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**Subject:** Q3 2019 Financial Update

**Report to:** Corporate Services Committee

**Report date:** Wednesday, December 4, 2019

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## Recommendations

That the September 30, 2019 (Q3) Quarterly Financial Update of the Regional Municipality of Niagara ("the Region") **BE RECEIVED** for information.

## Key Facts

- The purpose of this report is to summarize the quarterly financial results which are updated 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.
- Departments prepare forecasts using assumptions and estimates based on information available at the time of writing the quarterly financial update. Forecasts contain certain inherent risks and as such actual results may differ.
- Operating results will be reported for the remainder of 2019 based on the reporting structure in place prior to the reorganization of Corporate Services, the revised Corporate Services structure will be reflected in financial reports beginning with the 2020 budget.
- The Regional Departments and General Government are projecting a surplus of \$698 (0.14% of budget) at year end.
- Levy supported programs (Regional Departments consolidated with the ABCs (Niagara Regional Police (NPRS), Niagara Regional Housing (NRH), Niagara Peninsula Conservations Authority (NPCA) and Court Services)) are projecting a surplus of \$1,152 (0.15% of budget) at year end.
- Rate supported programs (Water and Wastewater Services and Waste Management) are projecting a net deficit of \$2,423 (1.75% of budget) at year end.
- Sustainable variances identified through the quarterly reporting exercise have been considered in the development of the 2020 budget.

## Financial Considerations

Full analysis and explanation of the levy and rate supported programs can be found in the Q3 2019 Quarterly Financial Update Report on the Region's website – <https://www.niagararegion.ca/business/finance/quarterly-reports/default.aspx>

The Quarterly Financial Update Report is compliant under the Accessibility for Ontarians with Disability Act. Hard copies of the report can be made available upon request.

### Levy Supported Programs

	Surplus / (Deficit), after indirect allocations (in thousands)	Percentage of Budget
Regional Departments and General Government	\$698	0.14%
NRPS	(177)	0.10%
NRH	265	0.46%
Court Services	362	6.48%
NPCA	4	0.08%
Total Levy Supported	<u>\$1,152</u>	<u>0.15%</u>

A high level analysis of the financial results for Levy supported programs is provided in the analysis section below. For further details please refer to the Q3 2019 Financial Update Report in the “Consolidated Statement of Operations – levy” section.

### Rate Supported Programs

	Surplus / (Deficit), after indirect allocations (in thousands)	Percentage of Budget
Water and Wastewater	(\$1,171)	0.85%
Waste Management	(1,252)	2.46%
Total Rate Supported	<u>(\$2,423)</u>	<u>1.76%</u>

A high level analysis of the financial results for Rate supported programs is provided in the analysis section below. For further details please refer to the Q3 2019 Financial Update Report in the “Consolidated Statement of Operations – Water and Wastewater and Waste Management” sections.

## **Analysis**

### Levy Supported Programs (all amounts in thousands of dollars):

Regional Departments and General Government (not including ABCs) have forecasted a year-end surplus of \$698 (0.14% of budget). The forecasted surplus is driven primarily by savings in compensation and labour related costs as a result of vacancies throughout the corporation, higher than anticipated supplemental tax revenues and

forecasted savings for utilities. The surplus is partially offset by higher than anticipated Workplace Safety Insurance Board (WSIB) costs in the Emergency Medical Services (EMS) division, an unanticipated decreases in provincial funding as well as development charge (DC) grants higher than budgeted.

The surplus is further increased by the forecasted net surplus in the ABCs of \$454 (0.19% of total budget for ABC's). The forecasted net surplus in the ABCs is primarily a result of lower than budgeted compensation costs, increased collection enforcement activity in Court Services as well as lower than budgeted subsidy payments to providers and rent supplement landlords in Niagara Regional Housing (NRH). These surpluses have been partially offset by increased repair and maintenance costs in NRH owned units in addition to the NRH Board's direction to provide funding to providers for heat control system upgrades.

Recommendations to address surplus (deficits) will be brought forward to Council as part of the Year-End Transfer report.

Rate Supported Programs (all amounts in thousands of dollars):

***Water and Wastewater***

Water and Wastewater Services has a projected net deficit at year end of \$1,171 (1.35% of budget) which is comprised of a forecasted surplus in the Water division of \$155, offset by a forecasted deficit of \$1,326 in the Wastewater division.

The forecasted net deficit in Water and Wastewater Services is due to lower than budgeted water sales as a result of cool weather in 2019, higher than anticipated equipment repairs, grounds and building repairs and unanticipated costs for emergency sewer repairs. The deficit has been partially mitigated by forecasted savings in utilities and compensation as a result of staff vacancies.

Recommendations to address surplus (deficits) will be brought forward to Council as part of the Year-End Transfer report.

***Waste Management***

Waste Management Services has a projected deficit of \$1,252 (2.46% of budget). The forecasted deficit is primarily due to declining market revenues received from the sale of recyclable commodities which has been partially offset by lower than anticipated costs of purchasing commodities under contracts with Waterloo Region, Haldimand County and commercial businesses.

Recommendations to address deficits will be brought forward to Council as part of the Year-End Transfer report.

### Comparison of Q2 to Q3 Forecasted Results:

The following table shows the changes in the forecasted surpluses/deficits between Q2 and Q3.

	Forecasted Surplus / (Deficit) After Indirect Allocations (in thousands)		Change from Q2
	Q2	Q3	
Regional Departments and General Government	(\$747)	\$698	\$1,445
ABCs	\$1,663	\$454	(\$1,209)
Total Levy Supported	\$916	\$1,152	\$236
Water and Wastewater	(\$737)	(\$1,171)	(\$434)
Waste Management	(\$1,259)	(\$1,252)	\$7
Total Rate Supported	(\$1,996)	(\$2,423)	(\$427)

### ***Levy Supported Programs***

The change in the forecasted results for Regional Departments and General Government are due to higher than anticipated Niagara Regional Transit (NRT) revenue, lower than anticipated NRT service costs due to the delay of the rollout of NRT services to West Niagara and increased salary gapping.

The change in the forecasted surplus in the ABCs is primarily driven by increased repair and maintenance costs in NRH owned units in addition to the NRH Board's direction to provide funding to providers for heat control system upgrades and is offset by lower than budgeted subsidy payments to rent supplement landlords in Niagara Regional Housing (NRH).

### ***Rate Supported Programs***

The change in the forecasted net deficit in Water and Wastewater is primarily driven by higher than anticipated chemical costs and additional costs incurred for emergency sewer repairs, offset by lower than budgeted spending on repair and maintenance costs for buildings and equipment.

The forecast in Waste Management has remained consistent between Q2 and Q3.

## **Alternatives Reviewed**

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

## **Relationship to Council Strategic Priorities**

Forecasting financial results and providing formal reporting to Council and the public supports the Council Strategic Priority of Sustainable and Engaging Government.

## **Other Pertinent Reports**

CSD 49-2019	Q1 Financial Update
CSD 63-2019	Q2 Financial Update

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### **Recommended by:**

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### **Submitted by:**

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*This report was prepared in consultation with the Corporate Leadership Team and consolidated ABC's and reviewed by Helen Chamberlain, Director Financial Management & Planning/Deputy Treasurer.*

## **Appendices**

Appendix 1	Q3 2019 Quarterly Financial Update
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