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

$71M Deferred

$186 Rate Request

$80M Deferred
2020 Capital Summary
$375M Capital Recommended

$270M Levy Request
- Roads and Bridges ($65M)
- Machinery, equipment and software ($11M)
- Building expansion, replacement, maintenance ($35M)
- Long Term Care Redevelopment ($159M)

$105M Rate Request
- Wastewater Treatment and Collection ($60M)
- Water Treatment and Distribution ($36M)
- Landfill and Recycling Facility ($8M)
Historical Capital Budgets
5-year historical and 2020 recommended

![2015 - 2020 Capital Budget](image)
Council Strategic Priorities

Significant Projects

Responsible Growth and Infrastructure Planning
- LTC Redevelopment $24.0M
- Port Dalhousie Plant Upgr. $10.0M
- Roads Resurfacing $8.4M

Total $192.0M

Businesses and Economic Growth
- Casablanca/Livingston QEW $16.0M
- Thorold Stone/Stanley Ave $6.0M
- Niagara Regional Transit $3.5M

Total $26.0M

Healthy and Vibrant Community
- LTC Redevelopment $135.0M
- NRH Hawkins St. Development $20.9M

Total $156.0M
2020 Financing Strategy

Niagara Region’s Capital Plan

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

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

Development Charges
- Used for Growth projects based on DC study & receipts

Debt
- Funds raised from creditors for Capital projects
- Required to transition to the policy
Capital Financing Strategy
For $7.4 Billion in Regional Levy and Rate capital assets

Historical 10 Year Capital Plan & Gap

<table>
<thead>
<tr>
<th>Year</th>
<th>Funded Capital</th>
<th>Levy Deficit</th>
<th>W/WW Deficit</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>261</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>209</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>185</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>565</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td>480</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2020</td>
<td>1,187</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

% Increase recommended: 1.3% 1.3% 1% 2% 2.16% TBD

Solution – Balance between Reserves and Debt and Deferrals
Capital Financing Strategy

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 indicated a $2.8 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.

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.

- Recommend:
  - Mitigation Strategies:
    1.that an incr. support intra.
    - Review existing projects to repurpose capital funds
    - Consideration of new capital levy (up to 1.3%)
    - Provincial funding (per diem) for the Lavallée area negative.
    2. That future is considered.
    - Leverage Fed/Provincial application/allocated opportunities
    - Prioritize infrastructure spending in areas where it will be a catalyst for economic development and private sector investment (leveraged DC funding)

- 2019 3.15% (Rate)
- 2020 2.16% (Levy)
- 2019 Combined increase of 5.30% per year
- 2020 Smooth Rate Increase

- Capital Financing Strategy

- Implementation Strategy

- Annual separate levy increases of 2.16% over 10 years
- Operating Contributions will align to 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."
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

<table>
<thead>
<tr>
<th>Source</th>
<th>Levy</th>
<th>Rate</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>External Funding:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other External</td>
<td>$12.6</td>
<td>$0.8</td>
<td>$13.4</td>
</tr>
<tr>
<td>Area Municipalities</td>
<td>2.7</td>
<td>-</td>
<td>2.7</td>
</tr>
<tr>
<td>Development Charges</td>
<td>60.0</td>
<td>16.3</td>
<td>76.3</td>
</tr>
<tr>
<td>Federal Gas Tax</td>
<td>10.3</td>
<td>4.0</td>
<td>14.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$270.40</td>
<td>$105.12</td>
<td>$375.52</td>
</tr>
<tr>
<td><strong>Internal Regional Funding:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reserves</td>
<td>36.1</td>
<td>84.0</td>
<td>120.1</td>
</tr>
<tr>
<td>Infrastructure Deficit Reserves</td>
<td>3.7</td>
<td>-</td>
<td>3.7</td>
</tr>
<tr>
<td>Debentures</td>
<td>145.0</td>
<td>-</td>
<td>145.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$270.40</td>
<td>$105.12</td>
<td>$375.52</td>
</tr>
</tbody>
</table>
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)

<table>
<thead>
<tr>
<th>Project</th>
<th>DC Budget</th>
<th>% of Gross Budget</th>
<th>Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long Term Care Redevelopment</td>
<td>$24.5M</td>
<td>15%</td>
<td>13 new beds to support aging population</td>
</tr>
<tr>
<td>NRH Hawkins St. Development</td>
<td>$14M</td>
<td>70%</td>
<td>55 new units to address affordable housing supply constraints</td>
</tr>
<tr>
<td>Casablanca Boulevard Widening</td>
<td>$11M</td>
<td>70%</td>
<td>Anticipated growth of 6,620 people and jobs</td>
</tr>
<tr>
<td>Thorold Stone Road Extension</td>
<td>$5.1M</td>
<td>85%</td>
<td>Anticipated growth of 3,010 people and jobs</td>
</tr>
</tbody>
</table>
## 2020 Financing Strategy

### Niagara Region’s Capital Plan

<table>
<thead>
<tr>
<th>Project Type</th>
<th>Funding Source</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Pay as you go (Reserves)</td>
</tr>
<tr>
<td></td>
<td>Federal Gas Tax</td>
</tr>
<tr>
<td></td>
<td>Other External Sources</td>
</tr>
<tr>
<td></td>
<td>Federal Gas Tax</td>
</tr>
<tr>
<td></td>
<td>Development Charges</td>
</tr>
</tbody>
</table>

#### 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

#### Other External Sources
- Grants, Subsidies, Local Area Municipal Cost Share etc.

#### 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

Total Funding Gap of $434M in 2021-2022
## Risk and Opportunities

<table>
<thead>
<tr>
<th>Objective</th>
<th>Actions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sustainability and affordability</td>
<td>Implementation of Capital Financing Policy funding strategies. Requires approval of the 1.54% for LTC for 2020 or further deferrals (respecting legislated requirements)</td>
</tr>
<tr>
<td>Risk Mitigation</td>
<td>Asset Management Office to develop risk based criteria for project timing or prioritization of the $1.2B unfunded capital forecast.</td>
</tr>
<tr>
<td>Implement new legislation</td>
<td>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.</td>
</tr>
<tr>
<td>Transparency</td>
<td>Additional information and metrics to be included in the quarterly financial report on work in progress and spending forecasts.</td>
</tr>
<tr>
<td>Health Equity</td>
<td>Strategies for piloting the reporting on health equity are in progress.</td>
</tr>
</tbody>
</table>
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

<table>
<thead>
<tr>
<th>Date</th>
<th>Capital Budget</th>
<th>Operating Budget - Rate</th>
<th>Operating Budget – Levy / ABC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oct 10th</td>
<td>Budget Review Committee</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Oct 31st</td>
<td></td>
<td>Budget Workshop</td>
<td></td>
</tr>
<tr>
<td>Nov 7th</td>
<td></td>
<td>Budget Review Committee</td>
<td></td>
</tr>
<tr>
<td>Nov 14th</td>
<td></td>
<td>Council</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Budget By-law approval</td>
<td></td>
</tr>
<tr>
<td>Nov 21st</td>
<td></td>
<td></td>
<td>Budget Workshop (day)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Budget Review Committee ABC Operating Budget</td>
</tr>
<tr>
<td>Nov 28th</td>
<td></td>
<td></td>
<td>Budget Workshop (if required)</td>
</tr>
<tr>
<td>Dec 5th</td>
<td></td>
<td>Budget Review Committee</td>
<td>Levy Operating Budget</td>
</tr>
<tr>
<td>Dec 12th</td>
<td></td>
<td>Council</td>
<td>Levy &amp; Capital Budget By-law</td>
</tr>
</tbody>
</table>
Questions?