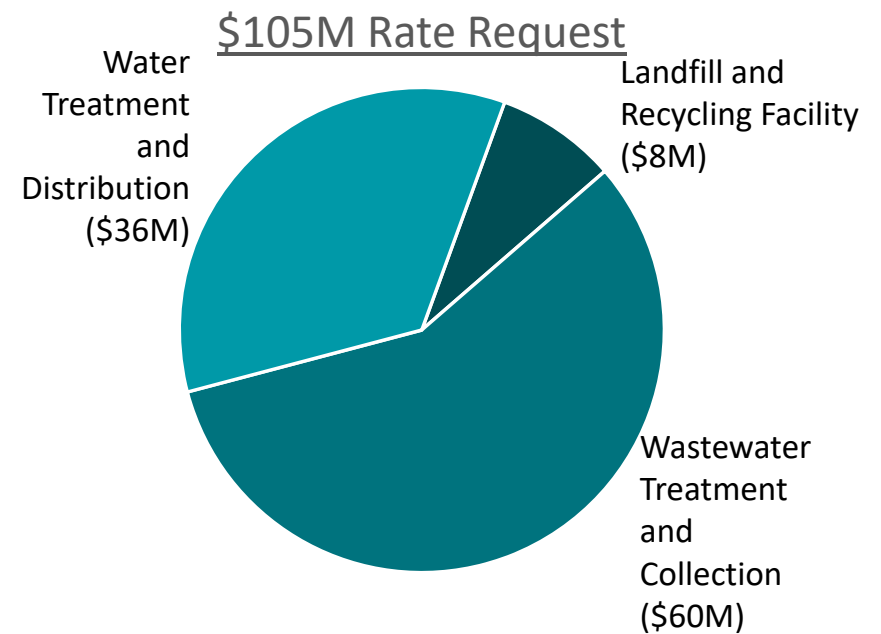
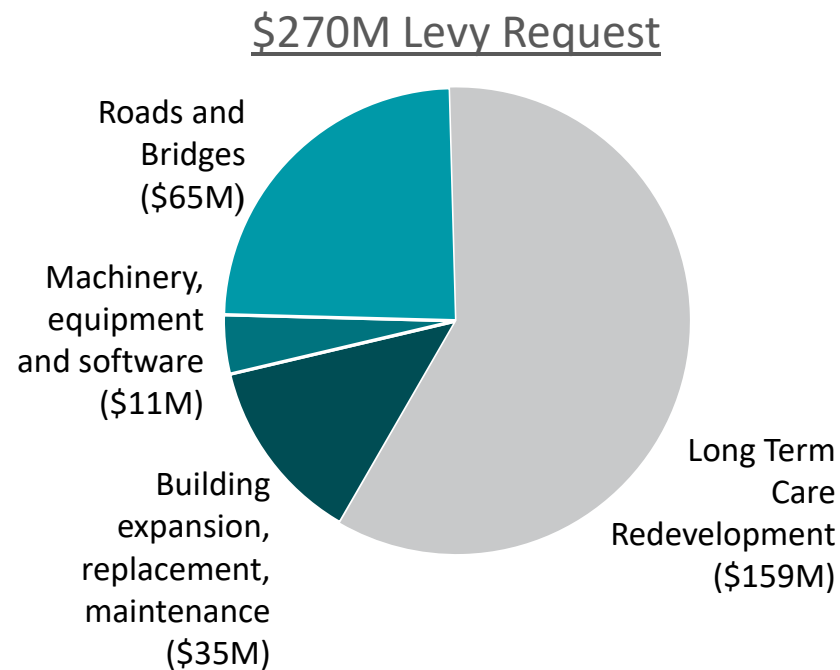


\$186 Rate Request



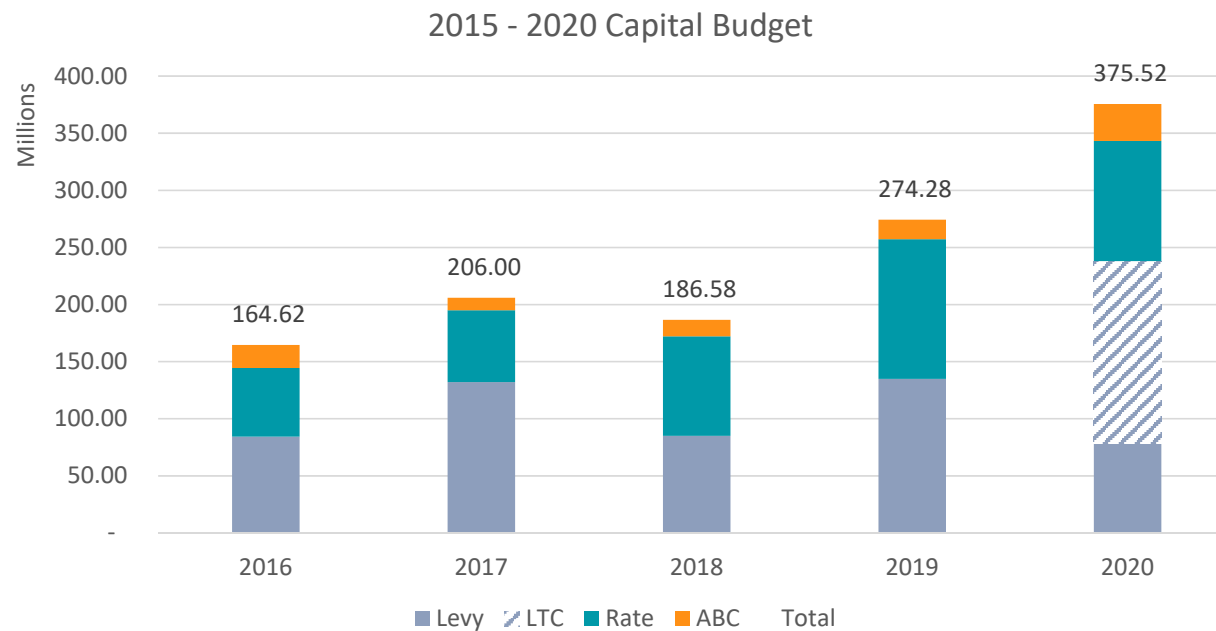
# 2020 Capital Summary

\$375M Capital Recommended



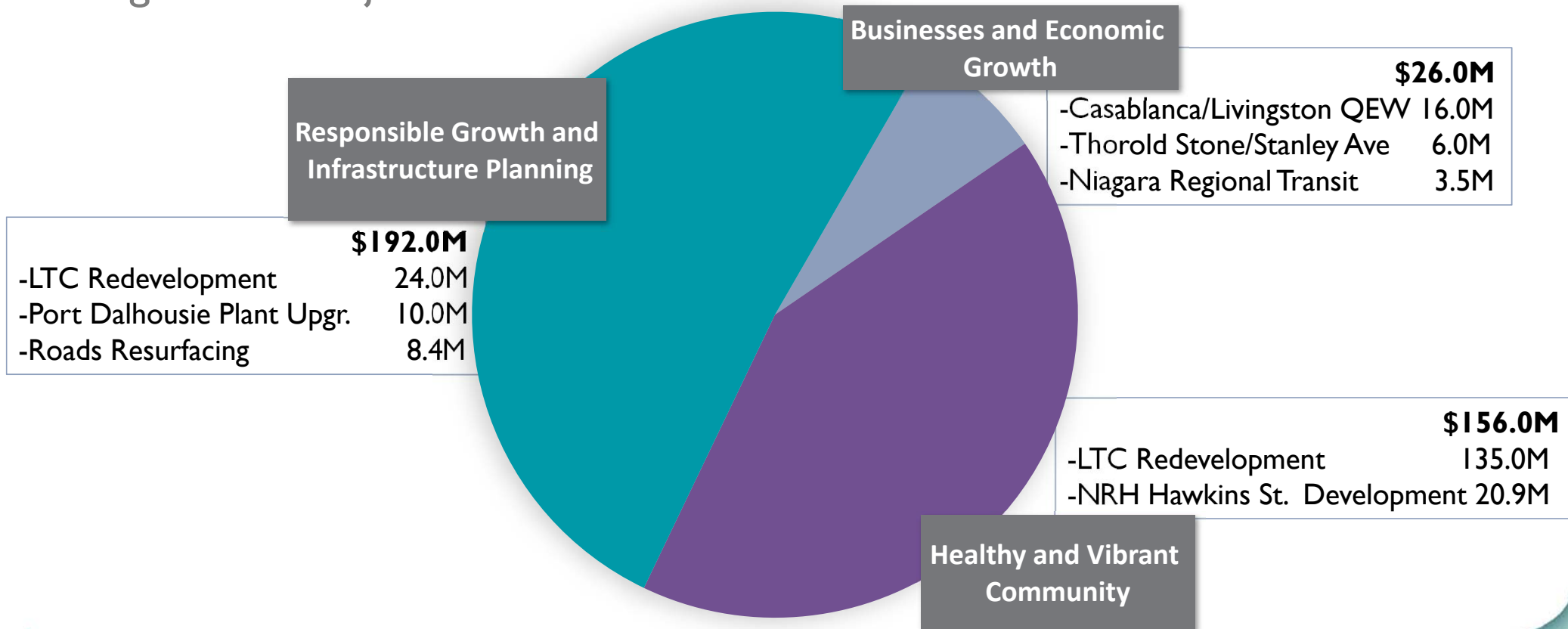
# Historical Capital Budgets

5-year historical and 2020 recommended



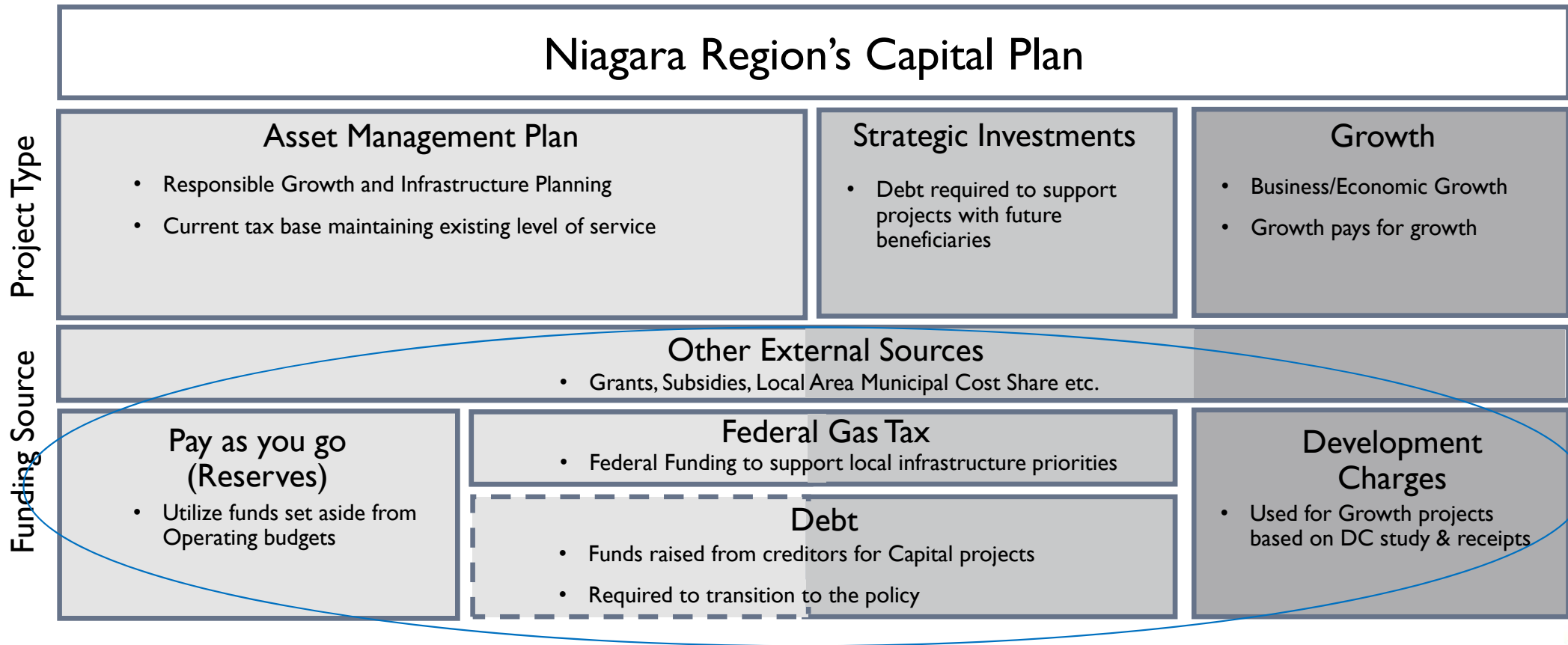
# Council Strategic Priorities

## Significant Projects



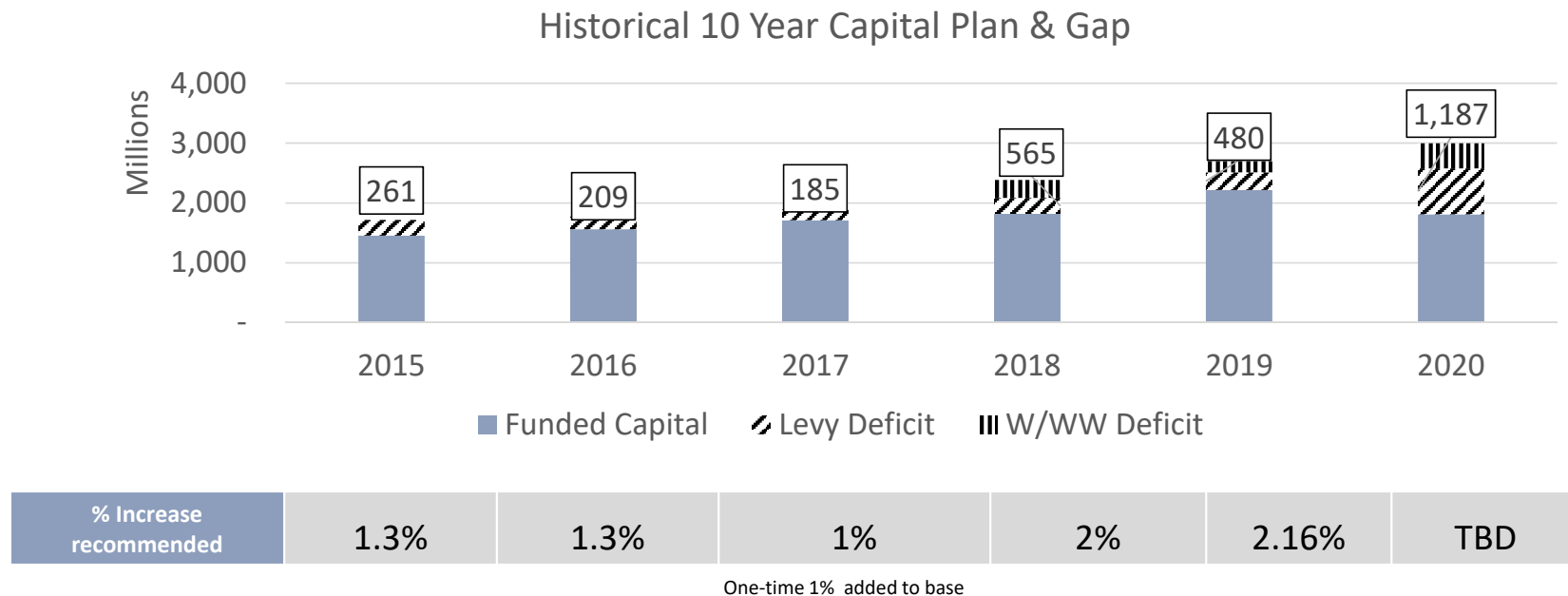


# 2020 Financing Strategy



# Capital Financing Strategy

For \$7.4 Billion in Regional Levy and Rate capital assets



Solution – Balance between **Reserves** and **Debt** and **Deferrals**

# Capital Financing Strategy

## Niagara Region

REPORT TO: Chair and Members of Budget Review Committee  
SUBJECT: Sustainability Recommendations for 2012 Budget

### RECOMMENDATION

That this Committee recommends to Regional Council that:

This report be received for information and be brought forward on November 3, 2011 for consideration of the following:

- 1) 2012 Inter-municipal transit budget be funded from the tax levy instead of the contingency reserve, in the amount of \$2,048,537, representing a 0.72% increase on the tax levy;
- 2) 2012 NRPS interim accommodations budget be funded from the tax levy instead of the contingency, estimated in the amount of \$2,017,910, representing a 0.71% increase on the tax levy;
- 3) That 1/3 of the 2009 OMPF reconciliation payment be applied to the 2012 budget to partially offset 2012 NRPS interim accommodation funding, in the amount of \$1,725,000, representing a 0.61% decrease on the tax levy;
- 4) Annual capital levy reserve contribution be increased by \$2,900,000, approximately a 1% increase to the tax levy;

2012  
1%  
(Levy)

2015 Capital Financing  
1.3% levy enhancement beginning 2016



### 2016 Capital Strategy

Infrastructure has been identified as an area that needs significant improvement and investments are required to improve performance outcomes in this area. The 2015 capital budget and nine year forecast had identified a \$2.5 million funding gap for the Region's consolidated capital plan. The strategy to eliminate this gap will include the following:

- Pursue additional contributions to capital reserves to align with Council priority to reduce the infrastructure gap using a 1.3% tax levy increase to cover any gaps that may still exist
- Use a portion of the tax allocated to Council priorities to increase investment in infrastructure and GO Transit

2015  
1.3%  
(Levy)

2016  
1.3%  
(Levy)

2017  
1%  
(Levy)

Subject: 2017 Capital Budget Infrastructure Levy

Report to: Budget Review Committee  
Meeting date: T

### Recommend

1. That an increase in support infrastructure
2. That future infrastructure

## 2017 Capital Budget Development

### Pressure:

- \$210 million funding gap to deliver forecast 10 year program (inclusive of GO Transit). Updates forthcoming with comprehensive asset management plan.

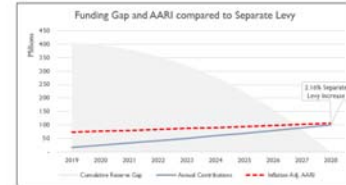
### Mitigation Strategies:

- Review existing projects to repurpose surplus funds
- Consideration of new capital levy (up to 1.3%)
- Provincial funding (per diem) for the L.S. Homes redevelopment
- Leverage Fed/Prov. application/allocation opportunities
- Finish capital works in progress/reevaluate those not yet started
- Prioritize infrastructure spending in areas where it will be a catalyst for economic development and private sector investment - leverage DC funding

## Capital Financing Strategy Implementation Strategy

- Annual separate levy increases of 2.16% over 10 years
- Operating Contributions will align to AARI per 2016 AMP
- Eliminates funding gap
- At a minimum the Region requires \$86.5M by 2028

"The National Research Council recommends that a minimum of 2 percent of the value of assets should be spent on repairs and normal rehabilitation and 2 percent contributed to reserves each year".



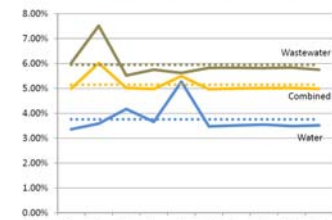
## 2020 BUDGET PLANNING

2019  
3.15%  
(Rate)

2020  
2.16%  
(Levy)

### Smooth Rate Increase

- Combined increase of 5.15% per year
- Largest impact to fund capital in accordance with the Council approved AMP and MSP
- Water average increase of 3.8%
- Wastewater average increase of 6.0%
- Average increase for 10 years based on Financial Plan



## 2019 WATER & WASTEWATER BUDGET

# Capital Financing Strategy

For \$7.4 Billion in Regional capital assets

- Proposed strategy implementation
  - 2.16% proposed for Levy Infrastructure
  - 3.15% proposed for Water/Wastewater infrastructure
- 2020 challenge
  - Minimum requirement is 1.54% for levy debt financing for LTC home redevelopment
- Long term challenge
  - \$1.2B gap for 2020 to 2029
  - Includes \$564M for growth projects such as South Niagara WWTP, NRPS Centralization, EMS Hub, Further LTC Home Redevelopment



# 2020 Financing Strategy

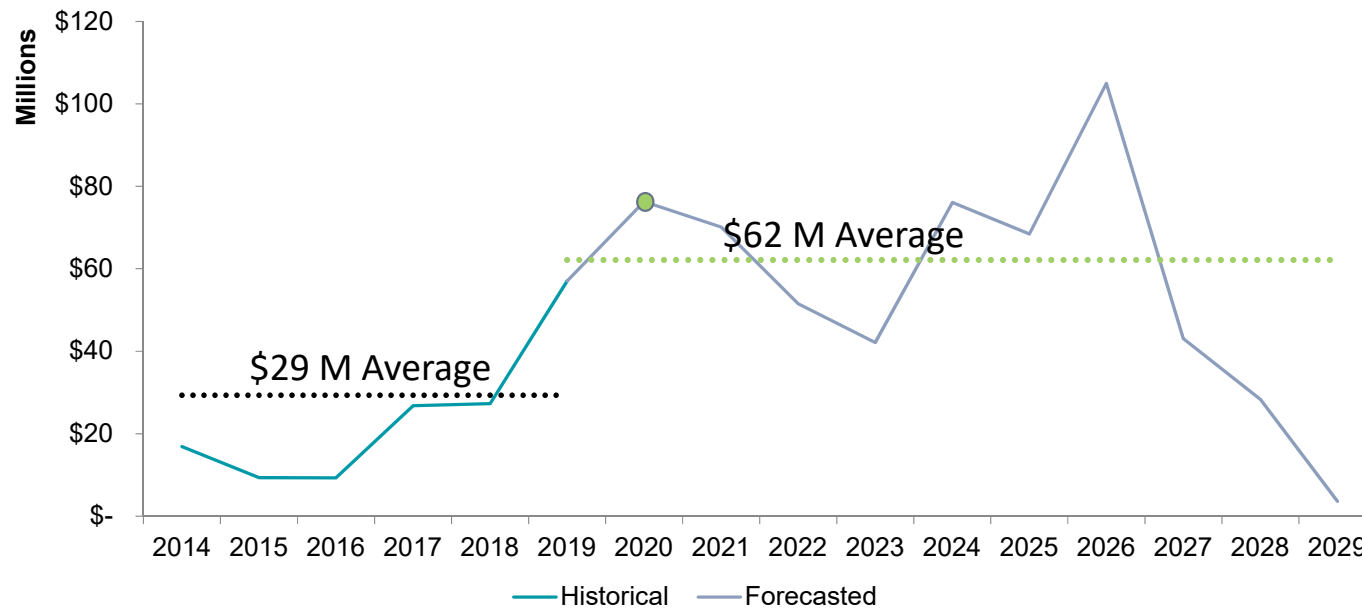
## Levy and Rate Funding Sources

	Levy	Rate	Total
<b>External Funding:</b>			
Other External	\$12.6	\$0.8	\$13.4
Area Municipalities	2.7	-	2.7
Development Charges	60.0	16.3	76.3
Federal Gas Tax	10.3	4.0	14.3
<b>Internal Regional Funding:</b>			
Reserves	36.1	84.0	120.1
Infrastructure Deficit Reserves	3.7	-	3.7
Debentures	<u>145.0</u>	=	<u>145.0</u>
<b>Total</b>	<b>\$270.40</b>	<b>\$105.12</b>	<b>\$375.52</b>



# Investing in Growth

\$76 Million Development Charges budgeted for 2020 projects



- Future recoveries subject to outstanding regulations for Bill 108

## Investing in Growth

2020 Highest Growth Projects (\$76M in 2020)

Project	DC Budget	% of Gross Budget	Impact
Long Term Care Redevelopment	\$24.5M	15%	13 new beds to support aging population
NRH Hawkins St. Development	\$14M	70%	55 new units to address affordable housing supply constraints
Casablanca Boulevard Widening	\$11M	70%	Anticipated growth of 6,620 people and jobs
Thorold Stone Road Extension	\$5.1M	85%	Anticipated growth of 3,010 people and jobs

# 2020 Financing Strategy

## Niagara Region's Capital Plan

Project Type

### Asset Management Plan

- Responsible Growth and Infrastructure Planning
- Current tax base maintaining existing level of service

### Strategic Investments

- Debt required to support projects with future beneficiaries

### Growth

- Business/Economic Growth
- Growth pays for growth

Funding Source

### Other External Sources

- Grants, Subsidies, Local Area Municipal Cost Share etc.

### Pay as you go (Reserves)

- Utilize funds set aside from Operating budgets

### Federal Gas Tax

- Federal Funding to support local infrastructure priorities

### Debt

- Funds raised from creditors for Capital projects
- Required to transition to the policy

### Development Charges

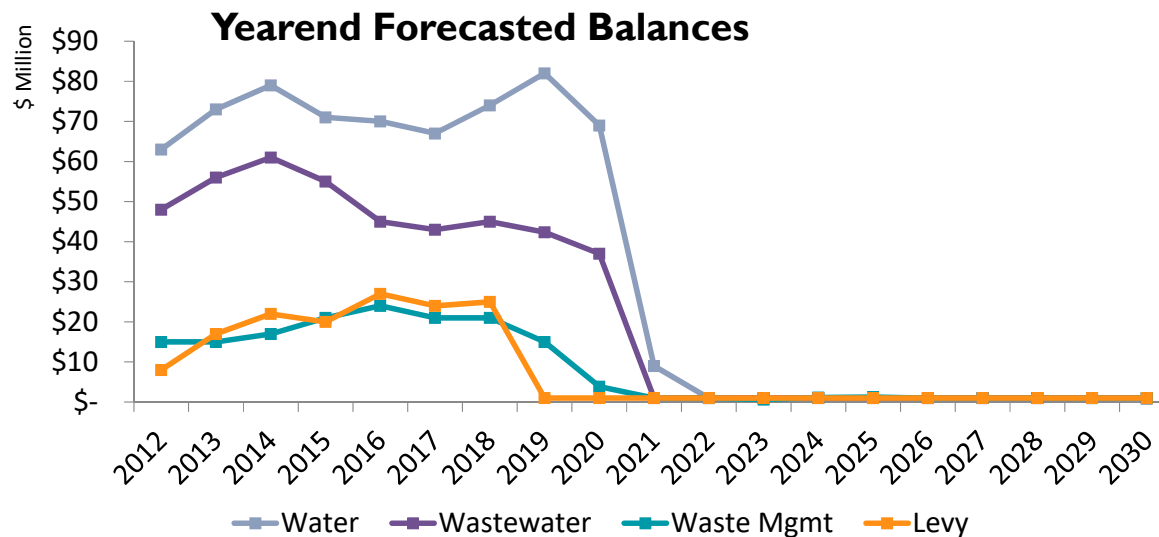
- Used for Growth projects based on DC study & receipts



# Capital Financing Strategy

Reserve Funding - \$120.8M for 2020

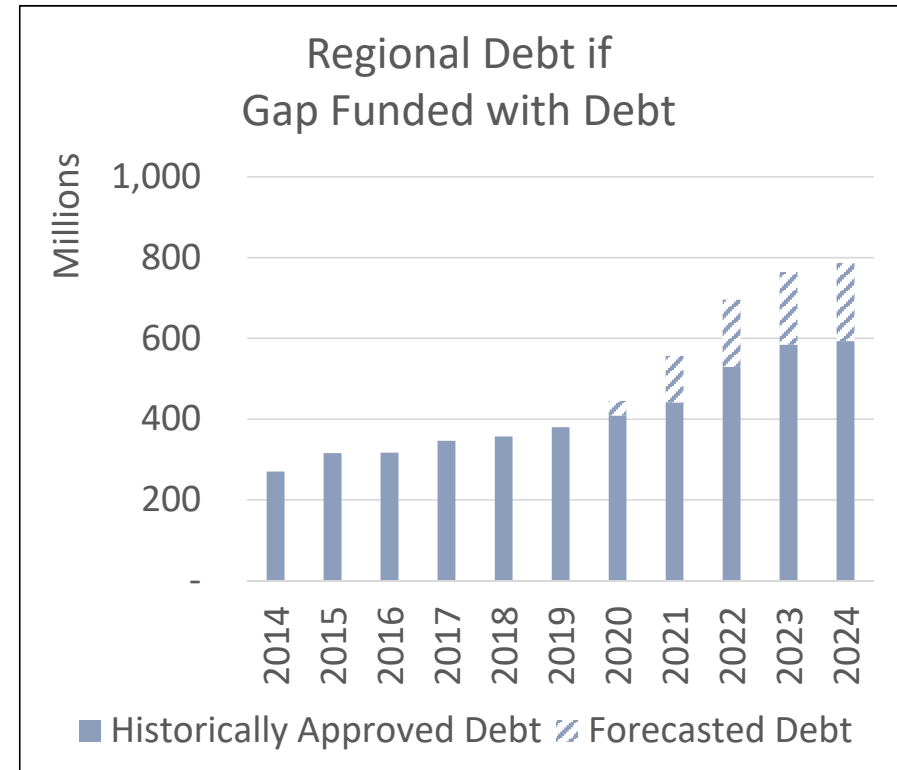
- Balancing use of (a) reserves vs (b) debt vs (c) risk of deferral
- Reserves use is maximized to:
  - minimize risk of deferrals (still requires \$151 deferred to 2021)
  - accommodate no operating budget capacity for more debt financing costs.



# Capital Financing Strategy

Debt Financing - \$145M for 2020

- Balance use of (a) Debt and (b) Risk of deferral
- 2020 Debt servicing as a percentage of revenue is 7.09%
  - Provincial Limit is 25%.
- Capital Financing Strategy - infrastructure separate levy for 10 years can mitigate debt required for post 2021



## Capital Financing Strategy

Debt Recommendations - Long Term Care debt financing of \$129M

- 421 long term care beds
  - 261 beds Linhaven (13 new beds, 248 redevelopment)
  - 160 beds Gilmore (160 redevelopment)
- Council Strategic Priorities: Enhance Community Wellbeing & Responsible Growth and Infrastructure Planning

Capital = \$175M in total, \$159M in 2020.

Operating = \$5.6M for debt payments net of Prov. per diem funding (30%)

\$5.6M = 1.54% separate levy increase

# Capital Financing Strategy

Debt recommendations - \$15.7M for Other Capital Projects

- Debt funded through existing base.



**Niagara  
Regional  
Housing  
Existing Units**

**\$5.8M**



**Roads/Bridge  
Projects**

**\$8.8M**

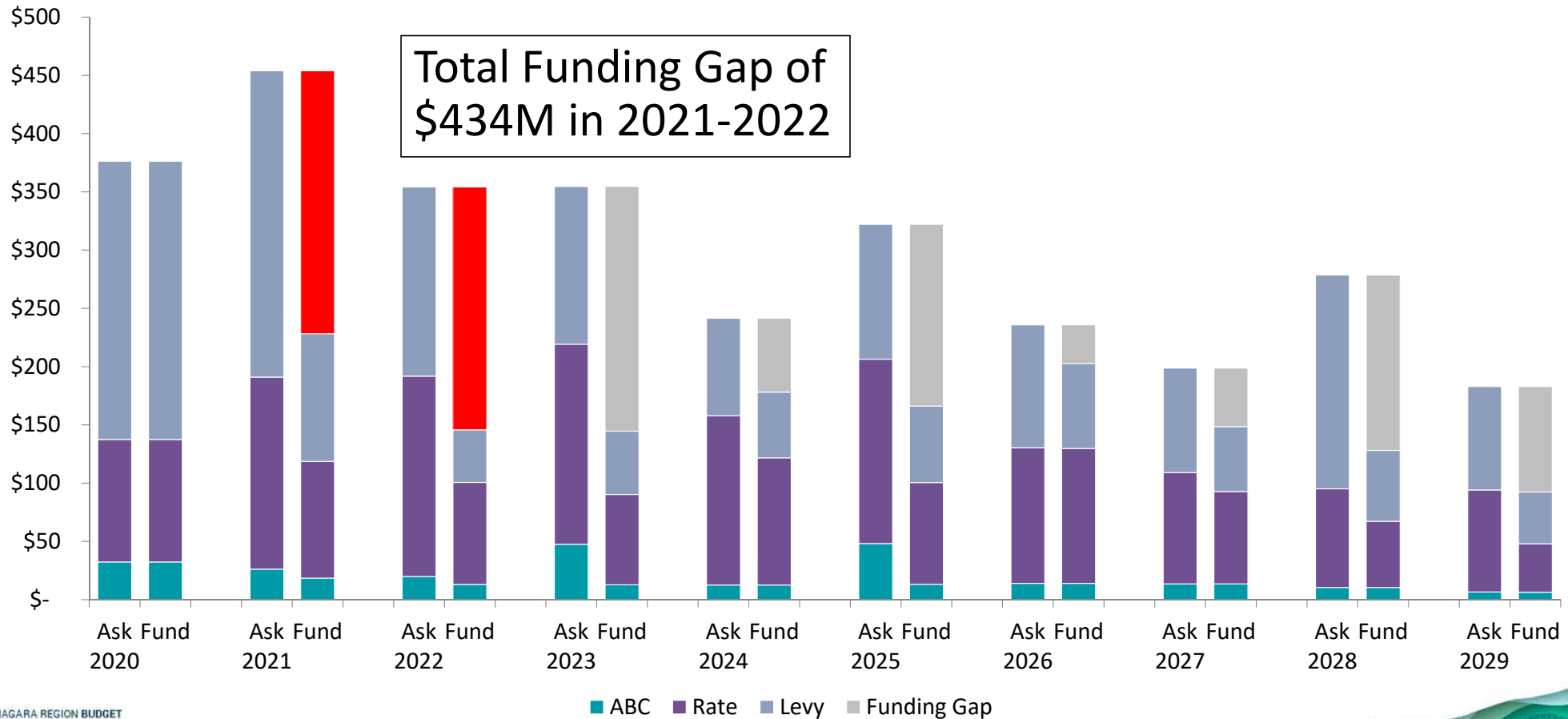


**Niagara Regional  
Police Services  
Equipment**

**\$1.1M**

# 10 Year Capital Forecast

Estimated 10-year Funding Gap of \$1.2B

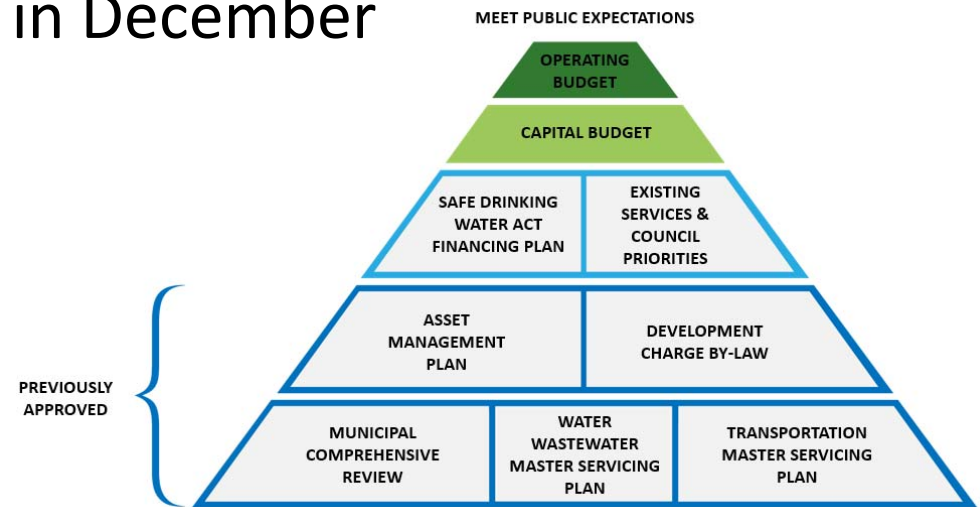


## Risk and Opportunities

Objective	Actions
Sustainability and affordability	Implementation of Capital Financing Policy funding strategies. Requires approval of the 1.54% for LTC for 2020 or further deferrals (respecting legislated requirements)
Risk Mitigation	Asset Management Office to develop risk based criteria for project timing or prioritization of the \$1.2B unfunded capital forecast.
Implement new legislation	Project Management Office to ensure compliance with Bill 142 Construction Lien Amendment Act, 2017; will assist with timely closure of projects and identification of surplus funds.
Transparency	Additional information and metrics to be included in the quarterly financial report on work in progress and spending forecasts.
Health Equity	Strategies for piloting the reporting on health equity are in progress.

## Next Steps

- Approve 2020 Capital Budget in principle as per CSD 53-2019
- Capital Budget By-law to be approved concurrent with Operating Budget By-law in December



## Next Steps

Date	Capital Budget	Operating Budget - Rate	Operating Budget – Levy / ABC
Oct 10th	Budget Review Committee		
Oct 31st		Budget Workshop	
Nov 7th		Budget Review Committee	
Nov 14th		Council Budget By-law approval	
Nov 21st			Budget Workshop ( day)  Budget Review Committee ABC Operating Budget
Nov 28th			Budget Workshop (if required)
Dec 5th			Budget Review Committee Levy Operating Budget
Dec 12th			Council Levy & Capital Budget By-law





Questions?



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2020 CAPITAL BUDGET

