

Audit and Budget Committee Meeting
Thursday, September 5, 2019
9:30 a.m.
Ball's Falls Centre for Conservation
Glen Elgin Room
3292 Sixth Avenue, Jordan, ON

A G E N D A

COMMITTEE MEMBERS: G. Zalepa (Chair),
S. Beattie,
D. Bylsma (ex-officio),
R. Foster,
D. Huson, (ex-officio),
J. Metcalfe,
B. Steele,
B. Wright

INVITED MEMBERS: NPCA Board of Directors

- 1. WELCOME FROM THE CHAIR**
- 2. ADOPTION OF AGENDA**
- 3. DECLARATIONS OF CONFLICT OF INTEREST**
- 4. PRESENTATIONS (and/or Delegations)**
 - a) History of Conservation Authorities/NPCA Funding - The Chief Administrative Officer/Secretary-Treasurer will provide a presentation on the history of provincial funding to conservation authorities as well as an overview of NPCA revenues over the years.
- 5. BUSINESS FOR INFORMATION**
- 6. BUSINESS FOR CONSIDERATION**
 - a) Minutes of the Audit and Budget Committee Meeting dated June 26, 2019
 - b) Report No. A&BC-05-19 RE: 2020 Operating Budget
 - c) 2020 Operating Budget documentation (to be provided under separate cover)

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Audit and Budget Committee Meeting Agenda
September 5, 2019

7. NEW BUSINESS

8. ADJOURNMENT

HISTORY OF CONSERVATION AUTHORITIES/NPCA FUNDING

SEPTEMBER 5, 2019



(1) BACKGROUND/LEGISLATION:

In Canada, the responsibility for water management is shared by the federal, provincial and municipal governments. Water jurisdiction began to be framed under ***The British North America Act(s) (BNA) 1867***. All BNA Act revisions dated before 1949 were passed by the British Parliament, while those dated after 1949 were passed by the Canadian Parliament. When Canada patriated its constitution with the passage of the ***Canada Act – 1982*** the existing BNA Act was repealed or modernized and retitled as ***The Constitution Act***.

“When it comes to water governance in Canada, the federal government has jurisdiction related to fisheries, navigation, federal lands...and management of boundary waters. Canadian provinces have primary jurisdiction over most areas of water management and protection. Most of those governments delegate certain authorities to municipalities [particularly drinking and waste water treatment] ...and may also delegate some water resource management functions to local authorities that may be responsible for a particular area or river basin”¹

In Ontario, the province has uniquely delegated some watershed management responsibilities through the passage of ***The Conservation Authorities Act – 1946 (R.S.O. 1990, CHAPTER C.27)*** This provincial legislation enabled municipalities to recommend the creation of a conservation authority to:

“undertake in an area over which it has jurisdiction, a program designed to further the conservation, restoration, development and management of natural resources... (Section 20).”

With the recent passage of Bill 108 – ***More Home, More Choice Act, 2019***, mandatory programs and services were defined in Section 21.1 of The Conservation Authorities Act:

“An authority shall provide the following programs and services within its area of jurisdiction, as prescribed by regulations:

- i. Programs and services related to the risk of natural hazards.
- ii. Programs and services related to the conservation and management of lands owned or controlled by the authority, including any interest in land registered on title.
- iii. Programs and services related to the authority’s duties, function and responsibilities as a source protection authority under ***The Clean Water Act, 2005***.

Non-mandatory programs require an approved Memorandum of Understanding with funding partners.

Details regarding the mandatory programs will be prescribed through regulations, which have not been circulated by the province for consultation as of the time of writing this report.

1. Government of Canada, ***Federal Policy and Legislation and Shared Responsibility***, Environment Canada Bulletins, Modified 2014-04-16 and 2010-09-03

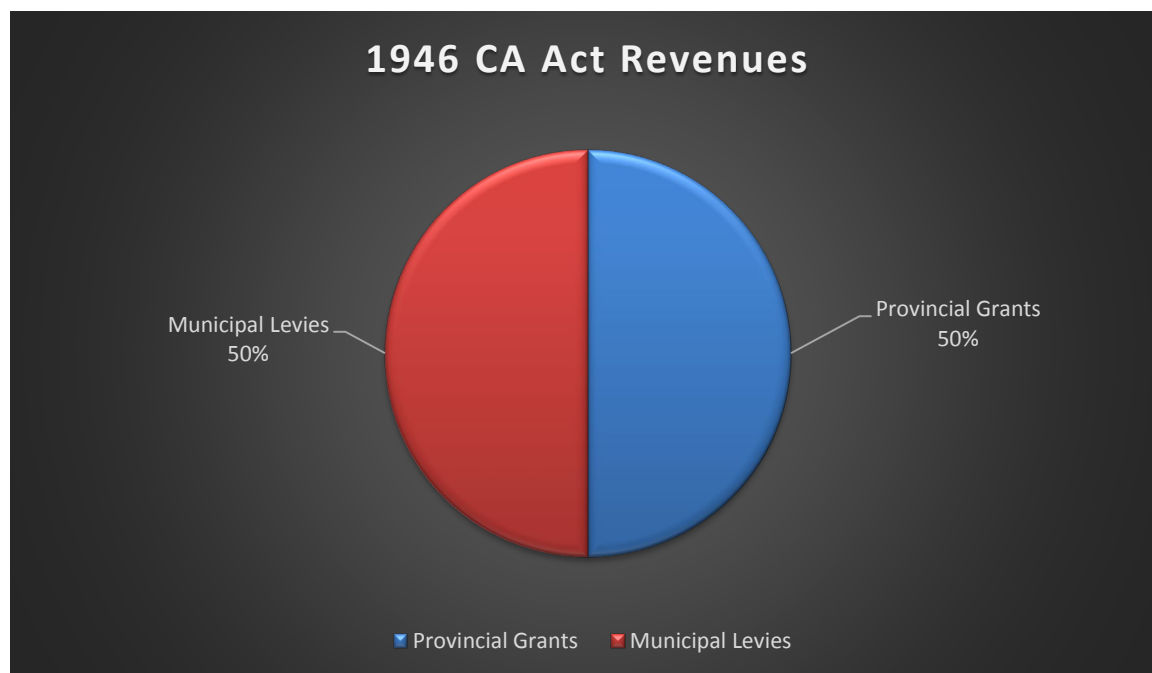
2. HISTORY OF CONSERVATION AUTHORITIES/NPCA FUNDING:

Given the shared responsibility for water resources in Canada, the province established a **Conservation Branch** which commenced with \$100,000 of provincial funding in 1944, prior to the passage of **The Conservation Authorities Act** in 1946. “In 1961, the budget of the Branch alone was about \$2.25 million and by 1970 it had risen to \$16.143 million, most of which was transferred in the form of grants to the [then] thirty-eight conservation authorities after 1946.”²

The traditional funding scenario upon which **The Conservation Authorities Act – 1946** was premised, was based on a 50/50 cost share model – with the province contributing to 50% of a conservation authorities budget and the matching 50% from member municipalities (pro-rated according to the current value assessment of the municipalities within the watershed).

Based on this, by the time the NPCA was created in 1959, the traditional provincial/conservation authority funding model looked like that outlined in the 1946 Revenue Pie Chart below. This is markedly different from the 2019 NPCA provincial revenues of 2.79% of the budget

CHART 1: 1946 Funding Model Chart



2 A.H. Richardson, *Conservation By The People – The History of the Conservation Movement in Ontario to 1970*, University of Toronto Press, 1974

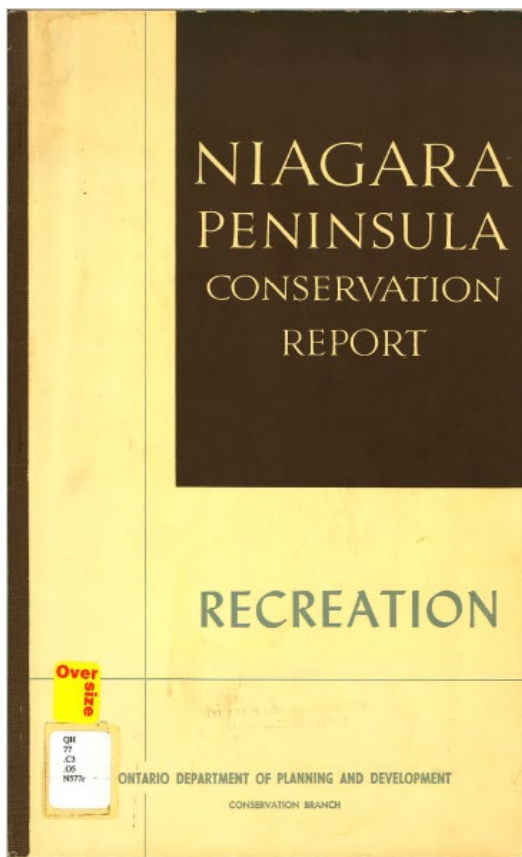
In addition to the base transfer payment to conservation authorities, the province developed enhanced funding models for special programs which were developed throughout the years after the creation of the Act:

- (a) In the aftermath of **Hurricane Hazel, 1954**, the construction of **flood control structures** was undertaken by several conservation authorities. Dam costs were considered too great for municipalities to finance on their own; consequently, the governments of the day agreed to the following cost share model:

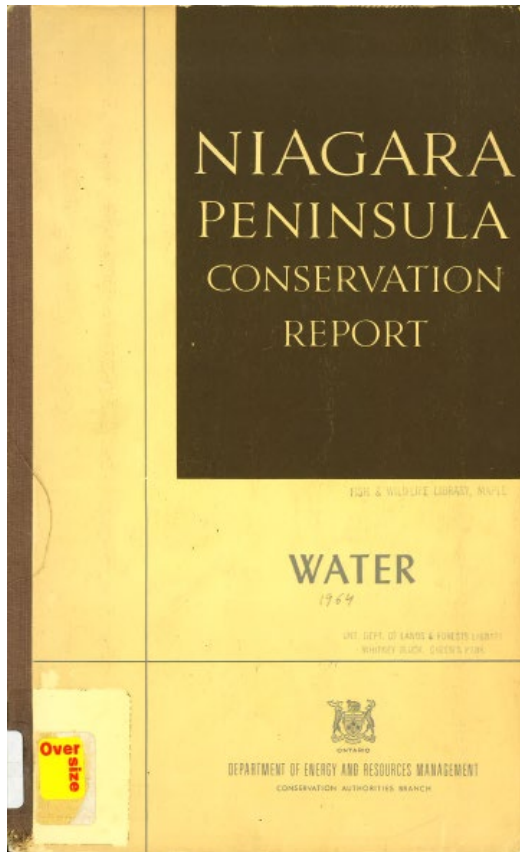
Government of Canada	37.5 percent
Province of Ontario	37.5 percent
Municipalities (pro-rated)	25.0 percent.

This funding model was utilized for years in relation to sharing the cost of large flood control schemes.

- (b) **Around 1955**, an Order-in-Council made provision for the purchase of land on which buildings had been destroyed due to flooding. "Generally, the province paid the full cost of **property acquisition [for flood plain lands]** in the municipalities outside of Metro..." (Conservation By The People, page 36).



- (c) In the **early 1960's** the release of **Conservation Reports (NPCA Recreation Report, 1960 and NPCA Water Report, 1964)** by the province for the conservation authorities was a special occasion. **"It began with a dinner for the authority, then came a public meeting, to which 150 or more interested citizens were invited by printed invitation, and at which the Minister presented the report, a copy of which was given to each member of the authority. Later, if funds were available, an attractive bulletin was published summarizing the report and about 3,000 copies were distributed to the watershed"** (Conservation By The People, page 118). The Conservation Reports, Bulletins and events were paid for by the province.



In 1963, Ontario experienced an extreme drought. “As a result, it was recommended that the government’s assistance to conservation authorities for the construction of **water supply reservoirs** be increased from the existing 50 percent. The new policy made provincial assistance available to authorities in the form of a grant of as much as 100 percent of the **cost of a dam and reservoir including land acquisition**. Twenty-five percent of the grant was to be repaid within thirteen years after the initiation of the project. The first three years of the repayment period were interest free.” (Conservation By The People, page 46). The following small water supply reservoirs within the NPCA watershed, which were constructed during this period, included:

- **Virgil (2 dams) – Niagara Region - NOTL**
- **Oswego – County of Haldimand**
- **Binbrook - City of Hamilton.**

(d) **Throughout the 1960’s**, the province provided 50% funding for the acquisition of conservation lands. Lands eligible for funding included natural lakes, fringe lands to reservoirs, beaches, floodplains, swamps, bogs, marshes, observation areas, old mills, Niagara Escarpment lands, and woodlands. Some NPCA properties purchased under this grant program included:

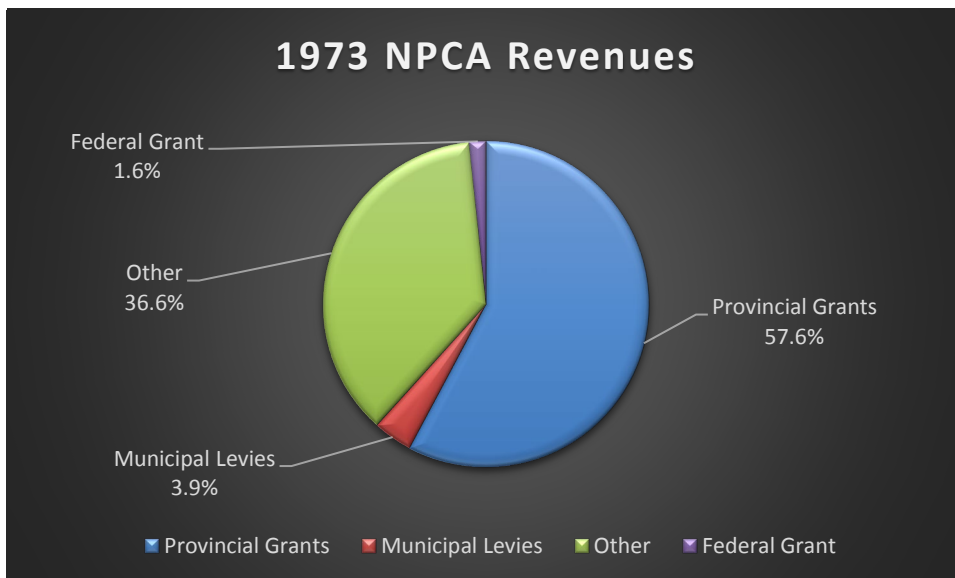
- Binbrook Conservation Area
- Chippawa Creek Conservation Area
- Virgil Conservation Area
- Long Beach Conservation Area
- Ball’s Falls Conservation Area (75% funding)
- Beamer Memorial Conservation Area
- Stevensville Conservation Area
- Willoughby Marsh
- St. John’s Conservation Area
- Comfort Maple Conservation Area.

In March 1967, in response to public concerns in relation to the Niagara Escarpment, the province initiated a study which resulted in the provision of a subsidy to conservation authorities of 75 percent to acquire **escarpment lands**. This resulted in the purchase of **Ball's Falls Conservation Area** as noted above.

In the 1970's, according *Conservation By The People* (page 140 and 141) the following **Schedule of Grants** were available to conservation authorities:

<u>Program</u>	<u>Provincial Grant</u>	<u>Authority</u>
Administration (salaries, expenses, office, communication/education materials, etc.)	50%	50%
Engineering Studies/Surveys	75%	25%
Dams and Reservoirs (Flood Control)	50%	50%
Dams and Reservoirs (Water Supply)	75%	25%
River Bank Erosion	50%	50%
Dam Maintenance	75%	25%
Flood Plain mapping (pre- Flood Damage Reduction Program)	75%	25%
Acquisition of Flood Plain Land	50%	50%
Acquisition of Conservation Land	50%	50%
Acquisition of Niagara Escarpment Land	75%	25%

CHART 2 – 1973 NPCA Revenues



- (e) In the **1970's** many conservation authorities' built structures for their **education programs**. Education programs were eligible for provincial grants of 50 percent until 1990.
- (f) In **1978**, Ontario joined the federal **Flood Damage Reduction Program** which built upon the mapping by the province and conservation authorities in the 1950's as a result of Hurricane Hazel. This program provided a unique funding formula for mapping:

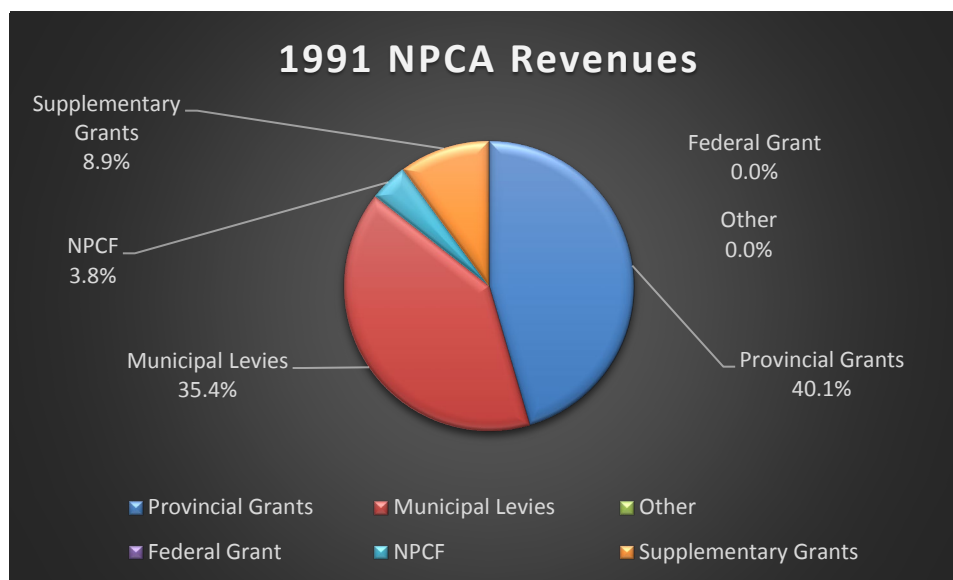
Government of Canada	50 percent
Province of Ontario	40 percent
Municipal/Conservation Authorities	10 percent

Under this program, the following watercourses were mapped in the NPCA watershed in the 1980's and early 1990's:

- Welland River - Niagara, Hamilton and Haldimand
 - Twenty Mile Creek – Niagara and Hamilton
 - Forks Creek, Black Creek, Beaver Creek, Draper Creek, One Mile Creek, Frances Creek, Oswego Creek – Niagara and Haldimand
- (g) Until the **early 1990's**, some CA's were eligible for **supplementary grants** based on watershed populations and assessment. Water and related land management programs received a 55 percent provincial grant, and conservation and recreation programs (land securement and management) received a 50 present provincial grant. Supplementary grants up to 30 percent above those grant rates were provided for water management programs such that a CA could

enjoy as much as an 85 percent total grant on water related programs such as flood warning/forecasting, flood/erosion control infrastructure/maintenance, and plan input/review. For conservation and recreation, supplementary grants up to 25% were provided, in addition to the base grant of 50 per cent.

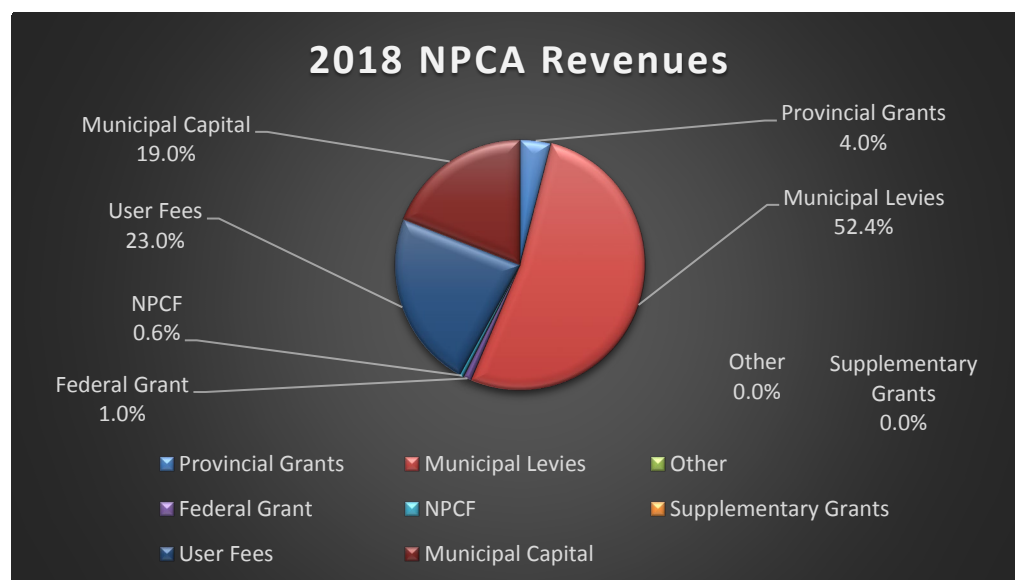
CHART 3 – 1991 NPCA Revenues



- (h) “In **1992**, the province provided what is probably their highest level of annual [**Transfer Payments**] TP’s to CA’s at \$52.8 M. This included capital as well as operating grants. “There was a gradual year over year decline approaching the major cuts made by the government starting in 1996 and 1997, which brought us to about \$8M, and eventually to the \$7.6M in 2001, which has remained static to present” (Email Communication, Rob Messervey, Chief Administrative Officer, Kawartha Region Conservation Authority, April 7, 2015, former MNRF Staff, CA Branch).
- (i) **Until 2012/13**, the province had a small amount of funding, around \$166,000, “to offset unexpected costs for CA’s like excessive court costs, emergency flood prevention projects, etc.” (Email communication, Dan Marinigh, Chief Administrative Officer, Otonabee Region Conservation Authority, April 6, 2015 former MNRF Staff, CA Branch). This funding no longer exists.
- (j) **By 2018**, NPCA had developed a funding model which relied on only 4 percent of its funding from the province and 50 percent of its funding from municipalities for operating levies. A significant difference from the 1946 model was the introduction of User Fees in the 1990’s to compensate for dwindling provincial funding.
- (k) Transfer payments to NPCA for natural hazards were frozen by the province at the 1995 level of around \$180,000. This transfer payment was cut mid budget year in **2019** to \$90,000. This

transfer payment, in addition to the current drinking source water fund of \$154,000, represents **approximately 2.7 percent of the NPCA's 2019 budget from the province.**

CHART 4: 2018 NPCA Revenues



3 SUMMARY:

From this report, the following observations can be made:

- There has been a substantial reduction in provincial funding contributions to conservation authority budgets over the years fundamentally shifting a “shared provincial/municipal model for watershed management” to one of a locally based funding model.
- The province has eliminated funding for several program areas, including education, land securement, restoration, watershed planning, and administration.
- The reduction in provincial funding has resulted in the NPCA initiating a fee system for development planning applications and Section 28 permit reviews; causing a negative response from clients.
- Like other conservation authorities, NPCA has used its land base for special events, weddings, etc., to raise essential funds. This was recently criticized by the provincial government.
- Inconsistent funding has made it very difficult to budget, year over year.

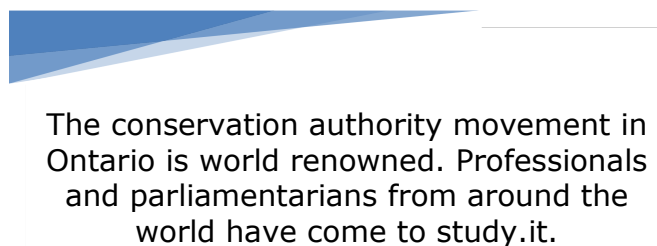
Observations for the future include:

- NPCA needs re-think its **Strategic Plan** which should focus on the recent mandate changes. A Strategic Planning update is critical for 2020. A solid Strategy will lead to a long-term **Business Plan and annual Workplans** that will have **SMART Objectives** – Specific, Measurable, Achievable, Results-Driven and Timebound.
- **Partnerships with our municipalities** will be key, as they represent a critical funding partner for NPCA. Our budget presentations to our municipal partners need to be clear, transparent and accountable. NPCA must demonstrate its value to municipal partners in meeting their environmental objectives.
- The NPCA should complete its response to the **Auditor General’s Report** by December 31, 2019, so that we can focus staff and board resources on the future.
- **A strong, unified Board of Directors** is essential, working as a team to move NPCA forward to address current challenges.
- Although the **federal and provincial governments** currently do not provide significant funding to conservation authorities, are relationships with these governments as essential for the future. This can best be done through **Conservation Ontario**.
- Returning to our roots of **Conservation By The People** is essential. Community partnerships are vital. Ensuring we understand our foundational principles of **Local Initiative, Cost Sharing and Watershed Jurisdiction** is our solid foundation.

Submitted by:

D. Gayle Wood

Chief Administrative Officer



Conservation By The People



**NIAGARA PENINSULA CONSERVATION AUTHORITY (NPCA)
AUDIT AND BUDGET COMMITTEE
MEETING MINUTES**

Wednesday, June 26, 2019
9:30 a.m.
Ball's Falls Centre for Conservation
Glen Elgin Room
3292 Sixth Avenue, Jordan, ON

MEMBERS PRESENT: G. Zalepa, Committee Chair
S. Beattie
D. Bylsma (ex-officio)
J. Metcalfe
B. Wright

MEMBERS ABSENT: R. Foster
D. Huson (ex-officio)
B. Steele

OTHERS:

STAFF PRESENT: G. Wood, Interim Chief Administrative Officer
G. Bivol, Interim Clerk
A. Christie, Manager Strategic Initiatives and Capital Assets
L. Gagnon, Director Corporate Services
D. MacKenzie, Director, Watershed Management

The Committee Chair called the meeting to order at 9:30 a.m. and thanked Councillor Metcalfe for chairing the last meeting on his behalf.

1. **ADOPTION OF AENDA**

1.1 Addition of Items – None.

1.2 Change in Order of Items – None.

1.3 Motion to Adopt Agenda

Recommendation No. A&BC 13-19

Moved by Board Member Bylsma

Seconded by Board Member Metcalfe

THAT the NPCA Audit and Budget Committee agenda dated June 26, 2019 be adopted.
CARRIED

2. DECLARATIONS OF INTEREST

There were no declarations of pecuniary interest.

3. PRESENTATIONS (and/or Delegations)

3.1 Presentation – 2020 Budget Assumption

The Interim Chief Administrative Officer introduced a new addition to NPCA staff, Lise Gagnon, Director of Corporate Services. Lise Gagnon presented via PowerPoint the 2020 Budget Assumption.

Conservation Lands operating costs/revenues and mandatory programs funding were discussed. Difference in budget timeline relative to Provincial timeline. A 1% increase in budget equals \$80,000.

Budget presentations to councils from Conservation Authorities are never consistent. It was suggested that a memo be circulated to 12 municipalities asking for levy to be included in tax bill.

4. BUSINESS FOR INFORMATION

There were no items for information.

5. BUSINESS FOR CONSIDERATION

A) Minutes of the Audit and Budget Committee Meeting dated April 15, 2019.

Resolution No. A&BC 14-19

Moved by Board Member Bylsma

Seconded by Board Member Metcalfe

THAT the minutes of the Audit and Budget Committee meeting dated April 15, 2019 be adopted.

CARRIED

B) Report No. A&BC-04-19 RE: Report on 2020 Budget Assumptions

Resolution of Report No. A&BC-15-19

Moved by Board Member Beattie

Seconded by Board Member Metcalfe

THAT Report No. A&BC-04-19 regarding the recommended budget assumptions for the 2020 budget, be approved for use in the development of the 2020 Budget, subject to approval by the Board of Directors.

CARRIED

Direction to staff was that the Interim Chief Administrative Officer to present to the Audit & Budget Committee in the future:

- Capital Budget
 - Strategic Plan
 - Business cases
 - Additional significant programs
 - Foreseeable future legal costs
 - Special levy requests

Of the \$1.6 million withdrawn from the Niagara Region: \$500,000 was withdrawn from land acquisition and \$1.1 million was withdrawn from capital programs.

The Interim Chief Administrative Officer advised that a meeting has been set with Todd Harrison, a commissioner at Niagara Region.

6. NEW BUSINESS

There were no new business items.

7. ADJOURNMENT

Recommendation No. A&BC-16-19
Moved by Board Member Metcalfe
Seconded by Board Member Beattie

THAT the NPCA Audit and Budget Committee be hereby adjourned at 10:35 a.m.

CARRIED

G. Zalepa,
Committee Chair

Grant Bivol,
Interim Clerk to the Authority

Report To: Board of Directors

Subject: 2020 NPCA Operating Budget

Report No: A&BC-05-19

Date: September 5, 2019

Recommendation:

That Report No. A&BC-05-19 RE: 2020 NPCA Operating Budget **BE RECEIVED** for information.

Purpose:

The purpose of this Report is to provide the Audit and Budget Committee, and subsequently the NPCA Board of Directors with:

- Draft Proposed Budget Process Report dated April 15, 2019,
- 2020 Budget Assumptions Report dated June 26, 2019,
- Guideline Letters from Niagara Region and the City of Hamilton regarding 2020 budget parameters,
- A Draft NPCA Budget Guidelines Book dated September 15, 2019.

Background:

In April 2019, the Niagara Peninsula Conservation Authority (NPCA) adopted a new budget process for the 2020 budget year. This new process included more in-depth provision of information to both the Audit and Budget Committee and the full Board of Directors. Further, the process included more discussion with municipal staff members prior to presentations to their Councils regarding the 2020 budget. Included as Appendix 1 is the approved NPCA Budget Process for the 2020 budget year.

In June 2019, the Committee considered the Budget Assumptions for 2020 which included a 1.5% COLA adjustment (as negotiated through the Collective Agreement approved by the Board of Directors), a 2% inflation rate and growth. Included as Appendix 2 are the 2020 Budget Assumptions.

Our participating municipalities have also provided guidance on their 2020 budgets. Niagara Region has requested a base budget increase of 2% plus estimated growth of 1.65%. Appendix 3 includes a letter from the Region of Niagara dated August 15, 2019 on their 2020 Budget Planning. The City of Hamilton staff were directed by Council to prepare a 2020 Budget Outlook guideline based on an increase of 2% for the four conservation authorities within their jurisdiction. Appendix 4

includes an email from City of Hamilton staff, Item (C) (iii) (d) which refers to a budget increase guideline of 2% to conservation authorities.

No guidance has been received from Haldimand County.

Discussion:

Based on direction received from the Committee, Board and participating municipalities, staff have prepared a NPCA Budget Guideline Book as well as a Draft 2020 Operating Budget for review by the Committee on September 5, 2019 and the Board on September 18, 2019. The NPCA Budget Guideline Book is attached as Appendix 5.

Financial Implications:

NPCA operating and capital budgets will be prepared separately for the Committee and Board review and approval. **The Conservation Authorities Act (CAA)** defines operating expenses under Section 1 of the Act and further explains operating funding under Section 27. These are also defined in the NPCA Budget Guidelines Book.

The revised Act, as proclaimed through Bill 108, refers to mandatory versus non-mandatory programs (Section 21.1 (1) . These will not be considered as part of the 2020 budget process as the regulations defining these programs have not yet been developed or circulated for comment.

The CAA also enables the Authority to establish Fees as outlined in Section 21.2 (1) of the Act which are included in the 2020 budget.

Further, the Act enables capital projects and the funding thereof through Sections 24, 25 and 26 . This is also further defined in the NPCA Budget Guideline Book.

Links to Policy/Strategic Plan:

The NPCA's Strategic Plan 2018 – 2022 speaks to the importance of a financial strategy and strategic asset management. The new NPCA budget responds, in part, to the changes in the CAA that do not requires regulations.

Related Reports and Appendices:

- Appendix 1: Report No. A&BC-03-19 RE: Draft Proposed Budget Process – 2020 Budget – April 15, 2019
- Appendix 2: NPCA Recommended Assumptions and Targets – June 26, 2019
- Appendix 3: Letter from the Region of Niagara dated August 15, 2019 on their 2020 Budget Planning
- Appendix 4: 1. Letter from the City of Hamilton dated August 2, 2019 Subject: 2020 Budget Submission for the Niagara Peninsula Conservation Authority
2. Excerpt of email from City of Hamilton staff, Item (C) (iii) (d) which refers to a budget - increase guideline of 2% to conservation authorities – August 29, 2019
- Appendix 5: NPCA 2020 Draft Operating and Capital Budget Guideline – September 5, 2019
- Appendix 6: Copy of 2020 Budgets – Schedule

Authored by:

Original signed by:

Lise Gagnon, CPA, CGA
Director, Corporate Services

Submitted by:

Original signed by:

D. Gayle Wood, BES, CMMIII
Chief Administrative Officer/Secretary-Treasurer



Report To: Audit and Budget Committee

Subject: Draft Proposed Budget Process – 2020 Budget

Report No: A&BC-03-19

Date: April 15, 2019

RECOMMENDATION:

1. That Report No. A&B-03-19 regarding the Draft Proposed Budget Process for the 2020 budget **BE RECEIVED**.
2. That the Proposed Budget Process for the 2020 budget be recommended to the Board of Directors **FOR APPROVAL**.

PURPOSE:

The purpose of this report is:

- To provide draft proposed changes to the 2020 NPCA budget process which will provide for more formal consultation and interaction with our municipal funding partners; and
- To request the Audit and Budget Committee provide a recommendation to the Board of Directors for approval of the budget process.

BACKGROUND:

The Interim CAO/ST has reviewed the current budget process with the Manager, Finance and recommended a modified process for 2020. At the March 20, 2019 Board of Directors' meeting, the Board requested that the Audit and Budget Committee for review the budget process recommendations for final approval of the process by the Board.

DISCUSSION:

Municipalities generally commence budget discussions for the upcoming year around June. NPCA should also commence its budget process around June of each year, as follows:

June 2019

- Staff will consult with staff of funding municipalities regarding upcoming budget year
- Staff will prepare a report for the Budget Committee which outlines budget assumptions for the upcoming year, including inflation, COLA, levy, growth, special operating and capital funds
- Levy guidance for the upcoming year would be provide at this point by the Committee
- The Committee will provide a recommendation for the Board of Directors in July.

July 2019

- The Board provide direction and approval on budget assumptions for 2020 and will direct staff to prepare a draft Budget.

September 2019

- Staff will present a draft budget operating budget to the Budget Committee for recommendation to the Board of Directors' for approval, in principle.
- Board will direct staff to consult with funding municipal staff regarding the draft operating budget and direct staff to prepare a capital budget for consideration in October.

October 2019

- Staff will report municipal discussions to the Budget Committee/Board and the Board will direct staff to prepare a final budget both operating and capital.

November 2019

- Staff will present a final budget for Board consideration.

Late November/Early December 2019

- Council presentations by the NPCA CAO, with Chair/Vice Chair and Senior staff regarding the budget will occur.

December/January 2019/2020

- Board will provide a weighted vote on the NPCA levy and a majority vote on operating and capital budgets.
- Levy letters will be sent out to participating municipalities and within 30 days of receipt of the apportionment letter, municipalities have the ability to appeal apportionment only.

FINANCIAL IMPLICATIONS:

Per Diems and mileage will be provided to the Budget Committee members and staff salaries, which are currently within the 2019 budget will cover staff costs to prepare the budget and consult with member municipalities.

Prepared by:**Submitted by:**

Original signed by:

Original signed by:

John Wallace
Manager, Finance

D. Gayle Wood
Interim CAO/Secretary-Treasurer

Appendix 2 - Recommended Assumptions and Targets			
2020 Budget		Comment	
			Total Impact
Inflation	2.00%	Non-Salary x 50% x 2%	\$ 32,600
COLA	1.50%	OPSEU Collective Agreement	\$ 85,400
Growth		Increase to staff complement	\$ 375,000
		Total Base & New Pressures	\$493,000



Administration

Office of the Regional Clerk

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www.niagararegion.ca

August 15, 2019

CL 13-2019, July 18, 2019

BRCOTW 6-2019, June 20, 2019

CSD 40-2019, June 20, 2019

DISTRIBUTION LIST

SENT ELECTRONICALLY

2020 Budget Planning

CSD 40-2019

Regional Council, at its meeting held on July 18, 2019, passed the following amended recommendation of its Budget Review Committee of the Whole:

That Report CSD 40-2019, dated June 20, 2019, respecting 2020 Budget Planning, **BE RECEIVED** and the following recommendations **BE APPROVED**:

1. That the 2020 base budget for existing services **BE PREPARED** with consideration of the Core Consumer Price Index as follows:
 - i. 2.0% for Regional Departments
 - ii. 2.0% for Agencies, Boards, and Commissions
 - iii. 2.0% for Waste Management
2. That consideration of a separate levy increase for capital **BE REFERRED** to the Capital Budget - Budget Review Committee of the Whole;
3. That the estimated assessment growth of 1.65% **BE APPORTIONED** to:
 - i. tax increment grants estimated at 0.35%; and

- ii. that the remaining net assessment growth of 1.30% support growth related operating and capital costs requested by Regional Departments and ABCs through business cases;
- 4. That consideration of a separate levy increase for enhancements to or new programs **BE REFERRED** to the Operating Budget - Budget Review Committee of the Whole;
- 5. That the 2020 budget for Water and Wastewater **BE PREPARED** with an increase of 2.0% in accordance with the Core Consumer Price Index;
- 6. That the 2020 budget schedule per Appendix 2 of Report CSD 40-2019 **BE APPROVED**; and
- 7. That this report **BE CIRCULATED** to agencies, boards and commissions (ABC's) in accordance with the Budget Control By-law.

A copy of CSD 40-2019 is enclosed for your reference.

Yours truly,



Ann-Marie Norio
Regional Clerk
:cjp

CLK-C 2019-201

cc: T. Harrison, Commissioner, Corporate Services
H. Chamberlain, Director, Financial Management & Planning, Deputy Treasurer
M. Murphy, Associate Director, Budget Planning and Strategy

Distribution List

Niagara Regional Housing
Niagara Regional Police Services Board
Niagara Peninsula Conservation Authority

Subject: 2020 Budget Planning

Report to: Budget Review Committee of the Whole

Report date: Thursday, June 20, 2019

Recommendations

1. That the 2020 base budget for existing services **BE PREPARED** with consideration of the Municipal Price Index as calculated in appendix 1 in accordance with recommendations in report CSD 41-2019 Budget Planning Policy Review as follows:
 - a. 2.7% for Regional Departments
 - b. 3.0% for Agencies, Boards, and Commissions
 - c. 2.1% for Waste Management
2. That consideration of a separate levy increase for capital **BE REFERRED** to the Capital Budget - Budget Review Committee of the Whole.
3. That the estimated assessment growth of 1.65% **BE APPORTIONED** to
 - i. tax increment grants estimated at 0.35% and
 - ii. that the remaining net assessment growth of 1.30% support growth related operating and capital costs requested by Regional Departments and ABCs through business cases.
4. That consideration of a separate levy increase for enhancements to or new programs **BE REFERRED** to the Operating Budget - Budget Review Committee of the Whole.
5. That the 2020 budget for Water and Wastewater **BE PREPARED** with an increase of 5.15% in accordance with recommendation in report PW 4-2019 Water and Wastewater Financial Plan for O.Reg. 453/07.
6. That the 2020 budget schedule per appendix 2 **BE APPROVED**.
7. That this report **BE CIRCULATED** to agencies, boards and commissions (ABC's) in accordance with the Budget Control By-law.

Key Facts

- The purpose of this report is to inform Council of the opportunities and pressures impacting service delivery in order to establish consistent expectations for Council and staff in the preparation of the 2020 Tax Levy and Water, Wastewater and Waste Management Operating and Capital Budgets.
- The recommendations in this report and the guidance for preparing the 2020 budget are consistent with the recommendations and guiding principles in CSD 41-2019 Budget Planning Policy Review.
- The Conference Board of Canada created a unique Municipal Price Index in accordance with their methodology.
- Assessment Growth is forecasted at 1.65% reflecting the recent growth pattern in building permit activity as described in the Financial Considerations below. MPAC data will be used to monitor this estimate and update as the budget is developed.
- Recent provincial announcements will have impacts on the 2020 budget. Staff continue to research the implications of these announcements and will communicate to Council as information becomes available.

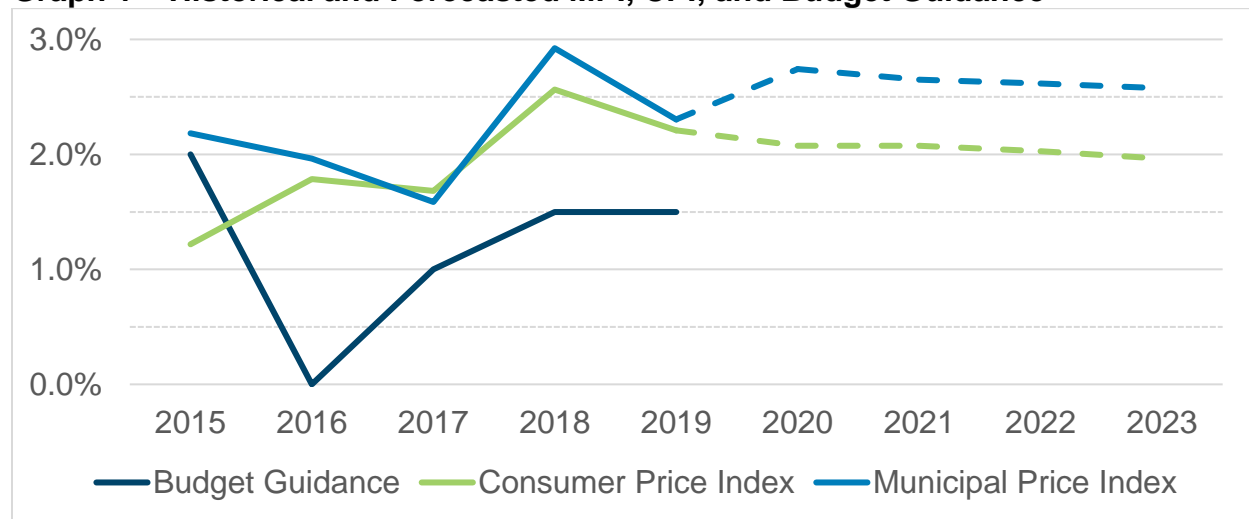
Financial Considerations

Base Services Budget

Recommendations presented in report CSD 41-2019 Budget Planning Policy Review suggest the use of a Municipal Price Index (MPI) as a method for budget development, moving away from the traditional core Consumer Price Index (CPI) target. The MPI is not a prescriptive instrument that mandates operating budget expenditures to increase by a designated amount annually; the index helps better inform staff and Council of external economic conditions that will require appropriate fiscal consideration. Sources, factors, and MPI calculations can be found in Appendix 1. Use of an MPI gives consideration to pressures of fuel, utilities and compensation; however some factors are not included such as revenue assumptions, capital financing, impacts from population growth, and new service initiatives. Staff will be able to report to Council on line items increasing in excess of the MPI factors.

Graph 1 demonstrates the alignment between CPI, MPI, and historical guidance for base services, as well as a forecast of CPI and MPI to 2023.

Graph 1 – Historical and Forecasted MPI, CPI, and Budget Guidance



Levy Budget

Appendices 3 and 4 are a summary of pressures and mitigations that have been quantified for the 2020 levy budget. Staff will undertake mitigation measures to accommodate these items within the calculated MPI. If not all pressures can be accommodated within this index, business cases for additional increases may be considered by Council in particular for revenue pressures which are not factored into the MPI methodology.

Waste Management Budget

The pressures impacting the 2020 Waste Management budget are primarily related to net recycling sales revenue decrease of \$2.17 million. Revenues are not considered in the development of the MPI and will be supported by business cases for Council consideration. Further, the collection contract is an extraordinary expense with an estimated pressure of \$0.50 million. As such, the MPI may not be able to address the pressures facing the budget development. Staff will work to mitigate the budget pressures and be prepared to respond with business cases in the event increases are required in excess of the MPI.

Water and Wastewater Budget

The Water and Wastewater capital financing tied to the 2016 AMP was considered through the preparation of the Safe Drinking Water Act pro-forma financial statements presented to Public Works Committee in February 2019. The pro-forma statements were prepared for a ten year period and identified a 5.15% increase annually for the years 2019-2028, covering base service costs and capital financing requirements. Council approved a 2019 budget increase of 5.15% in alignment with the recommendations in PW 4-2019 Water and Wastewater Financial Plan for O.Reg. 453/07. The financial plan was approved for use in the development of the 2020 and future budgets.

Capital Financing

As identified through the 2016 Asset Management Plan (AMP), the target average annual renewal investment (AARI) for the Region to sustain current infrastructure and clear the infrastructure gap within fifty years is \$185.9 million. Current sustainment funding has averaged \$169.1 million over five years. Some investments to infrastructure have been made through the 1% infrastructure deficit reduction reserve approved in 2017, and the Safe Drinking Water Act financial plan recommendations, but further funding is necessary.

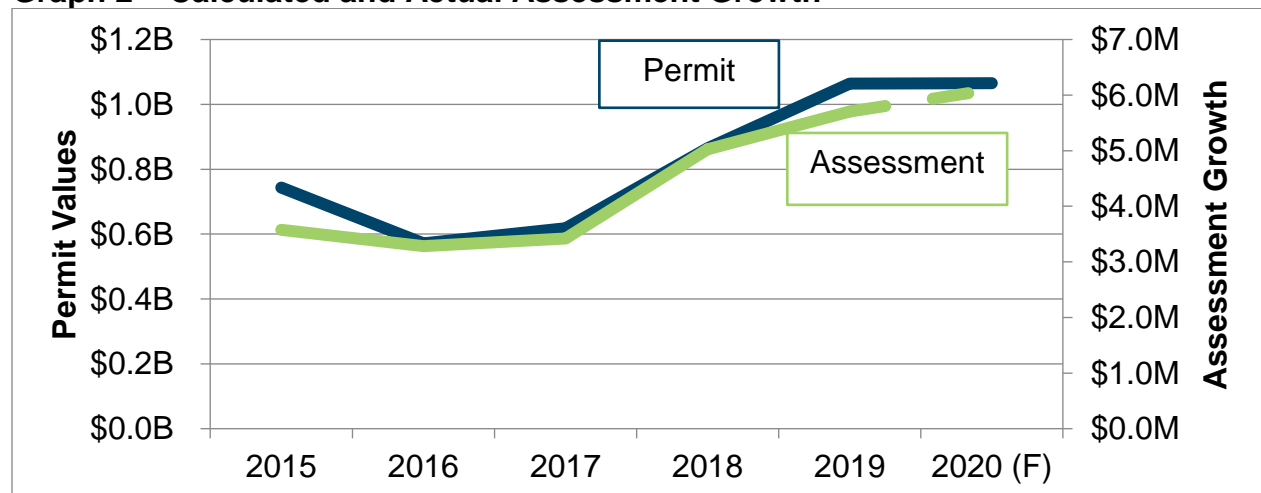
The preliminary estimate for 2020 indicates a levy capital financing increase of 2.0% annually for the next ten (10) years to reduce the funding gap. Staff reported that the annual levy requirement each year for ten years to close the forecasted capital gap was 1% (2012), 1.3% (2015), 1.3% (2016) 1% (2017) in contrast to the 1% one-time addition to the base in 2017 that still continues. Therefore the gap has continued to increase and projects have continued to be deferred.

A Capital Financing policy is being drafted for Council consideration in the fall to establish a strategy for financing capital sustainably. The policy will employ decision criteria to determine the funding mix of pay-as-you-go, reserves, and debt financing. Separate levy and requisition requirements will be presented to Council at the Capital BRCOTW meeting, proposed for October 10th.

Assessment Growth Predictions

Niagara has seen a correlation between permit issuance and assessment growth, typically with a two year lag. Permit issuance remained stable between 2017 and 2018, reaffirming trending forecasts calculating a 1.65% growth factor for 2020. Graph 2 provides a comparison of estimated assessment growth to permit values.

Graph 2 – Calculated and Actual Assessment Growth



Timing of assessment growth is largely dependent on MPAC resources and process, as such staff will continue to monitor the trend throughout the year.

Some of the growth realized each year is tied to development for which Council has committed tax increment grants (TIGs). It is important that growth dollars be allocated to honour these commitments before allocating to other priorities. The estimate of TIGs is open to variability, and will be reviewed to determine impact on the 2020 budget, or other timing as added to the tax roll. The projected net growth after funding tax increment grants would be 1.3% or \$4.8 million.

The net assessment growth funding will be available to fund capital and operating costs of growth supported by business cases as submitted by Regional Departments and ABCs.

Analysis

New Programs

Staff have identified several strategic initiatives for Council's approval which are currently estimated and will be built into the 2020 budget pending approval of separate levy increases. New requests will be considered at committees and be referred for consideration to the 2020 budget approval process. Table 1 includes details of currently known initiatives.

Table 1 – Strategic Initiatives

Initiative	Description	2020 Estimate
Niagara Regional Transit	To complete the enhancements to the Niagara Regional Transit routes an additional \$3.2 million is required annually. \$3.0 million of the annual costs to operate the Niagara Regional Transit was deferred through transfer from reserve.	\$6.2M
Airports	Governance and funding changes with respect to the Niagara District Airport and Niagara Central Dorothy Rungeling Airport requires annual funding to support operations and capital requirements	\$2.2M
Suicide Preventative Initiative	Increasing Capacity for Suicide Prevention Efforts in Niagara, the Region will have two additional resources for suicide prevention.	\$0.2M
Waterfront Investment Program	The Waterfront Investment Program was deferred for a period of one (1) year through approval of the 2019 budget. This was previously funded through capital levy reserve funding.	\$1.0M

Initiative	Description	2020 Estimate
Smarter Niagara Incentive Program	Base funding for the Smarter Niagara Incentive Program was deferred for a period of one (1) year through approval of the 2019 budget. Regional Council approved a transfer from 2018 surplus to continue offering the grant program in 2019.	\$0.6M
Long-term Care Home Redevelopment	Debt servicing costs for long-term care home redevelopment.	\$3.6M
EMS Central Hub Accommodations	Debt servicing costs for land purchase at the site of the EMS Central Hub.	\$0.4M
NRPS 2019 Position hiring deferral	The Niagara Region Police Service Board approved the deferral of funding for new position hires in 2019, which will require funding in 2020.	\$0.7M
Brock LINC Partnership	A request from Brock University was received for a partnership in the Learn, Innovate, Network, and Commercialize (LINC) program to support post-secondary education and economic development.	\$1.5M
GO Station Infrastructure	When the \$40 million Regional investment in GO train infrastructure is allocated, there may be operating costs associated with the stations.	TBD
Canada Summer Games	The Canada Summer Games Board is finalizing its business plan. The funding request will be determined with the finalization of the legacy capital projects.	TBD
Total		\$16.5M

The above new and enhanced programs equate to 4.51% of the tax levy and are not included in the Municipal Price Index as they are not a part of current base services.

Table 2 summarizes all budgetary factors as identified in this report. It does not include the current estimate of \$17.95 million of base budget pressures in appendix 3 which staff will undertake to accommodate within the MPI. The rigorous budget process over the next few months will update and refine the current estimates and pursue all mitigation options in order to present Council with budget decisions for a sustainable and transparent budget that delivers program and services expected by the public and in alignment with Council's strategic priorities.

Table 2 – 2020 Budget Impacts (in millions)

Budgetary Item	Levy	Waste Management	Water and Wastewater
Municipal Price Index for base expenses (Appendix 1)	\$5.0	\$0.7	\$-
MPI for base expenses (ABCs)	5.4	-	-
As per Water Wastewater financial strategy	-	-	6.0
Revenue pressures (Appendix 4)	4.4	2.2	-
Capital Financing	7.3	-	Included in PW 4-2019
New/Enhanced Programs (Table 1)	16.5	-	-
Total Budget Pressure	\$38.6	\$2.9	\$6.0
Total Budget Pressure %	10.55%	8.26%	5.15%

Budget Timetable

The budget timetable as detailed in appendix 2, was developed with the objective of approving the 2020 budget before the turn of the year. To accommodate this, Budget Review Committee of the Whole meetings have been recommended on Thursdays throughout the last quarter of 2019. Care has been exercised in aligning meeting dates with Council and Committee meeting dates as best possible.

Alternatives Reviewed

The purpose of this report is to inform Council of the 2020 initiatives and service delivery environment to support operating budget development for 2020. Staff has provided Council with information known at this time which will continue to be developed, analyzed, and prioritized, to be delivered to Budget Review Committee to facilitate decision making in accordance with the proposed budget timetable.

Relationship to Council Strategic Priorities

The 2020 Budget will provide the financial framework to achieve Council's Strategic Priorities.

Other Pertinent Reports

PW 4-2019	Water and Wastewater Financial Plan for O.Reg. 453/07
CSD 41-2019	Budget Planning Policy Review

Prepared by:

Helen Chamberlain, CPA, CA
Director/Deputy Treasurer
Financial Management and Planning
Enterprise Resource Management
Services

Recommended by:

Todd Harrison, CPA, CMA
Commissioner/Treasurer
Enterprise Resource Management
Services

Submitted by:

Ron Tripp, P.Eng.
Acting Chief Administrative Officer

This report was prepared in consultation with Tyler Potts, Senior Budget Analyst, and reviewed by Margaret Murphy, Associate Director Budget Planning and Strategy.

Appendices

Appendix 1	Municipal Price Index
Appendix 2	2020 Budget Schedule
Appendix 3	2020 Levy Budget Pressures - Expenses
Appendix 4	2020 Levy Budget Pressures - Revenues

Appendix 1 – Municipal Price Index

2020 Niagara Municipal Price Index

Expenditure Category	Category Increase	Levy Department Weighting	Agencies, Boards, and Commissions Weighting	Water and Wastewater Weighting	Waste Management Weighting
Compensation	3.3%	47.5%	72.1%	29.6%	7.3%
Professional and Contractual Services	2.0%	8.2%	2.1%	13.4%	81.4%
Telecommunications	2.4%	0.3%	0.5%	0.7%	0.1%
Materials and Commodities	2.1%	2.1%	1.0%	5.2%	1.2%
Asset Maintenance and Rental	2.1%	1.3%	4.5%	7.7%	1.7%
Fuel, Oil, and Natural Gas	1.8%	0.6%	1.3%	0.8%	0.5%
Electricity and Water	1.9%	1.0%	1.7%	13.7%	1.3%
Equipment, Vehicle, and Technology	2.0%	1.3%	0.2%	8.4%	1.8%
Housing, Childcare, Other Benefits	2.0%	32.9%	14.2%	0.0%	0.0%
Rebates and Grants	2.1%	4.5%	2.5%	20.4%	0.7%
Other	2.1%	0.2%	0.0%	0.1%	4.2%
Total		100.0%	100.0%	100.0%	100.0%
Municipal Price Index		2.7%	3.0%	2.4%	2.1%
Core Consumer Price Index Target*		2.0%	2.0%	2.0%	2.0%
Difference (percentage points)		0.7%	1.0%	0.4%	0.1%

*in use in the current guidance policy

Municipal Price Index Inflation Factor Sources

Expenditure Category	Inflation Factor	Geographical Area	Source/Publisher
Compensation	Average Weekly Wages, Public Administration	Canada	Conference Board of Canada (CBOC)
Professional and Contractual Services	Consumption Deflator, Services, Insurance, financial and legal services	Canada	CBOC
Telecommunications	Consumption Deflator, Services, Communication, Recreation and culture services	Canada	CBOC
Materials and Commodities	Consumer Price Index	St. Catharines-Niagara	CBOC
Asset Maintenance and Rental	Consumer Price Index	St. Catharines-Niagara	CBOC
Fuel, Oil, and Natural Gas	Consumption Expenditures, Non-durable goods, Motor fuels and lubricants	Canada	CBOC
Electricity and Water	Electricity Power Price Index	Canada	CBOC
Equipment, Vehicle, and Technology	Consumption Deflator, Durable Goods, Vehicles and parts	Canada	CBOC
Housing, Childcare, Other Benefits	Consumption Expenditures, Services, Education, health and other personal services	Canada	CBOC
Rebates and Grants	Consumer Price Index	St. Catharines-Niagara	CBOC
Other	Consumer Price Index	St. Catharines-Niagara	CBOC

Appendix 2 – 2020 Budget Schedule

Date	Meeting Type	Subject/Topic
Thurs Oct 3, 4 p.m.	Workshop	Capital for information and education
Thurs Oct 10, 6:30 p.m.	BRCOTW	Capital
Thurs Oct 31, 4 p.m.	Workshop	Rates for information and education
Thurs Nov 7, 6:30 p.m.	BRCOTW	Rates
Thurs Nov 14, 4 p.m.	Workshop	Council Authority over ABCs
Thurs Nov 14, 6:30 p.m.	Council	Rate By-laws
Thurs Nov 21, 9 a.m.*	Workshop	Levy for information and education
Thurs Nov 21, 6:30 p.m.*	BRCOTW	ABCs
Thurs Nov 28, 9 a.m.	Workshop	Levy for information and education (if required)
Thurs Dec 5, 6:30 p.m.	BRCOTW	Levy
Thurs Dec 12, 6:30 p.m.	Council	Levy, Capital, User Fee By-laws

*all dates align with Council and Committee meeting weeks but for November 21st.

Appendix 3 – 2020 Levy Budget Pressures - Expenses

Expense related pressures – considered in the MPI

Budget Pressures	2020 (\$ million)	Tax Impact %
Development charge grants	5.00	1.37%
Healthcare spending	0.22	0.06%
Long-term Care summer staffing	0.36	0.10%
EMS WSIB presumptive legislation	0.50	0.14%
EMS overtime increase	0.20	0.05%
Other items less than \$100 thousand	0.11	0.03%
Total of 2019 Expense Pressures affecting 2020	6.39	1.75%
Base compensation increases (includes ABCs)	8.42	2.30%
Additional working day (includes ABCs)	1.06	0.29%
Homelessness shelter contracts	0.80	0.22%
Employee Engagement Survey	0.15	0.04%
Road crack sealing	0.25	0.07%
Emerald ash borer tree removal	0.50	0.14%
Impacts of Bill 108	TBD	TBD
Other items less than \$100 thousand	0.38	0.10%
Total of 2020 Expense Pressures	11.56	3.16%
Total Expense Pressures	17.95	4.91%

Appendix 4 – 2020 Levy Budget Pressures - Revenues

Revenue related pressures – not considered in the MPI

Budget Pressures	2020 (\$ million)	Tax Impact %
Provincial funding cap for Ontario Works cost of administration*	\$0.60	0.16%
Long-term Care Case Mix Index results	0.26	0.07%
Long-term Care Structural Compliance Program funding*	0.16	0.04%
Long-term Care Resident Co-payment increase*	(0.14)	-0.04%
External signal maintenance revenue pressure	0.50	0.14%
Total of 2019 Revenue Pressures affecting 2020	1.38	0.38%
Long-term Care Case Mix Index results	0.36	0.10%
Long-term Care Structural Compliance Program funding*	0.23	0.06%
Long-term Care Resident Co-payment increase*	(0.14)	-0.04%
Changes to the Public Health Provincial/Municipal cost-sharing formula*	0.94	0.26%
EMS Land Ambulance Provincial funding freeze*	1.68	0.46%
Niagara Regional Housing funding reductions	TBD	TBD
SAEO Employment Contract changes	TBD	TBD
SAEO Reductions to direct client benefits	TBD	TBD
Total of 2020 Revenue Pressures	3.05	0.83%
Total Revenue Pressures	\$4.43	1.21%

*pressures related to provincial funding announcements total \$3.3 million, and are provided further detail in appendix 1 of CSD 49-2019






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Legislative Coordinator
Office of the City Clerk
Phone (905) 546-2424 Ext. 3993
Fax # (905) 546-2095
stephanie.paparella@hamilton.ca

August 2, 2019

Ms. Gayle Wood
CAO/Secretary-Treasurer
Niagara Peninsula Conservation Authority
250 Thorold Road West
Welland, Ontario
L3C 3W2

		RECEIVED		
DATE:		AUG 6 '19 PM		2:12
To:		<input type="checkbox"/> CHAIR, NPCA		
<input checked="" type="checkbox"/> CAO OFFICE		<input checked="" type="checkbox"/> CORP. SERVICES		
<input type="checkbox"/> WATERSHED		<input type="checkbox"/> OPERATIONS		
C. → Bob Sept 18/19				

Subject: 2020 Budget Submission for the Niagara Peninsula Conservation Authority

Dear Ms. Wood:

This letter is to request that your organization submit a draft budget to the City of Hamilton; along with a copy of your organization's most recent audited financial statements, to the **attention of Cyrus Patel, Senior Financial Analyst, Budget and Finance Division, 71 Main Street West, Hamilton, Ontario L8P 4Y5, on or before November 20, 2019.**

As well, please be advised that at its meeting of July 12, 2019, Council approved sub-section (d) of Item 4 to the General Issues Committee Report 19-013, which reads as follows:

- (d) That Police, Library and Conservation Authorities target a 2020 tax operating budget guideline based on an increase of 2.0% and that any increase beyond the guideline be forwarded for consideration with explanation.

Lastly, your organization has been scheduled to provide a presentation respecting their 2020 budget submission on **Tuesday, January 21, 2020 at approximately 12:15 p.m., Council Chambers, Hamilton City Hall at 71 Main Street West.**

Please provide an electronic copy of your **final presentation no later than 12 noon on Monday, January 6, 2020** to my attention at stephanie.paparella@hamilton.ca

Should you have any questions respecting the meeting process or your presentation, please feel free to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read 'S. Paparella', with a long horizontal flourish extending to the right.

Stephanie Paparella
Legislative Coordinator
Office of the City Clerk

Copied: Mike Zegarac, General Manager, Finance & Corporate Services
Brian McMullen, Director, Financial Planning & Policy
Tom Hewitson, Manager, Current Budgets & Fiscal Planning
Cyrus Patel, Senior Financial Analyst

2020 Budget Guidelines, Outlook and Process (FCS19054) (City Wide) (Item 9.2)

- (a) That staff be directed to report back on a list of user fees that can be increased towards full cost recovery, or user fee waivers (including marginal cost facility leases) that can be reduced or eliminated over a one to three-year phase in period;
- (b) That for all other user fees, the fee be increased by a rate of 3.0% and that any user fee increases below the guideline be forwarded for consideration with appropriate explanation;
- (c) That staff be directed to report back to the General Issues Committee by October 2019 with an updated 2020 Tax Budget Outlook, with that report to provide actions, as it relates to all three (3) of the following scenarios:
 - (i) Options that result in a 2.0% tax increase for City Departments, plus a 1.3% tax increase for Capital and a tax increase for Provincial Funding Shortfalls (currently estimated at 1.3%). This would result in a tax increase of about 4.6% and require \$18.3M in reductions from the current Outlook position;
 - (ii) Options that result in a 1.0% tax increase for City Departments plus a 1.3% tax increase for Capital and a tax increase for Provincial Funding Shortfalls (currently estimated at 1.3%). This would result in a tax increase of about 3.6% and require \$27.0M in reductions from the current Outlook position;
 - (iii) Options that result in a 0.0% tax increase for City Departments, plus a 1.3% tax increase for Capital and a tax increase for Provincial Funding Shortfalls (currently estimated at 1.3%). This would result in a tax increase of about 2.6% and require \$35.7M in reductions from the current Outlook position;
- (d) That Police, Library and Conservation Authorities target a 2020 tax operating budget guideline based on an increase of 2.0% and that any increase beyond the guideline be forwarded for consideration with explanation;
- (e) That all other Boards and Agencies including Hamilton Beach Rescue Unit, Royal Botanical Gardens, Farmers' Market and the Community Enrichment Fund target a 0% increase and that any increase beyond the guideline be forwarded for consideration with explanation;
- (f) That the 2020 Tax Capital budget be submitted with a 0.5% tax increase for capital financing of discretionary block funded projects; an additional 0.26% tax increase for capital financing of Public Transit Infrastructure Fund (PTIF) projects; an additional 0.23% for DC Exemptions; and, an additional 0.14% increase for capital financing of the Downtown Office Accommodation Strategy;
- (g) That staff report back, to the General Issues Committee, with options that include the use of reserves, reducing reliance on debt and reducing operating costs in order to reduce the current projection of a rate 4.5% increase when submitting the 2020 Rate Supported Budget;
- (h) That the matter of a 0.13% increase for capital financing of West Harbour Development (WH) for a total of 1.3% tax increase, be referred to the West Harbour Development Sub-Committee for consideration; and,
- (i) That staff be directed to report back to the General Issues Committee, with an alternative funding strategy that would reflect the commitment to transit by senior levels of government.

2020
DRAFT OPERATING AND CAPITAL BUDGET
GUIDELINES

September 5, 2019



Introduction to NPCA Budgeting

1. How the Budget Works

The Niagara Peninsula Conservation Authority's (NPCA) budget is a financial plan that outlines the funding that NPCA will raise and expend within a year. It is the plan that should align the NPCA's strategic priorities with the services we deliver to municipalities and residents every day. It also directs what infrastructure will be purchased, constructed and repaired.

The NPCA annual budget is reviewed by the Audit and Budget Committee and approved by the Board of Directors prior to presentation to municipal Councils.

2. Why do we budget?

The annual NPCA budget:

- encourages thorough **planning**,
- is a basis for **financial accountability and transparency**,
- represents a **Financial Plan** of how we intend to deliver programs and services as well as complete capital projects, and
- outlines a variance analysis which allows us to explain how our plans have changed year over year.

3. Where do we get our budget mandate?

Section 20 (1) of *The Conservation Authorities Act R.O.S 1990, CHAPTER C.27* outlines NPCA's mandate:

"The objects of an authority are to provide, in the area over which it has jurisdiction, Programs and services designed to further the conservation, restoration, development And management of natural resources other than gas, oil, coal and minerals".

Section 21 (1) of the CAA outlines the specific powers of authorities for the purposes of accomplishing its objects:

- (a) to study and investigate the watershed and to determine programs and services whereby the natural resources of the watershed may be conserved, restored, developed and managed;
- (b) for any purpose necessary to any project under consideration or undertaken by the authority, to enter into and upon any land and survey and take levels of it and make such borings or sink such trial pits as the authority considers necessary;
- (c) to acquire by purchase, lease or otherwise and to expropriate any land that it may require, and, subject to subsection (2), to sell, lease or otherwise dispose of land so acquired;
- (d) despite subsection (2), to lease for a term of five years or less land acquired by the authority;
- (e) to purchase or acquire any personal property that it may require and sell or otherwise deal therewith;
- (f) to enter into agreements for the purchase of materials, employment of labour and other purposes as may be necessary for the due carrying out of any project or to further the authority's objects;
- (g) to enter into agreements with owners of private lands to facilitate the due carrying out of any project;

- (h) to determine the proportion of the total benefit afforded to all the participating municipalities that is afforded to each of them;
- (i) to erect works and structures and create reservoirs by the construction of dams or otherwise;
- (j) to control the flow of surface waters in order to prevent floods or pollution or to reduce the adverse effects thereof;
- (k) to alter the course of any river, canal, brook, stream or watercourse, and divert or alter, as well temporarily as permanently, the course of any river, stream, road, street or way, or raise or sink its level in order to carry it over or under, on the level of or by the side of any work built or to be built by the authority, and to divert or alter the position of any water-pipe, gas-pipe, sewer, drain or any telegraph, telephone or electric wire or pole;
- (l) to use lands that are owned or controlled by the authority for purposes, not inconsistent with its objects, as it considers proper;
- (m) to use lands owned or controlled by the authority for park or other recreational purposes, and to erect, or permit to be erected, buildings, booths and facilities for such purposes and to make charges for admission thereto and the use thereof;
- (m.1) to charge fees for services approved by the Minister;

Note: On a day to be named by proclamation of the Lieutenant Governor, clause 21 (1) (m.1) of the Act is repealed. (See: 2017, c. 23, Sched. 4, s. 19 (3))

- (n) to collaborate and enter into agreements with ministries and agencies of government, municipal councils and local boards and other organizations and individuals;
- (o) to plant and produce trees on Crown lands with the consent of the Minister, and on other lands with the consent of the owner, for any purpose;
- (p) to cause research to be done;
- (q) generally, to do all such acts as are necessary for the due carrying out of any project or as may be desirable to further the objects of the authority. R.S.O. 1990, c. C.27...

In relation to the mandate outlined in the Conservation Authorities Act, it is important to note that changes are current being undertaken as a result of the proclamation of Bill 108 - **More Homes, More Choice Act**. As a result, this document may be revised in the future after discussion with the Board of Directors.

4. Where does our funding come from?

NPCA can receive its funding from many sources, including:

- Federal grants
- Provincial transfer payments through MNRF and MECP
- Provincial grants (drinking source water protection)
- Municipal levies
- Municipal capital project funds
- Fees for service (conservation area fees and permitting fees)
- Other funds (bank interest, donations)
- Niagara Peninsula Conservation Foundation and other Partner MOU's, for example: Ontario Power Generation.

Revenues and expenditures are generally allocated against five NPCA budget areas:

- Office of the CAO (and Board of Directors)

- Watershed Management
- Land Management
- Communications and Public Engagement
- Corporate Services.

Further, **federal grants** are opportunistic, whereas **provincial transfer payments** for natural hazards and drinking source water protection generally exist year over year, albeit the funding has been substantially reduced over the decades.

Municipal levies for both operating expenses and capital are presented to participating municipalities annually, and **fees for service** have been in place as part of the NPCA budget since the 1990's.

5. NPCA's Operating, Capital Budgets and Fees

(a) NPCA's Operating Budget

The **operating budget** covers the day-to-day expenses required to deliver services. These costs return year after year. The CAA Act specifically defines "operating expenses" under Section 1. Operating expenses were defined in the Act until recently as "administration", which included:

"administration costs" means salaries and travelling expenses of members and employees of an authority, office rent, maintenance and purchase of office equipment, expenses connected with exhibits, visual equipment and printed matter for educational purposes, and all expenditures necessary for carrying out the objects of an authority other than capital expenses and maintenance costs of projects.

Through Bill 108, More Homes, More Choice Act, administrative costs will now be referred to as "operating expenses". The above noted definition will be amended to include:

"operating expenses" include,

- (a) salaries, per diems and travel expenses of employees and members of an authority,
- (b) rent and other office costs,
- (c) program expenses,
- (d) costs that are related to the operation or maintenance of a project, but not including the project's capital costs, and
- (e) such other costs as may be prescribed by regulation.

(b) NPCA's Capital Budget

The **capital budget** is used for long term investments like infrastructure and facilities. For the NPCA capital budgets can include such matters ranging from a new phone system, to capital repairs on dam structures, to building construction at our conservation areas.

The CAA addresses the determine of capital expenditures through Sections 26 which states:

- (1) An authority may, from time to time, determine what money will be required for capital expenditure in connection with any project.

(2) The portion of the money so required that each participating municipality shall raise shall be in the same proportion as the benefit derived by each such municipality bears to the total benefit derived by all participating municipalities.

(5) Where only a part of a participating municipality is situated in the area over which the authority has jurisdiction, the portion of the money required to be raised by that municipality for capital expenditure may be charged only against the rateable property in that part of the municipality.

(c) Fees for Programs and Services

Conservation authorities have been allocation fees for service for years under Section 21 of the Act. The following notes that the Act is amending by adding the following Section 21.2 (1) regarding fees for programs and services.

(1) The Minister may determine classes of programs and services in respect of which an authority may charge a fee. 2017, c. 23, Sched. 4, s. 21.

Publication of list

(2) The Minister shall publish the list of classes of programs and services in respect of which an authority may charge a fee in a policy document and distribute the document to each authority. 2017, c. 23, Sched. 4, s. 21.

Updating list

(3) If the Minister makes changes to the list of classes of programs and services in respect of which an authority may charge a fee, the Minister shall promptly update the policy document referred to in subsection (2) and distribute the new document to each authority. 2017, c. 23, Sched. 4, s. 21.

Where authority may charge fee

(4) An authority may charge a fee for a program or service that it provides only if it is set out on the list of classes of programs and services referred to in subsection (2). 2017, c. 23, Sched. 4, s. 21.

Amount of fee

(5) The amount of a fee charged by an authority for a program or service it provides shall be,
(a) the amount prescribed by the regulations; or
(b) if no amount is prescribed, the amount determined by the authority. 2017, c. 23, Sched. 4, s. 21.

Fee schedule

(6) Every authority shall prepare and maintain a fee schedule that sets out,
(a) the list of programs and services that it provides and in respect of which it charges a fee; and
(b) the amount of the fee charged for each program or service or the manner in which the fee is determined. 2017, c. 23, Sched. 4, s. 21.

Fee policy

(7) Every authority shall adopt a written policy with respect to the fees that it charges for the programs and services it provides, and the policy shall set out,
(a) the fee schedule described in subsection (6);
(b) the frequency within which the fee policy shall be reviewed by the authority under subsection (9);
(c) the process for carrying out a review of the fee policy, including the rules for giving notice of the review and of any changes resulting from the review; and
(d) the circumstances in which a person may request that the authority reconsider a fee that was charged to the person and the procedures applicable to the reconsideration. 2017, c. 23, Sched. 4, s. 21.

Fee policy to be made public

(8) Every authority shall make the fee policy available to the public in a manner it considers appropriate. 2017, c. 23, Sched. 4, s. 21.

Periodic review of fee policy

(9) At such regular intervals as may be determined by an authority, the authority shall undertake a review of its fee policy, including a review of the fees set out in the fee schedule. 2017, c. 23, Sched. 4, s. 21.

6. Budget vs. Forecast –

Operating

Current Year Operating Budget	Current Year Operating Forecast
A Financial Plan that outlines the money of NPCA will raise and expend within a year	A projection of NPCA's year-end financial results
Prepared annually, before the start of the upcoming year, generally commencing around June	Completed in-year after Q2 and Q3
Approved by the Board of Directors annually	A variance analysis is completed in conjunction with the forecast to explain differences between the year-to-date budget and forecasted spending.

Capital

Current Year Capital Budget	5-10 Year Capital Forecast
A Financial Plan that outlines the cost and sources of revenue the NPCA requires for a specific capital project.	A projection of NPCA's anticipated project needs
Prepared annually, before the start of the year, generally in June	Prepared as part of the budget process to provide NPCA with insight into future projects
Approved by the Board of Directors annually	Informs decision-making for the future. Received by the Board of Directors.
Requires a detailed Business Case providing justification for project and initiation of spending and financing project.	Estimates of capital forecasts – not detailed Business Case required at this time.

7. Budget Planning

Process

Around June of each year, the NPCA Audit and Budget Committee and Board of Directors will direct staff regarding “assumptions” to be used in drafting the following year’s budget. These “assumptions” will be based on:

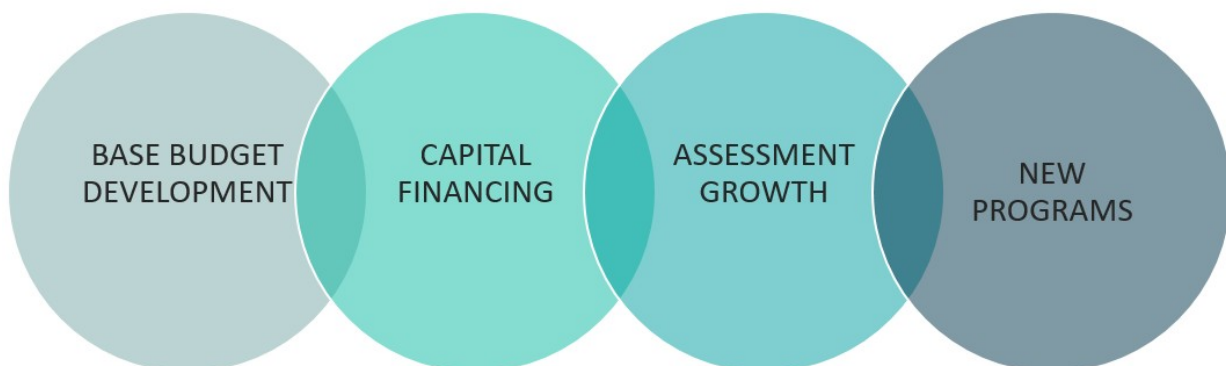
- Year-to-date financial information
- Prior year’s multi-year budget
- Strategic documents
- Collective Bargaining Agreement
- Statistics Canada inflation rates
- Economic forecasts
- Draft COLA adjustments from participating municipalities and neighbouring conservation authorities
- Provincial and federal budget trends
- Accessed growth targets
- Conservation Ontario’s Statistical Report
- 5 to 10-year capital project forecast/.

Guiding Principles

The NPCA Board of Directors will utilize the following Guiding Principles when developing budget assumptions.

- Respecting current financial policies
- Budgeting should be based on NPCA mandate and strategic documents
- Recognizing pressures, risks, and opportunities
- Developing the budget with transparency and accountability
- Using of business cases for transparency in capital budgeting

Budget Planning Considerations



Budgeting Roles and Responsibilities

Roles and Responsibilities – Operating and Capital Budgets

BUDGET OWNERS	<ul style="list-style-type: none">• Identify operating needs as well as budget pressures• Make resources recommendations• Ensure budget is allocated to correct accounts• Validate HR date• Enter information into the budget software
CORPORATE SERVICES	<ul style="list-style-type: none">• Director will provide support for budget holders• Enter complex salary data into the spreadsheets with HR• Complete budget adjusts• Analyze draft budgets to find opportunities and/or concerns
BUDGET TEAM	<ul style="list-style-type: none">• Executive Management Team will compile budget pressures and prepare budget guidelines• Provide guidelines and support to budget owners• Review the budget submission prior to submitting to the A&BC and Board• Assist the Director, Corporate Services in presentation to the Committee and Board
AUDIT AND BUDGET COMMITTEE	<ul style="list-style-type: none">• Reviews and recommends budget to the Board of Directors
BOARD OF DIRECTORS	<ul style="list-style-type: none">• Approves Budget Assumptions Report• Approves draft budget for submission to municipalities for review• Approves final; budget

Operating Budget Request Types

1. Base Services

Base services are the costs to maintain the annual service level in the new budget year. Departments will input their budgets in base request types, with analysis and review to be done by staff during the budget cycle.

a. Base – Costs to provide the prior year service level, including related cost pressures associated with staffing and/or inflationary increases.

b. One-Time – Costs incurred in the current year only, with no operating impact beyond the budget year.

Example:

Human Resources request \$20,000 to its consulting budget for an updated Compensation Management Plan. This is not a project but needs to be highlighted separately from base budget as a one-time expenditure, that is not added to the base budget in subsequent years.

2. Program Changes (PC)

PC are any requests for new or enhanced services in the new budget year. Departments will input their budgets in PC request types, with analysis and review to be done by staff during the budget cycle. Each PC will require a Business Case submission.

a. PC – Separate Increase – Requests for new or enhanced programs services to be considered by the Audit and Budget Committee and the Board of Directors. This should include initiatives that the Board can approve or deny.

b. PC – Assessment Growth – Requests for new or enhanced programs and services that are related to growth activities. This should include initiatives that the Board can approve or deny.

c. Operating Project – Costs related to unique and temporary endeavors, with a defined beginning and end date. Tracking of the project carries over more than one year similar to capital projects.

Example:

Hosting the Biennial Tour for Conservation Ontario and its 36 Conservation Authorities in 2020.

d. Capital Impact – Operating impacts of capital projects identified on Capital project business cases. These Capital project business cases will act as the supporting documentation for these budget requests.

Example:

Utility costs from the addition to a building.

Capital Budget Business Case – for Budget Submission

Below is a list of information required for the Capital Business Case submission:

INFORMATION	DESCRIPTION
Capital Project Planning	Project Information – basic set-up and project attributes
	Business Case – brief project description and detailed business case write-up
	Tiered intake – information regarding complexity of project
	Budget Expenditures – current year budget request and 9-year forecast (if applicable) by project activity
	Budget Funding – detailed sources of funding for the project
	Funding Gap – calculation of difference in budget request and funding allocated to the project
Cash Flow	Estimate of cash flows for the project over the next 3-years
Operating Impact	Estimate of incremental operating costs, savings or revenues as a direct result of the project

Location Code – in Budget	Account Code in NPCA Budget
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Location Description –	System description for the location based on the Code
Manager Name –	The individual who will be physically completing the project (i.e. managing contracts, coordinating purchases, etc.). This
Start Date –	The date the project will begin. No activities can be recorded on the project until this date.
End Date –	Final date that any activity can be charged to a project. This would be then very end of the project, not just the date of
Operating Unit / Division	Select your home department/group (i.e. the department/group that owns the budget and is ultimately
Geographic Location	Select the municipality where the majority of the work is being completed for this project (if the project is region wide, there
Project Name	Name you want the project to be referred to
Project Author	The individual who most intimately know why this project is being completed (understands the rationale for why this project is a priority, how it was decided to proceed, political impacts, etc.). This person is the primary contact for questions during the budget process.
Project Priority Need	<ul style="list-style-type: none"> • Urgent – There is an existing risk/issue that must be addressed immediately (i.e. failure has already occurred, a regulatory violation has occurred, etc.). There is no option to defer these projects. • High-priority – There is an imminent risk of failure in the very near future that, without addressing the issue shortly, will result in a failure (i.e. we are almost into an urgent situation). There is little opportunity to defer these projects without exposing ourselves to a high level of risk for failure. • Priority – This is more routine sustainability or an asset at the appropriate time within its useful life (i.e. the most effective time to complete the work, before the asset begins to exhibit signs indicating a failure could occur). If necessary, these projects could be deferred through an increase in operational maintenance spending, etc. • Non-priority – This project would be nice to do, but it is not required to maintain the current level of services or to address a risk to the region. These projects would be the first considered for deferral if there is a budget constraint.

Project Initiation	<ul style="list-style-type: none"> • Concurrent with budget approval – Use this during the annual budget process when you know the scope, have a basis for your cost estimate, and can support the details behind your project. • To be initiated in future – Use this during the annual budget process if you do not have enough information
Project Type	<ul style="list-style-type: none"> • Annual Program – Program is recurring every year, and generally is completed/funding is allocated within the calendar year. Any funding uninitiated by year-end will be returned to the reserves, and a new program will be available starting the following year. Program will likely be utilized for multiple initiatives throughout the year. • Recurring Program/Multi-year Program – Program is funded every year, but the projects underlying are larger scale and take a number of years to complete. Program would be for a specific initiative for each project. • New Project/Non-Recurring/One-time – This is a separate distinct project that does not occur frequently or is done at the conclusion of the normal life cycle of the underlying asset. There would be one specific initiative under each project. • Existing Project – There is an existing project already started for this initiative, and this will increase the budget for the overall project. This may be a result of the normal progression through the project life cycle (i.e. pre-design, detailed design and engineering, construction, etc.) or to address an issue with a higher than tender award or construction costs.
Asset Type	<ul style="list-style-type: none"> • New/Net New Asset being created [This project will result in the creation of a new asset that the NPCA does not currently have (i.e. new building, or new road).] • Replacement of existing with same [The NPCA already owns a similar asset and we are replacing with the same model/capacity. • Replacement of existing with upgrade/improvement. [The NPCA owns a similar asset but we are replacing with a better/higher-capacity model.

Estimated Useful Life of Asset in years	Based on normal use, how long do you expect the asset being constructed/acquired under this project to provide useful service to NPCA prior to it needing replacement.
Asset ID	If we are replacing an existing asset, please identify the asset ID(s)
Is there and Operating Impact as a result of this project?	Yes/No? If the project is expected to have an incremental operating impact, please indicate that fact. Incremental operating impacts may be costs, cost avoidances or new revenue streams. Note: If the operating impact is significant, please include
Board of Directors Strategic Priorities	Indicate how this project fits into Strategic Priorities.
Project Schedule (approximate start dates)	Indicate the project timelines that are expected to be followed. Not all categories require a date, so only fill out those applicable to this project specifically. Dates are estimates but, combined with the
Issuance of Procurement Documents (IOPD)	Indicate the anticipated timing of the applicable procurement documents. This schedule should link with the timelines in the 'Project Schedule' and allow sufficient lead time for a
Tangible Capital Asset Categories	Indicate the anticipated category of Capital Asset that is expected to be acquired/constructed as a result of this project. Please select Yes for applicable categories only (leave Non-applicable
Attachment	Attach supporting documentation that support the business case for the requested project.
Partners	List out external and 3 rd parties that are contributing finances to the project.



2020 Operating & Capital Budget Schedule

April 2019	Budget <u>process</u> for 2020 approved by Audit and Budget Committee (15-APR-2019) and Authority Board (17-APR-2019)
June 2019	2020 budget <u>assumptions</u> approved by Audit and Budget Committee (26-JUN-2019)
June to August 2019	Consultation with funding municipalities
July 2019	2020 budget assumptions approved by Authority Board (17-JUL-2019) with direction to staff to prepare 2020 Operating and Capital budgets
August 1, 2019	Salary and benefits matrix to budget owners Operating expense template to budget owners Budget preparation guidelines to budget owners
August 2019	Consultation / meetings with internal stakeholders Development and distribution of capital planning process, policies and templates Operating Budget analytics
Sept. 6, 2019	Draft 2020 Operating Budget to Audit and Budget Committee for recommendation to the Authority Board Preparation and analytics of 2020 Capital Budget
Sept. 18, 2019	Draft 2020 Operating Budget to the Authority Board
Oct. 9, 2019	Draft 2020 Capital Budget to Audit and Budget Committee
Oct. 16, 2019	Final 2020 Operating and Capital Budgets for Authority Board consideration.
October 2019	Consultation with funding municipalities on 2020 Operating and Capital Budgets
Nov. 14, 2019	Niagara Region budget workshop and presentation
Nov. 21, 2019	2020 Operating and Capital Budgets presentation to Niagara Region Budget Review Committee of the Whole
Nov. and Dec. 2019	2020 Operating and Capital Budgets - Council presentations (Niagara, Hamilton, Haldimand)
Dec. 2019 & Jan. 2020	Weighted vote on the regular levy Majority vote on 2020 Operating and Capital Budgets Release levy letters to funding municipalities