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**Report To: Board of Directors**

**Subject: 2021 Draft Operating and Capital Budgets**

**Report No: FA-59-20**

**Date: November 19, 2020**

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**Recommendation:**

1. **THAT** Report No. FA-59-20 RE: 2021 Draft Operating and Capital Budgets **BE RECEIVED**.
2. **THAT** Report No. A&BC-11-20 RE: 2021 Draft Operating and Capital Budgets **BE APPROVED** for discussion with participating municipal staff, in accordance with Board approved Budget Assumptions.
3. **THAT** Staff continue to discuss the possibility of reinstating the Land Acquisition Reserve contributions with municipal funding partners.
4. **THAT** the list of 2021 unfunded pressures **BE PROVIDED** to partner municipalities for any future opportunities outside the 2021 budget through collaborative projects or external funding;
5. **THAT** NPCA staff **REPORT** the results of discussions with participating municipal staff to the 2021 Q1 Finance Committee meeting.

**Purpose:**

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

- 2021 Budget Assumptions
- 2021 Levy Apportionment
- 2021 Draft Operating and Capital Budget
- 2021 Unfunded Pressures

## Background:

In July 2020, the Board considered the Budget Assumptions for 2021 which included a 1.75% COLA adjustment (as negotiated through the Collective Agreement approved by the Board of Directors), and a 2% provision for inflation. In the development of the recommended budget assumptions for the 2021 budget process, Staff 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 for 2021.
- Operating and capital unfunded pressures
- Operational impact of the Covid-19 pandemic – 2020 and beyond
- Budget guidelines from municipal partners
- Budget process and structure from other conservation authorities
- General economic outlook and political climate
- Implications of Bill 108 and provincial funding
- 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
- New programs and growth initiatives

NPCA has received 2021 budget guidance from Niagara Region, which includes a provision for a 2% increase over 2020.

At the time this report was drafted, Staff had not received 2021 Budget Guidelines from the City of Hamilton, however unofficially, budget guidance is expected to come in at 2% against 2020. Budget guidelines from Haldimand County have not been received yet.

Please note that expenses budgeted in 2021 specific to the Covid-19 Pandemic have been presented as a separate line item, in accordance with budget guidelines from Niagara Region.

On October 29, 2020 Report No. A&BC-11-20 – 2021 Draft Operating and Capital Budgets was presented to the Audit and Budget (Finance) Committee, and the following resolutions were passed in part:

***THAT Staff PROVIDE a justification report to support the two additional FTE's included in the Draft 2021 Budget.***

***THAT the Committee REQUESTS Staff include in 2021 budget presentations the re-initiation of Niagara Region's contribution to the Niagara Land Acquisition Reserve.***

***THAT the Finance Committee RECOMMENDS that the Board approve the 2021 Draft Operating and Capital Budgets for discussions with participating municipal Staff.***

The 2021 General Levy Apportionment as per guidance provided by MNRF breaks down as follows, with comparable statistics for 2020:

<b>2021 Levy Apportionment</b>			
	<b>2021</b>	<b>2020</b>	<b>Variance</b>
Niagara	76.9811%	77.2459%	-0.2648%
Hamilton	21.1565%	20.9048%	0.2517%
Haldimand	1.8624%	1.8493%	0.0131%
Total	100.0000%	100.0000%	0.0000%

### **Discussion:**

Draft 2021 Operating Budget – see Appendix 1.

Overall, revenues and expenses in this zero-based budget are projected to increase by \$390,748, (3.9%), due in large part to anticipated increases in Authority generated funds in Park Operations and Permits/Regulatory Fees. The increase to the Municipal General Levy is in line with Board approved Budget Assumptions: 1.98%, or \$120,823. Gap of approx. \$108,985 resulting from transfer of Niagara Region Tree and Forest Conservation By-Law administration has been addressed through internal efficiencies, gapping and self-generated revenues within the 2021 budget.

### **2021 Operating Budget – Staff Complement**

Included in the 2021 Draft Operating Budget is an addition of 2 FTE to the staffing complement. Further to resolutions from the October 29, 2020 Finance Committee meeting, please note the rationale below for each FTE based on an internal business case.

#### Watershed - Ecological Technician

Based on the current volume of Planning Act and NPCA Permit applications, the NPCA is unable to consistently meet the current CO review timelines (under the new Client Service Standards) with one Ecological Technician. This has placed considerable workload on one staff position serving the entire jurisdiction. In addition, the volume of work does not allow proper review on other items within the organization such as Environmental Assessments, restoration projects or projects on NPCA land. As such, by securing a second position, this will allow the NPCA to achieve Client Service Targets established by CO and ensure better quality application reviews. It should be noted also that the addition of this position to complement brings staffing back to pre-2018 levels to provide adequate planning ecology capacity.

#### Human Resources – Health and Safety

This role would be pivotal in validating NPCA's commitment to protecting the health and safety of our staff. In the CA environment there is a wide variety of work performed that may have varying requirements when it comes to health and safety, alongside legislated requirements (i.e. ice, heights, swift water, etc.) The impact of COVID-19 in 2020, coupled with anticipated additional health and safety measures will require continued focus for the foreseeable future. As such, a dedicated Health

and Safety position is critical. It should be noted that NPCA will be classifying this position as incremental pandemic expenses in an effort to capitalize on anticipated external funding sources (i.e. Safe Restart).

While the Joint Occupational Health and Safety Committee (JOHSC) ensures adherence to legislation, there are many updates and proactive tasks that they would like to prioritize: an update of the health and safety policy manual, implementation of the MSDS online program and performance of an organization wide risk assessment. Current workload of existing staff is such that these tasks cannot be undertaken without additional human resources. This professional and trained expert will also support NPCA Park operations on how to best protect the safety of our patrons. This FTE also represents a much needed redundancy in the Human Resources department to serve the growing needs of the organization.

### **Special Levy – Land Acquisition - Hamilton**

Since 2016, the City of Hamilton has contributed \$100,000 annually to a Land Acquisition Reserve. The current reserve balance as at December 31, 2019 is \$994,152.

In 2020, in anticipation of the adoption of a formal land acquisition strategy for the NPCA, it was decided that a contribution to the Land Acquisition Reserve from the City of Hamilton would be deferred. NPCA's Land Acquisition Strategy is currently in progress and scheduled to be completed in the Spring of 2021.

Staff would like to initiate discussions with Hamilton Staff on the feasibility of a Land Acquisition Reserve contribution in the amount of \$100,000, presented below the line.

### **Special Levy – Land Acquisition – Niagara**

From 2016 to 2018, Niagara Region contributed \$500,000 annually to a Land Acquisition Reserve, adding \$1.5M to an opening balance of \$298,176. The current reserve balance as at December 31, 2019 is \$1.798M.

In 2019, the NPCA Board of Directors passed a resolution to reverse the proposed 2019 contribution of \$500,000 for the Niagara Land Acquisition Reserve. In 2020, in anticipation of the adoption of a formal land acquisition strategy for the NPCA, it was decided that a contribution to the Land Acquisition Reserve from Niagara Region would be deferred. NPCA's Land Acquisition Strategy is currently in progress and scheduled to be completed in the Spring of 2021.

Staff would like to initiate discussions with Niagara Region Staff on the feasibility of a Land Acquisition Reserve contribution in the amount of \$500,000, presented below the line.

## Draft 2021 Capital Budgets

2021 Capital Budget targets, in accordance with Budget Assumptions:

<b>2021 Capital - Target</b>		
2020 Special Levy - Niagara		1,103,236
2020 Special Levy - Hamilton		203,552
2020 Special Levy - Haldimand		12,904
Sub Total		1,319,692
2% CPI per budget assumptions		26,394
<b>2021 Capital Target</b>		<b>1,346,086</b>

Please see Appendix 2(a) for consolidated summary and Appendix 2(b) for details on the 2021 Draft Capital Budget.

Overall, critical capital requirements supported by municipal Special Levy proposed for the 2021 fiscal year exceed the capital target:

Target	\$ 1,346,086
Proposed	1,465,216
Shortfall	\$ 119,130

In an effort to ensure critical infrastructure and health/safety projects for 2021 can be undertaken, Staff will be seeking external funding and/or grant opportunities, ensuring we explore all available alternatives. Staff are also investigating access to OPG Funding under the terms of the existing MOU. Additionally, Niagara Region may consider a provision for incremental COVID-19 related expenses. To that end, these expenses have been presented as a separate line item. Budgets will be adjusted accordingly in the next few months subsequent to discussions with our municipal partners.

## Unfunded Budget Pressures

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:

- The organization is currently in the process of undertaking a significant amount of work to address the 2018 Auditor General Recommendations requiring substantial staff resources and incremental costs.
- The COVID 19 Pandemic has exerted a great deal of pressure on NPCA Greenspace and Parks. NPCA needs to make significant investments in infrastructure upgrades and staffing resources to be able to safely serve our communities.
- Staff anticipate significant planning and growth pressures in the coming years in the NPCA jurisdiction requiring NPCA to invest in proactive science and information to support decision making.
- NPCA's assets and infrastructure have a significant state-of good repair backlog and gaps that needs to be addressed.
- Full impact of Conservation Authority changes through Bill 229 are currently unknown.

A preliminary assessment of current unfunded pressures was prioritized by Staff. These initiatives (\$7.4M), classified in 3 categories outlined below are listed in Appendix 2.

### **Restoration and Shoreline Resiliency:**

The watershed entrusted to the Niagara Peninsula Conservation Authority (NPCA) is environmentally degraded as evident from its fragmented natural areas and poor surface water quality. Previous studies by the NPCA have estimated that the watershed achieves only fifty-six percent (56%) cumulatively towards the minimum thresholds for several ecological objectives that science recommends for an environmentally viable landscape. Ambient monitoring also indicates most of the watershed's surface waters suffer from poor to marginal water quality. Climate change is causing significant and far-reaching impacts on both local watercourses and the Great Lakes whose shorelines are complex ecological and social-political environments. Demonstrating leadership towards ensuring resilient natural environment systems and shorelines through the maintenance and enhancement of natural features with an emphasis on nature based solutions under an adaptive management approach entirely aligns with NPCA's local natural resources management mandate.

### **Planning and Growth Pressures**

A prime mandate of the NPCA is to keep people and property safe from the impacts of natural hazards. To this end, the NPCA administers Ontario Regulation 155/06 *'Development, Interference with Wetlands and Alterations to Shorelines and Watercourses'*, made under Section 28 of the Conservation Authorities Act. Works proposed to be undertaken in an area regulated by the NPCA require that a permit be obtained prior to undertaking construction. In addition, the NPCA has been delegated the responsibility by the Ministry of Natural Resources and Forestry to represent the provincial interest with respect to natural hazards under Section 3.1 of the Provincial Policy Statement (2020). This responsibility includes the NPCA commenting on municipal documents such as Official Plans, Zoning Bylaws and Planning Act applications. A key component to administering these pieces of legislation is understanding where these natural hazards are located in order to assist the NPCA in directing development away from hazard-prone lands.

### **State of Good Repair**

The NPCA completed an operational asset review in Q2 2020. The review included updating the condition of every NPCA-owned asset. The result of the project concluded that the majority of NPCA assets were in fair to poor condition. The asset review led to the creation of a multi-year capital plan to upgrade and sustain all NPCA assets at an appropriate standard. When analyzing the conditions of the assets it was deemed that several Conservation Areas needed to be addressed.

The NPCA's Conservation Areas saw a substantial increase in visitation in 2020, which exposed several assets that were in poor condition. Day use attendance revenue at NPCA active parks, including Ball's Falls, Binbrook, Chippawa Creek and Long Beach, increased significantly in 2020 despite capacity limitations due to COVID-19. NPCA staff also noted a substantial increase in visitors at NPCA's popular passive parks. The increase in park visitation exposed some NPCA asset weaknesses which include conservation area signage: entrance, visitor information and educational signs.

Green Infrastructure is an additional area that NPCA staff would like to address in improving the condition of its current assets. Repairs and replacements to bicycle parking, solar recharge stations and shade structures are projects to enhance the current condition of conservation areas.

The NPCA is responsible for 41 conservation areas covering 7300 acres of property. We are fortunate to have many incredible properties that offer a variety of uses for people to enjoy, including passive recreational uses. NPCA's hiking trails need enhancements to bring existing trails back to a good condition. Projects such as widening trails, repairs to trailside seating, boardwalks, accessibility trail repair and landscaping will bring the trails to an appropriate standard.

Infrastructure assets at the NPCA's active conservation areas are concerning. These assets include septic systems, roadways, comfort stations, pavilions, workshops, among other assets. Most roadways are in poor condition and are in much need of repair. With an increase in visitors and more people and vehicles in the conservation areas, speed bumps have become an important method to control the flow and speed of traffic for health and safety reasons.

The equipment asset classification currently has several assets in exceedingly poor condition. Best practice for frequently-used equipment such as mowers, utility vehicles and tractors is to assign an asset life cycle of 4 to 5 years. The majority of high-use equipment utilized by NPCA staff is over 10 years old. Ageing, deteriorating equipment has led to an increase in equipment maintenance costs as well as a decrease in operational efficiency.

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## Summary – 2021 Municipal Levy

Summary - 2021	2020	2021	Variance	%
<b>Niagara</b>				
- General Levy	4,706,327	4,684,681		
- Special Levy - Capital	1,103,236	1,241,073		
Sub Total	5,809,563	5,925,754	116,191	2.00%
- Covid-19 Pandemic	-	109,464	109,464	
<b>Total</b>	<b>5,809,563</b>	<b>6,035,218</b>	<b>225,655</b>	<b>3.88%</b>
<b>Hamilton</b>				
- General Levy	1,273,658	1,307,251		
- Special Levy - Operating	23,315	-		
- Special Levy - Capital	180,237	199,503		
<b>Total</b>	<b>1,477,210</b>	<b>1,506,754</b>	<b>29,544</b>	<b>2.00%</b>
<b>Haldimand</b>				
- General Levy	112,671	112,077		
- Special Levy - Capital	12,904	24,640		
<b>Total</b>	<b>125,575</b>	<b>136,717</b>	<b>11,142</b>	<b>8.87%</b>
<b>Consolidated</b>				
- General Levy	6,092,656	6,104,009		
- Special Levy - Operating	23,315	-		
- Special Levy - Capital	1,296,377	1,465,216		
Sub Total	7,412,348	7,569,225	156,877	2.12%
- Covid-19 Pandemic	-	109,464	109,464	
<b>Total</b>	<b>7,412,348</b>	<b>7,678,689</b>	<b>266,341</b>	<b>3.59%</b>

*The 2020 Hamilton Special Levy in support of Capital expenditures does not include debt funding for capital projects in the amount of \$1.210M.*

### Financial Implications:

*The Conservation Authorities Act (CAA) Act defines operating expenses under Section 1 of the Act and further explains operating funding under Section 27.*

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 2021 budget process as the regulations defining these programs have not yet been developed.

The CAA also enables the Authority to establish Fees as outlined in Section 21.2.1 of the Act which is included in the 2021 budget.



*The Conservation Authorities Act (CAA)* Act enables capital projects and the funding thereof through Sections 24, 25 and 26.

Unfunded pressures are currently not included in the 2021 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. These unfunded priorities will be continuously prioritized and incorporated into future budgets as appropriate.

**Related Reports and Appendices:**

Appendix 1: NPCA 2021 Draft OPERATING Budget

Appendix 2(a): NPCA 2021 Draft CAPITAL Budget – Summary

Appendix 2(b): NPCA 2021 Draft CAPITAL Budget - Detailed

**Authored by:**

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