

November 11, 2022

LOCAL AREA MUNICIPALITIES

SENT ELECTRONICALLY

2023 Budget and Requisition – Niagara Transit Commission
Report NTC 20-2022

The Niagara Transit Commission, at its meeting held on November 1, 2022, passed the following motion:

That Report NTC 20-2022, dated November 1, 2022, respecting 2023 Budget and Requisition – Niagara Transit Commission, **BE RECEIVED** and the following recommendations **BE APPROVED**:

1. That the 2023 Niagara Transit Commission (NTC) gross operating budget of \$75,975,876 and net budget of \$55,052,950 as per Appendix 1 of Report NTC 20-2022, **BE APPROVED**;
2. That the net budget of \$55,052,950 **BE APPORTIONED** between the local municipalities as per Appendix 2 determined in accordance with the methodology approved in PW 55-2021 and subject to update based on final 2023 current value assessment;
3. That the additional special levy estimate of \$1,931,540 **BE LEVIED** on the municipalities in accordance with Appendix 2 subject to final update in accordance with the Municipal Transfer Agreement (MTA);
4. That the 2023 Niagara Transit Commission budget **BE FORWARDED** to Regional Council Budget Review Committee of the Whole (BRCOTW) on January 19 for approval and subsequent calculation of the Special Levy tax rates for each municipality;
5. That in order to ensure continuity of transit services on January 1, 2023, the General Manager **BE AUTHORIZED** to implement the organizational chart endorsed in Confidential Report NTC 17-2022, which now reflects the Shared Services strategy approved in Confidential Report NTC 18-2022, all of which is accommodated within the \$36,762,584 labour related cost included in the 2023 Operating Budget; and
6. That a copy of this Report **BE CIRCULATED** to the Local Area Municipalities.

A copy of Report NTC 20-2022 is attached for your information.

Yours truly,

A handwritten signature in black ink, appearing to read 'Ann Marie'.

Ann-Marie Norio

Regional Clerk

CLK-C 2022-145

CC: Carla Stout, General Manager, Niagara Transit Commission
Leah Tracey, Executive Assistant/Communications Advisor

Subject: 2023 Budget and Requisition – Niagara Transit Commission

Report to: Niagara Transit Commission Board

Report date: Tuesday, November 1, 2022

Recommendations

1. That the 2023 Niagara Transit Commission (NTC) gross operating budget of \$75,975,876 and net budget of \$55,052,950 as per Appendix 1 **BE APPROVED**;
2. That the net budget of \$55,052,950 **BE APPORTIONED** between the local municipalities as per Appendix 2 determined in accordance with the methodology approved in PW 55-2021 and subject to update based on final 2023 current value assessment;
3. That the additional special levy estimate of \$1,931,540 **BE LEVIED** on the municipalities in accordance with Appendix 2 subject to final update in accordance with the Municipal Transfer Agreement (MTA);
4. That the 2023 Niagara Transit Commission budget **BE FORWARDED** to Regional Council Budget Review Committee of the Whole (BRCOTW) on January 19 for approval and subsequent calculation of the Special Levy tax rates for each municipality;
5. That in order to ensure continuity of transit services on January 1, 2023, the General Manager **BE AUTHORIZED** to implement the organizational chart endorsed in Confidential Report NTC 17-2022, which now reflects the Shared Services strategy approved in Confidential Report NTC 18-2022, all of which is accommodated within the \$36,762,584 labour related cost included in the 2023 Operating Budget; and
6. That a copy of this Report **BE CIRCULATED** to the Local Area Municipalities.

Key Facts

- The purpose of this report is to seek Board approval of the 2023 operating budget, which is the first of the new Niagara Transit Commission (NTC) in accordance with Article 7 of the Municipal Service By-law (MSB).
- Due to the many limitations in supporting the operation being live January 1, 2023, the 2023 budget is based on a consolidation of the 2022 operating budgets of the local area municipalities with adjustments for capital strategies, inflation, and one-time funding based on the assumptions used in the past as described in the Analysis.

- In addition to the approval of the budget, the report estimates the one-time 2023 levy for employment obligations of the employees transferred from the Cities of Niagara Falls and Welland and the St. Catharines Transit Commission. The funds are estimated in accordance with the proposed terms of the MTA which is in the process of being finalized and will be set aside in reserve and used in accordance with the terms of the MTA once finalized.
- There is no new capital budget being proposed for the NTC for 2023. However, there are currently 38 capital projects in-flight approved by the Cities of Niagara Falls and Welland and the St. Catharines Transit Commission that will be transferred to and completed by the NTC in accordance with proposed terms of the MTA (including the need for Provincial/Federal consent as applicable for the transfer of any related funding agreements). The NTC will also complete any reporting and compliance requirements associated with Provincial and Federal funding contributions for these transferred capital projects.
- The NTC budget will be presented to Regional Council on January 19, 2023 for consideration and approval in accordance with the Council approved timetable in accordance with Article 7.3 of the MSB.

Financial Considerations

The recommended 2023 Operating budget is provided in Appendix 1 with gross expenses of \$75,975,876 and a net special levy of \$55,052,950. The 2023 NTC budget is based on the 2022 base budgets of the twelve local area municipalities with adjustments as follows:

Table 1 (Millions): 2022 Base Budgets in Comparison to 2023 NTC Budget

Special Levy Requisition Component	Local – Service Hour Allocation	Regional – Assessment Allocation	Local – Direct Municipal Allocation	Total
2022 Base Budget	\$29.33	\$16.16		\$45.50
Inflation Estimate	0.99	0.47		1.47
Capital Reserve Strategy	2.17			2.17
2022 On-Demand Service Enhancements	0.46			0.46
Debt Servicing	0.24	0.02		0.26
2022 Farebox Decline Mitigated with Unsustainable Reserves			5.70	5.70
Farebox Recovery	(0.50)			(0.50)
Total	\$32.70	\$16.65	\$5.70	\$55.05

The estimate previously provided with the Triple Majority process was based on 2020 transit budgets and was estimated at a \$48,568,788 net special levy. The increase of \$6,484,162 is due to the following:

Table 2 (Millions): Triple Majority Strategy in Comparison to 2023 NTC Budget

Special Levy Requisition Component	Local – Service Hour Allocation	Regional – Assessment Allocation	Local – Direct Municipal Allocation	Total
Financial Strategy Estimate	\$31.52	\$17.05		\$48.57
Inflation / Savings	0.49	(0.40)		0.09
Deferred Provincial Gas Tax Phase-out	(0.32)			(0.32)
Service Enhancements	1.28			1.28
Debt Servicing	0.24			0.24
2022 Farebox Decline Mitigated with Unsustainable Reserves			5.70	5.70
Farebox Recovery	(0.50)			(0.50)
Total	\$32.70	\$16.65	\$5.70	\$55.05

In addition, a one-time special levy of \$1,931,540 estimated in accordance with the MTA for employment obligations associated with transferred and terminated employees, will be levied for 2023, bringing the total special levy for the NTC for 2023 to \$56,984,490. This special levy will fund a portion of the employment obligations associated with employees transferred to the NTC. The remaining costs of the employment related liabilities will either be adjusted by the NTC in future year levies or be included in the NTC base budget in accordance with the terms of the approved MTA.

Analysis

This first budget of the NTC has been prepared in accordance with the provision of the Municipal Service By-law and specifically Article 7.2 and prepared in accordance with the policies in Schedule A of the By-law in particular the Budget Planning By-law.

Operating Budget

As noted above, the 2023 NTC budget is a consolidation of 2022 local area municipal budgets with adjustments for inflation, capital financing and previous one-time uses of funding.

- Inflation: A 2% inflationary adjustment has been made to 2022 base budgets. In addition, inflationary adjustments have been made as per the terms of contractual agreements that dictate the prescribed calculation of inflation for 2023 assumed contracts.
- Capital: Capital needs of the NTC are significant, which requires a balance between operational budget affordability and capital sustainability. The triple majority strategy included the strategy to build up capital reserves and reserve PGT entirely for capital for long-term asset sustainability. The following strategies are included in the proposed 2023 budget, however a \$10.5 million gap in funding exists for the 10 year forecast and therefore capital will be realigned to available funding.
 - a) Phasing in \$6.5 million of required annual transfers to capital reserve over 3 years (\$2.17 million in 2023) as per triple majority strategy.
 - b) Continue to use \$1.61 million in Provincial Gas Tax (PGT) for operating budget. Triple majority strategy had started to phase this out of operating for capital in 2023 however due to other pressures the phase out is proposed to begin in 2024 instead offering savings of \$320,000.
 - c) In 2022, municipalities saw a decline in farebox revenues, which many mitigated with one time use of reserves totaling \$5.7 million. These reserves were funded from PGT or Safe Restart Funding (SSRF) which is not sustainable given the SSRF was a one-time provincial contribution and PGT is only \$6.8 million annually. Therefore, these one-time sources of funding have been removed from the 2023 NTC budget and the budget reflects the decline in revenue.

Additional items creating pressure in the 2023 budget are:

- Service enhancements adopted by the local area municipalities since 2020 and including 2022 in year enhancements.
- Changes in estimate of debt servicing costs for capital financing decisions made by the local area municipalities since 2020.

The budget includes labour related costs that accommodate the approved organization chart and corporate and administrative services supported by a shared services agreement that will be entered into with the Region. In accordance with the Budget Planning By-law the staff complement in Table 3 is provided for in the recommended

NTC budget and includes both headcount (number of employees which may include part time employees) as well as full time equivalents which converts headcount based on full time hours for each position as per the Budget Planning By-law. Modification to the staff complement in future budgets will be considered in accordance with Budget Planning By-law Section 4.8:

Table 3: NTC Staff Complement

Function	Head Count	Full Time Equivalents Temporary	Full Time Equivalents Permanent
Administration	5	0	5
Planning & Performance	27	1	23
Fleet	63	1	59.7
Operations	343	0	321.4
Shared Services	16	3.3	12.1
Totals	454	5.3	421.20

Capital Budget

The capital forecast below includes ‘in-flight’ capital projects totaling \$69.26 million gross and zero net that are being transferred to the NTC in accordance with the MTA as well as the ten year total of capital projects driving the capital financing strategy built into the operating budget. The ten year forecast will be part of future year budgets for approval as the NTC will focus efforts in 2023 on the ‘in-flight’ projects transferred. All of the strategies noted above are required to support the following ten year forecast but still result in a \$10.5 million funding gap which will require modification to the capital forecast if funding does not become available:

Table 4 (Millions): NTC Capital Forecast

Source	Gross 2023	10 year forecast 2024-2033	Total
In-flight	\$52.26		\$52.26
Additional Niagara Falls	2.00		2.00
In Flight Welland Facility		15.00	15.00
TOTAL IN FLIGHT PROJECTS	\$54.26	\$15.00	\$69.26
10 Year forecast		189.58	189.58
Growth forecast	0.00	40.80	40.80
TOTAL GROSS CAPITAL	\$54.26	\$245.38	\$299.65

Source	Gross 2023	10 year forecast 2024-2033	Total
Total External Funding (ICIP/PGT/DC's)	(54.26)	(169.90)	(224.16)
Net FUNDING (Reserves)	\$0.00	\$75.49	\$75.49

Note: Capital forecast table has removed 2034 for the forecast horizon as depicted in the presentation at the Niagara Transit Commission Special Meeting September 27, 2022.

The table above specifically itemizes two in-flight projects separately. One project being a Niagara Falls project for farebox harmonization still requiring additional provincial approval and the other a project for the existing Welland transit operations facility where timing has been modified to a future year to allow for a full facilities needs assessment and review to be completed by the NTC in 2023.

Any modification to the capital strategies included in the operating budget will increase the current funding gap and will jeopardize the NTC's ability to meet the Municipal contribution portions of the required Investing in Canada Infrastructure Program (ICIP) projects (see report NTC 19-2022 Investing in Canada Infrastructure Program – Intake 3). The NTC has been lobbying the Federal government for \$10.1 million for one-time transition capital and consulting projects to help fill some of the funding gaps.

The Region's recently approved DC by-law will support growth capital costs effective January 1, 2023 when the local area municipalities will cease to collect development charges for transit.

Opportunities and Risks

Throughout 2023, as staff are brought on board and the NTC becomes operational, a line by line review of the NTC's budget will be completed so that any mitigation opportunities in addition to the following are incorporated into future NTC budgets:

- Service level increases deferred to 2024 as per the triple majority strategy
- Increased farebox revenues by \$0.5 million in increased 2023 farebox revenues
- Using \$1.61 million in PGT for operating, phasing out over 3 years starting in 2024

As with any budget, there are risks that need to be managed throughout the year. The following risks are highlighted specific to the NTC:

- Increased student demand driving increases in service and costs

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- Inflation in excess of 2% such as fuel and insurance, however, it is recommended that real inflationary pressures be managed post budget once operational staff onboard and the NTC has line of sight to all pressures and opportunities
 - Cost of insurance and claims costs due to changes in deductibles and differences in municipal funding practices
 - Strategic supports not having adequate resourcing
 - PGT used in operating limits the NTC's capital program

Alternatives Reviewed

No additional alternatives are provided other than those noted above regarding phasing of capital funding. In 2023 a line by line review of the NTC's budget will be completed and may identify alternative mitigation strategies for use in 2024.

Other Pertinent Reports

N/A

Prepared by:

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

Recommended by:

Carla Stout
General Manager

Submitted by:

Bruce Zvaniga
Commissioner
Public Works

This report was prepared in consultation with Heather Talbot, Financial and Special Projects Consultant, Corporate Services, Matt Greenfield, Program Financial Specialist, Corporate Services, and Donna Gibbs, Director, Legal and Court Services, Corporate Services.

Appendices

Appendix 1	2023 NTC Operating Budget by Operating Expenditure
Appendix 2	2023 NTC Requisition by Municipality

2023 NTC Operating Budget by Operating Expenditure

Operating Expenditure	Total \$M
Labour Related Costs	36,762,584
Administrative	2,559,299
Operational and Supply	16,169,149
Equipment, Vehicles, Technology	9,182,304
Transfers to Capital Reserve	2,166,667
Debt	2,206,673
Shared Services	6,929,201
Total Gross Expenses	75,975,876
Revenues	(19,909,420)
Transfers from 2022 Encumbrance Reserve	(1,013,506)
Total Net Special Levy	55,052,950
One-Time Levy Estimate	1,931,540
2023 Special Levy	56,984,490

2023 NTC Requisition by Municipality

Municipality	Service Hour Allocation	Regional Assessment Allocation¹	Direct Municipal Allocation	Total Net Special Levy	One-Time Levy	2023 Special Levy
St. Catharines	13,927,190	4,253,082	2,370,000	20,550,272	1,220,633	21,770,905
Niagara Falls	9,000,394	3,506,595	2,054,974	14,561,963	423,140	14,985,103
Welland	4,104,835	1,381,264	1,275,000	6,761,099	287,767	7,048,866
Niagara-on-the-lake	1,145,274	1,439,735	0	2,585,009		2,585,009
Port Colborne	407,022	531,016	0	938,038		938,038
Pelham	407,022	711,489	0	1,118,510		1,118,510
Thorold	1,061,711	713,700	0	1,775,411		1,775,411
Fort Erie	1,831,377	1,044,527	0	2,875,904		2,875,904
Grimsby	407,022	1,272,758	0	1,679,779		1,679,779
Lincoln	407,022	1,020,420	0	1,427,442		1,427,442
West Lincoln	0	530,128	0	530,128		530,128
Wainfleet	0	249,394	0	249,394		249,394
Total	32,698,867	16,654,109	5,699,974	55,052,950	1,931,540	56,984,490

¹ Estimate based on 2022 Municipal assessment and is subject to update for final 2023 current value assessment.