
Report To: Board of Directors

Subject: 2023 Draft Budgets and Municipal Levies

Report No: FA-47-22

Date: November 18, 2022

Recommendation:

1. **THAT** Report No. FA-47-22 RE: 2023 Draft Budgets and Municipal Levies **BE RECEIVED**;
2. **THAT** the Board of Directors **CONSIDER** and **APPROVE** the following recommendations:
 - a. **THAT** the 2023 Draft Budgets & Municipal Levies **BE APPROVED** at the Board of Directors meeting on November 18th, 2022, for discussion with municipal staff, in accordance with Board approved Budget Assumptions.
 - b. **THAT** the targeted Land Securement Reserve contributions as per the Land Securement Strategy **BE PRESENTED** to municipal partners for their consideration, identified as an item below line in the Special Levy envelope.
 - c. **THAT** the list of 2023 unfunded pressures **BE PROVIDED** to partner municipalities for any future opportunities outside the 2023 budget through collaborative projects or external funding.
 - d. **THAT** NPCA staff **REPORT** the results of discussions with municipal staff to the 2023 Q2 Finance Committee and Board of Directors meetings.
 - e. **AND FURTHER THAT** a copy of the 2023 Draft Budgets and Municipal Levies **BE FORWARDED** to partner municipalities in advance of the November 18th, 2022, NPCA Board of Directors meeting.

Purpose:

The purpose of this report is to provide the Board of Directors with:

- 2023 General Levy Apportionment
- 2023 Draft Budgets & Municipal Levies (General and Special)
- 2023 Unfunded Pressures

Background:

In the development of the recommended budget assumptions for the 2023 budget process, Staff has reviewed and considered the following:

- Cost of living adjustments (COLA) and grid step increases
- Inflation (Consumer price index – CPI)
- Multi-year contractual obligations, including OPSEU collective agreement provisions
- Operating and Capital unfunded pressures
- Operational impact of the ongoing Covid-19 pandemic
- Focus on internal efficiencies
- Strong focus on external grants and full cost accounting for fee-for service programs to offset pressures on municipal levy
- Budget strategies from municipal partners
- General economic outlook and political climate
- Impacts on service delivery
- Asset management, state of good repair for asset base, capital funding gaps, deferred capital projects and building a sustainable capital plan
- Current program gaps and pressures
- Impacts of Conservation Act transition requirements related to the Conservation Authority Act update.
- Updated levy regulations, more specifically Ontario Regulation 402/22: Budget and Apportionment
- Approved Programs and Services Inventory

On November 14, 2022, the Finance Committee endorsed the 2023 Draft Budgets and Municipal Levies for approval by the Board of Directors (Recommendation No FC-24-2022).

Discussion:

2023 Draft Operating Budgets

Full details of the 2023 Draft Operating Budget are outlined in Appendix 1.

NPCA's overall 2023 operating budget of \$12,883 is supported by 53.9% (\$6.947M) municipal levy, 39.8% (\$5.129M) self-generated revenue, and 6.3% (807K) other revenues and grants including provincial and federal funding. Overall, the operating volume in this zero-based budget is projected to increase by 18.64% (\$2.02M), reflecting an increase of 27.95% from 2022 in authority generated funds along with significant externally funded activity. While the operating volume has increased to address gaps and achieve required service levels, overall municipal levy contributions to the overall budget envelope have decreased in 2023 (53.92%) from 2022 (58.37%).

Key drivers contributing to operating increases in 2023 include COLA, occupancy costs, more specifically insurance and utilities, and services related to regulatory mapping and data. Other contributing factors include CA Act requirements, salaries/benefits related to service gaps in land planning, development planning, parks, monitoring, watershed and climate change, etc. Please see Appendix 2 for current Organizational Chart.

2023 Draft Capital and Special Projects Budget

The 2023 Draft Capital and Special Projects budget represents past backlog and current critical priorities. Further to discussion with Niagara Region municipal staff, and in consideration of current pressures on municipal budgets, Staff is recommending a very conservative Special Levy Budget increase over 2022 for Capital and Special Projects of \$69,894. Other sources of funding represent an additional \$193,635, for a total proposed capital envelope for 2023 of \$2,018,159.

Full details of the 2023 Draft Capital and Special Projects Budget are outlined in Appendix 1.

Land Securement Reserve Contributions

The draft Land Securement Strategy 2022-2032 provides the framework for the NPCA to secure public greenspace effectively using established best practices, sound decision-making, sustainable and innovative financial models, and collaboration. The NPCA currently owns or manages 41 conservation areas which account for approximately 2,946 hectares (or 1.2%) of lands within its watershed jurisdiction. The Strategy guides the application of primary criteria focused on watershed features and functions while considering secondary criteria such as parcel size, securement method, and cost.

By collaborating with other land securement organizations and partners, applying for funding where possible, and launching a targeted landowner outreach program, the NPCA can expect to secure a minimum of 180 hectares (i.e., average 20 ha annually, 1 property per year secured) by 2032. As landowner outreach and land securement projects occur, momentum of the land securement program will likely increase and give rise to more landowner and funder/partner interest. If executed consistently, the more aggressive/optimal land securement target of 360 hectares secured by 2032 (i.e., average of 40 ha annually, two properties per year) may become attainable.

Annual Land Securement Investment Required:

Minimum: \$ 700,000
Optimal: \$1,400,000

Please note that the minimum contribution to the Land Securement Reserve has been calculated using modified CVA splits for each municipal partner and presented for consideration below the line on page 6 of Appendix 1.

Summary - 2023 Draft Municipal Levy

Levy Apportionment ratios and a detailed levy summary by municipal partner for 2023 are included in Appendix 1, page 7.

LEVY SUMMARY - 2023				
		2023	2022	
NIAGARA				
General Levy		5,235,095	4,767,623	
Special Levy		1,576,703	1,505,490	
SUB TOTAL		6,811,798	6,273,113	
Pandemic Funding		111,292	110,422	
SUB TOTAL		6,923,090	6,383,535	
Land Securement		538,710	-	
TOTAL		7,461,800	6,383,535	
HAMILTON				
General Levy		1,469,201	1,341,283	
Special Levy		232,786	232,986	
SUB TOTAL		1,701,988	1,574,269	
Land Securement		148,039	-	
TOTAL		1,850,026	1,574,269	
HALDIMAND				
General Levy		131,516	118,420	
Special Levy		15,035	12,697	
SUB TOTAL		146,550	131,117	
Land Securement		13,252	-	
TOTAL		159,802	131,117	
CONSOLIDATED				
General Levy		6,835,812	6,227,326	
Special Levy		1,824,524	1,751,173	
SUB TOTAL		8,660,336	7,978,499	
Pandemic Funding		111,292	110,422	
SUB TOTAL		8,771,628	8,088,921	
Land Securement		700,000	-	
TOTAL		9,471,628	8,088,921	

NPCA has carefully considered levy strategies provided by municipal partners in drafting the 2023 Draft Budgets and Municipal Levies. Further to preliminary discussions with municipalities, Staff will be preparing analytics and evaluations of service level impacts for future discussion recognizing significant operating pressures, current political climate, CA Act amendments and inflation levels.

2023 Unfunded Budget Priorities

In the last several years, NPCA's ability to undertake both operating special projects and capital investments have been significantly impacted by a lack of financial resources. The following issues contributed in part:

- a) The COVID 19 Pandemic continues to exert a great deal of pressure on NPCA's Greenspace and Parks. NPCA needs to make significant investments in infrastructural upgrades and staffing resources to safely serve our communities. An Asset Management Plan and Financing Strategy is currently being completed and provide further refinement to the Asset State-of Good Repair Gap and funding requirements
- b) Staff anticipates significant planning and growth pressures in the coming years in the NPCA's jurisdiction requiring NPCA to proactively invest in science and information to support decision making.
- c) Completion of NPCA 10 Year Strategic Plan has identified several gaps and priorities that NPCA must address in the coming years.
- d) Conservation Authority Act update and associated regulations requires several transition priorities to be completed in 2023 and beyond this includes significant number of investments in updating conservation areas management plans.

An assessment of current unfunded pressures was prioritized by Staff. These initiatives (\$8.420M), classified in 6 categories are detailed in Appendix 1.

Financial Implications:

NPCA's 2023 Budgets and Municipal Levies have been developed in accordance with the existing levy guidelines of *The Conservation Authorities Act (CAA)*.

On October 4, 2021, Phase 1 Conservation Authorities Act regulations were finalized, and specify the programs and services that CA's must provide, set out transition plans and agreement requirements and consolidate the conservation area regulations. The Phase 2 regulations and policy under the CA Act have been finalized and are financial and administrative in nature. Details are outlined under Background above.

The NPCA is required to prepare annual budgets as part of the fiscal control and financial responsibilities of the organization. The budget is also used in the audit process for evaluation by the external auditing firm. Annual audits are required as per Section 38 of the *Conservation Authorities Act*.

Unfunded pressures are currently not included in the 2023 Budget. A diverse range of strategies will be deployed to address these gaps. Staff will investigate external funding sources and liaise with external stakeholders and all levels of governments to look for collaborative opportunities outside the existing budget processes.

Related Reports and Appendices:

Appendix 1: NPCA 2023 Draft Budgets & Municipal Levies

Appendix 2: Current Organizational Chart (adapted for CA Act changes and corporate realignment)

Available upon request:

1. Land Securement Strategy – 2022 to 2032
2. Strategic Plan – 2021 to 2031

Links To Policy/Strategic Plan:

Partner of Choice

Goal 4.1 Strengthen government relations toward collective outcomes and impact

Organizational Excellence

Goal 5.2 Improve internal operations and processes

Financial Sustainability:

Goal 6.1 Ensure responsible, sustainable, and sound fiscal practices

Goal 6.3 Improve asset management and close the state of good repair gap

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