

# Long Range Financial Plan Review

Finance and Corporate Services Committee  
April 24, 2013

To review progress since the creation of the long range financial plan in 2009. This presentation provides a review of:

- The Corporation's Financial Policy Framework
- Financial Performance to Date
- Factors Influencing Future Performance

- Initiated in 2008 (updated in 2009 and 2010), the Financial Policy Framework is the corporation's "financial playbook"
- Contains policy directions, performance expectations (targets and/or thresholds) and identifies accountability for reporting
- Reflects legislative requirements and Council-approved discretionary limits
- Must be reviewed (at least) within the first year of each new Council's term

Municipal Property Taxes not to exceed 4% of average household income



Water and wastewater charges not to exceed 2.5% of average household income



Capital and operating costs for water, wastewater and parking operations to be 100% recovered by fees



Capital Reserves are to be used for the future replacement or acquisition of capital assets



Beginning in 2011, the budgeted contribution to the Tax Capital Reserve should be increased annually over 12 years so it is equivalent to the annual amortization charge



When the construction of new capital infrastructure is authorized, a corresponding contribution to the Tax Capital Reserve equivalent to its annual amortization should be included in the budget



The Rate Stabilization Reserves provide rate stability by smoothing the effect of variable or unanticipated expenditures or revenues and funding for one time or short term requirements



Annual tax supported operating surpluses be allocated 30% to the Tax Rate Stabilization Reserve and 70% to the Tax Capital Reserve



Minimum balance in the Tax Rate Stabilization Reserve is 5% of gross operating revenues (excluding transfers to capital, specific reserves, and debt principal repayments)

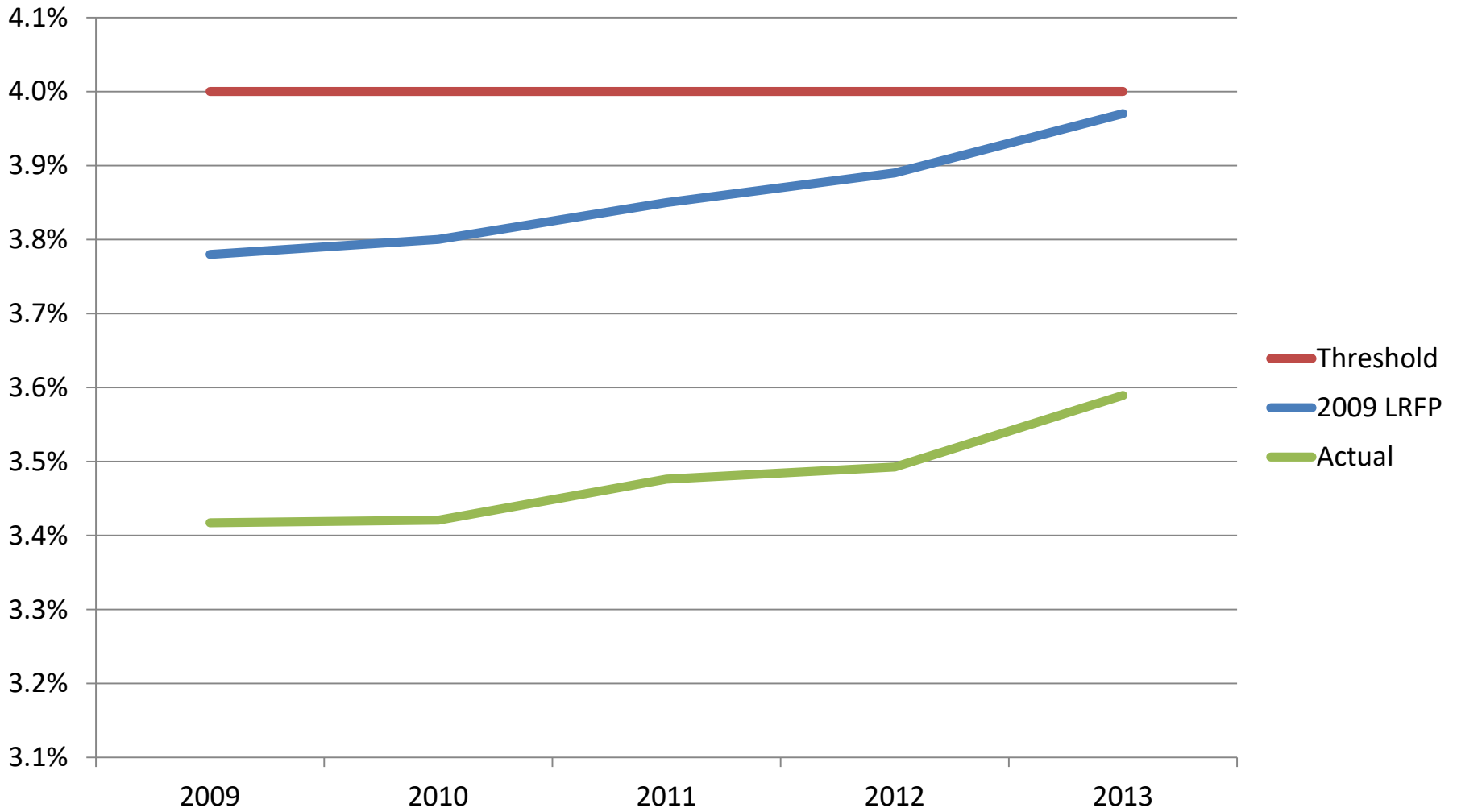


Minimum balance in the Water & Wastewater Rate Stabilization Reserves is 10% of gross operating revenues

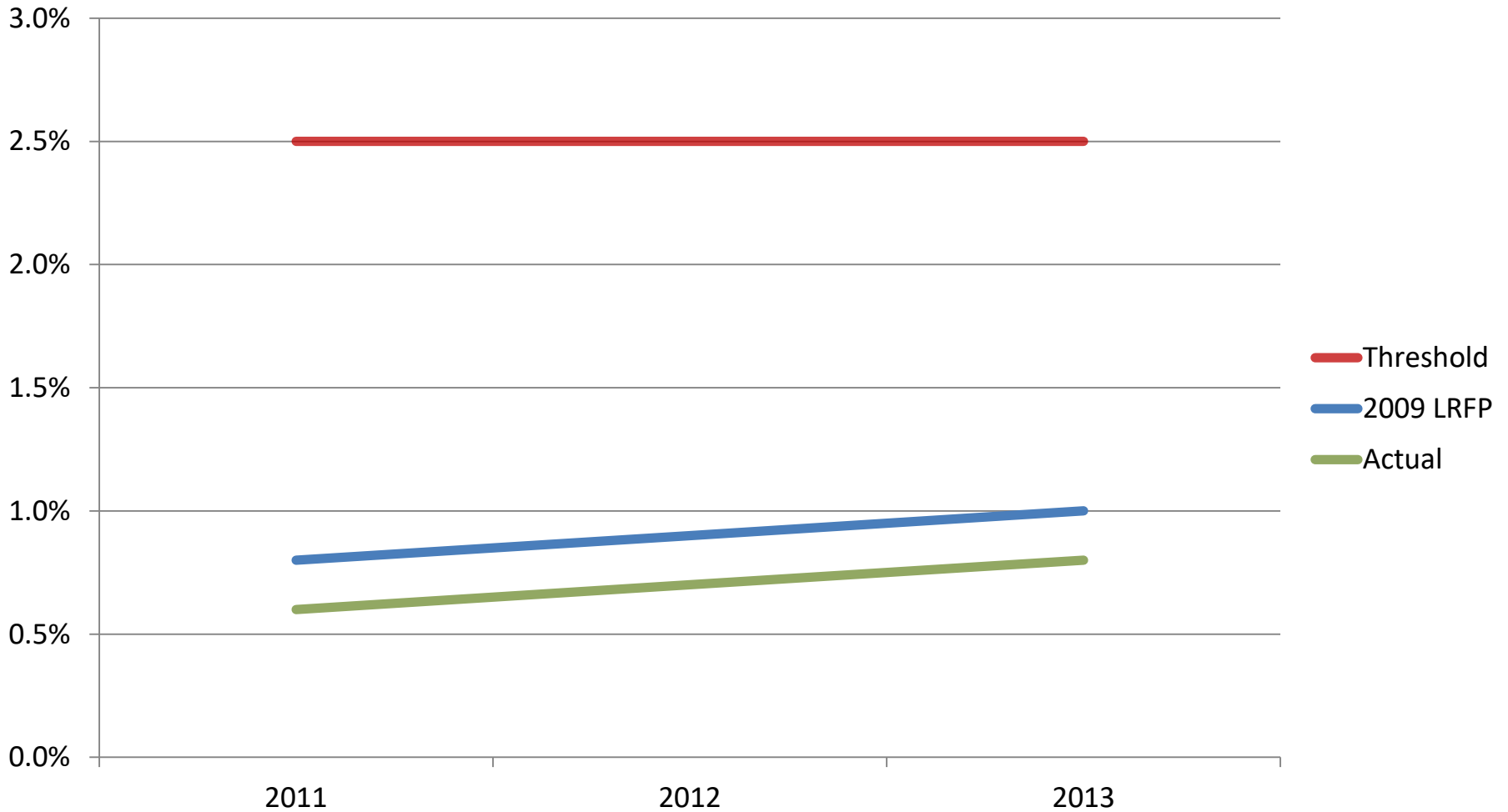


# Financial Performance to Date

### Property Tax as a Percentage of Income

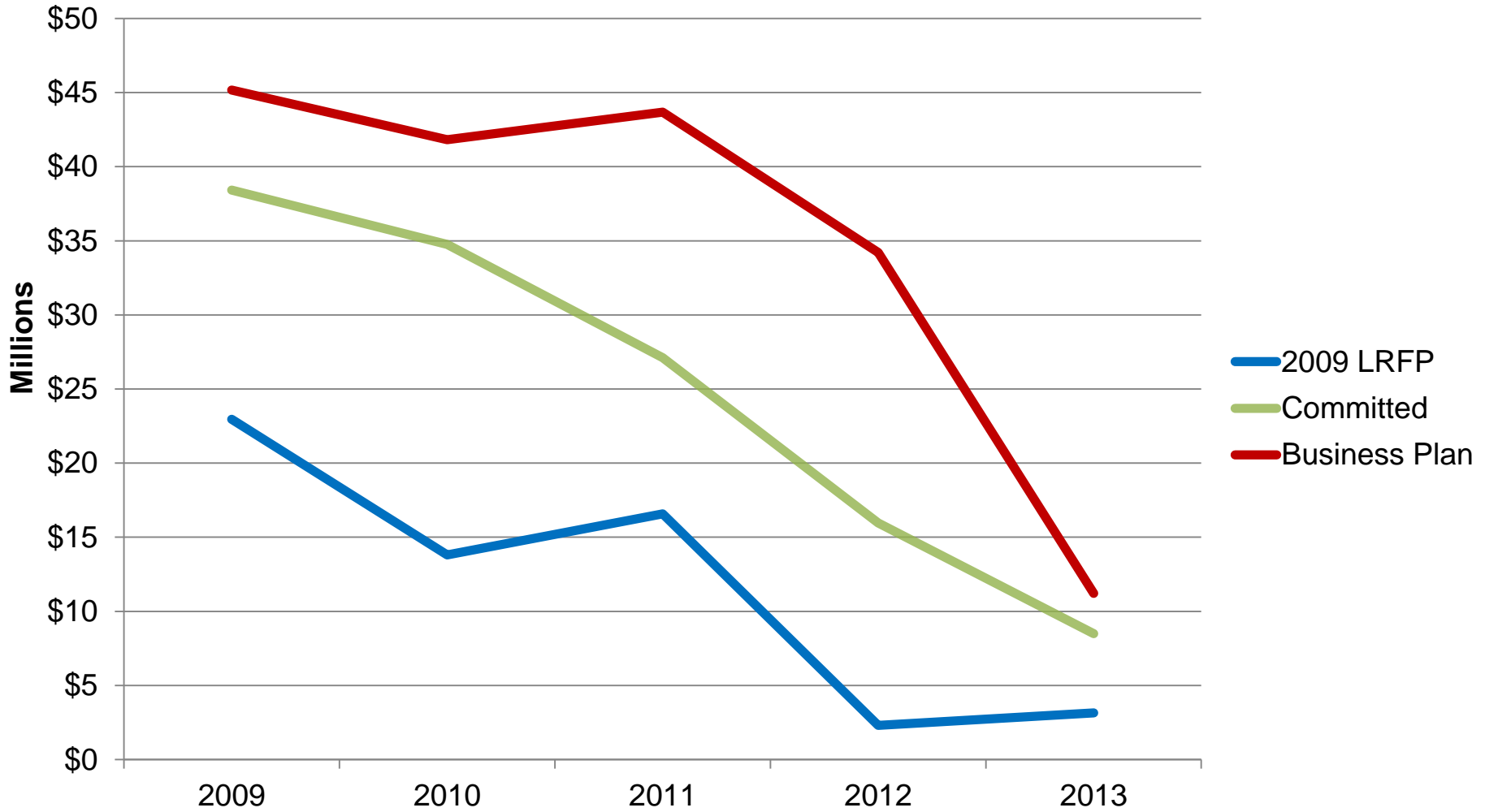


### Water/Wastewater Cost as a Percentage of Income

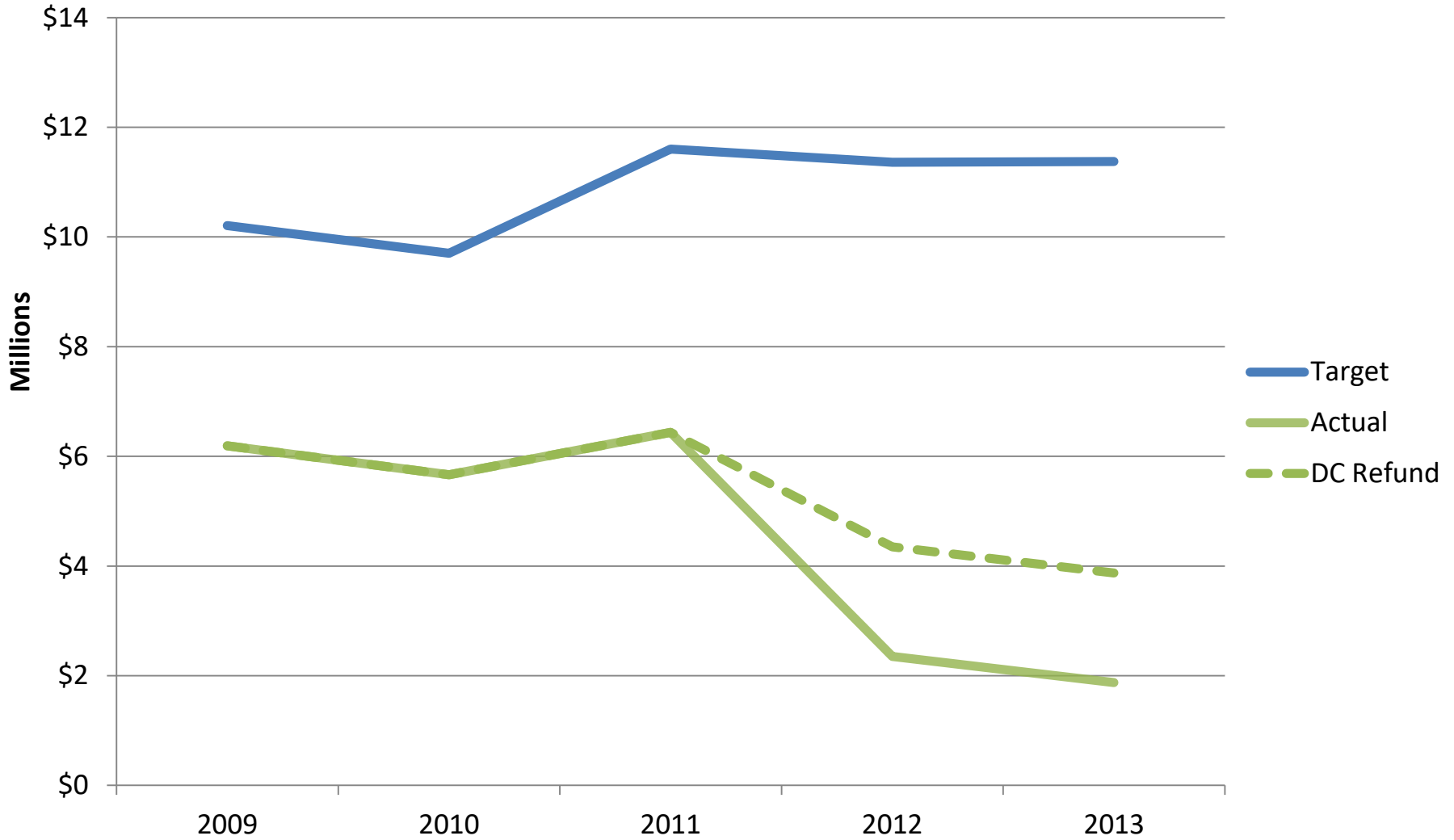




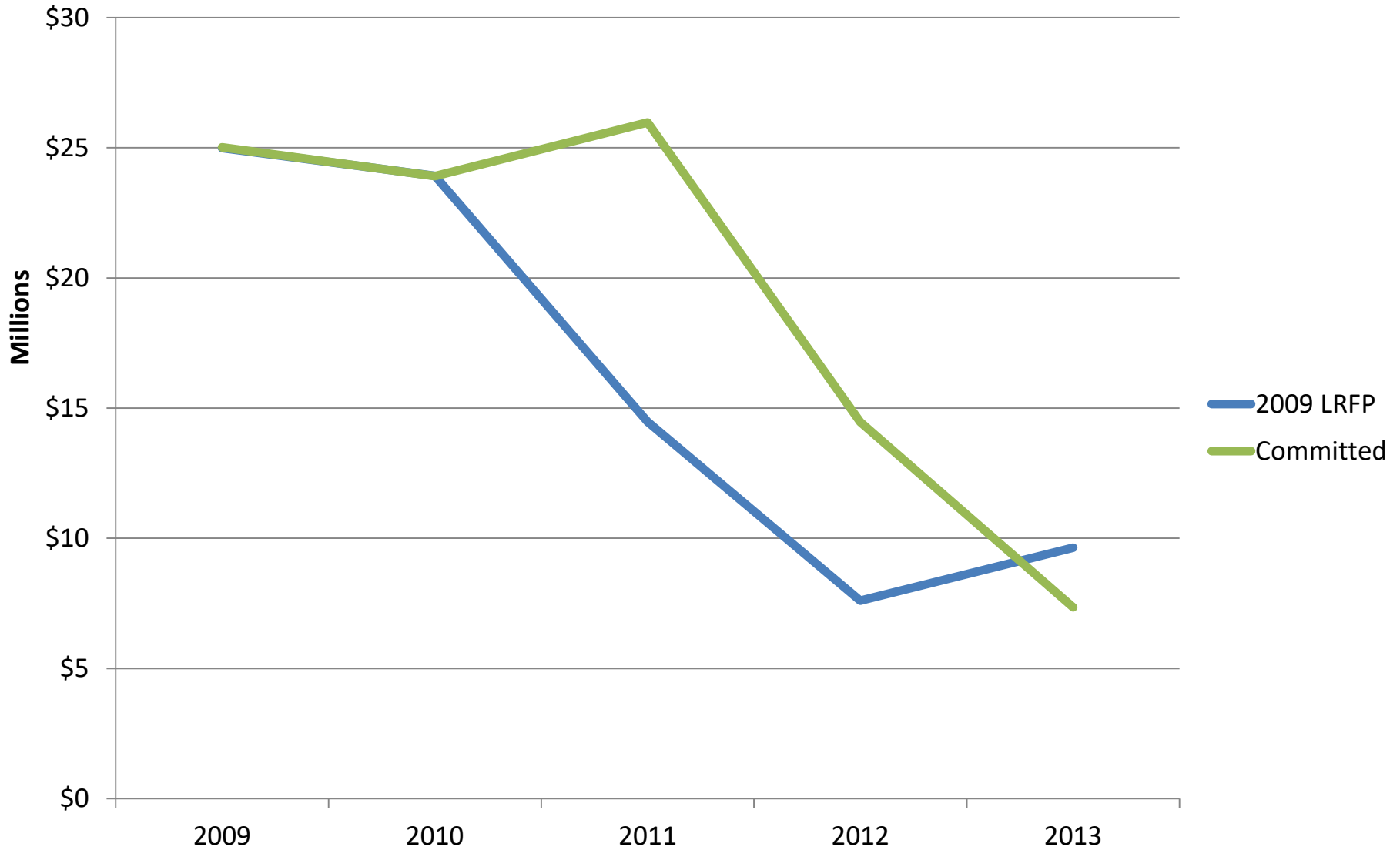
## Tax Capital Committed Reserve Balance



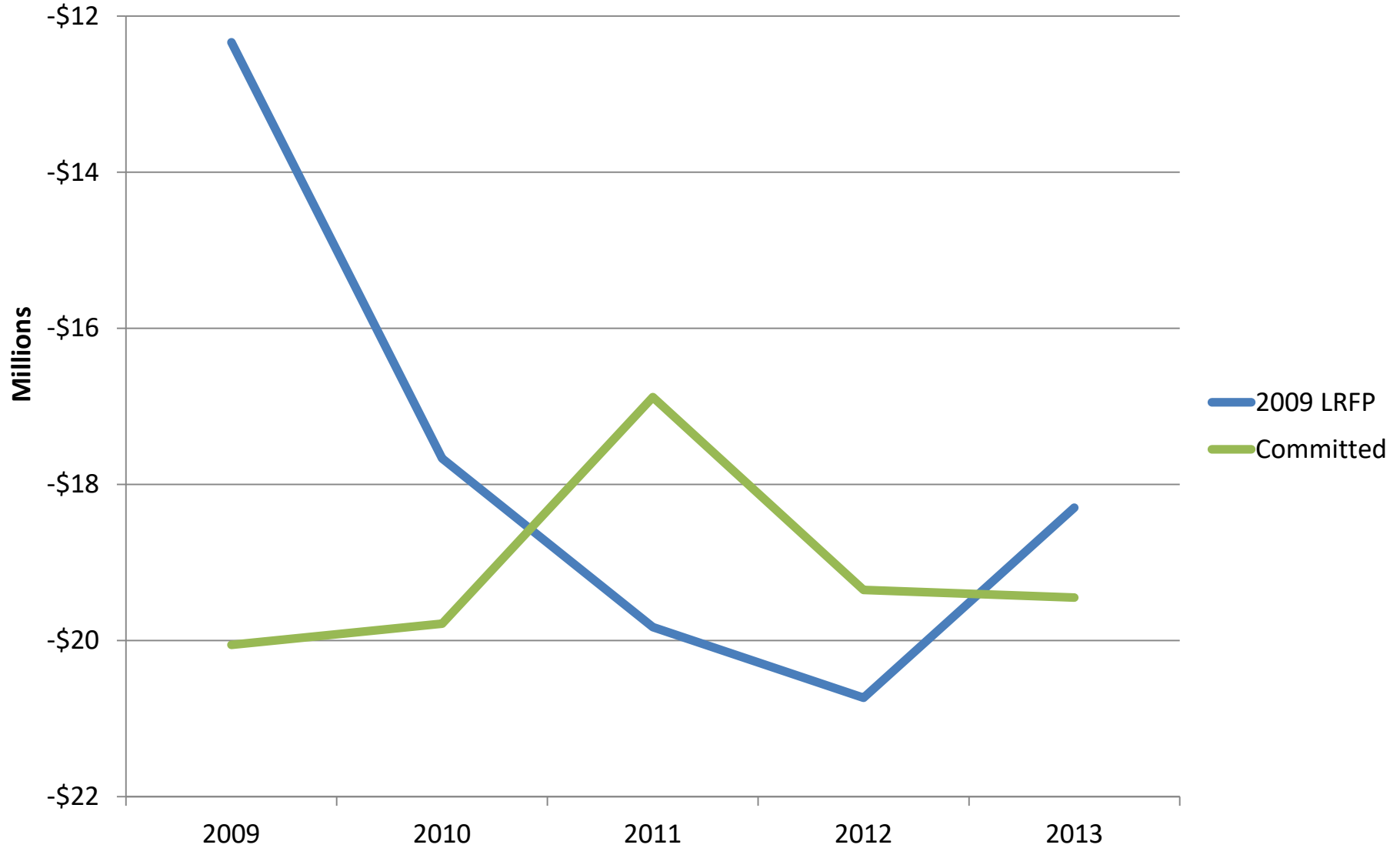
### Tax Stabilization Reserve: Recommended vs Actual



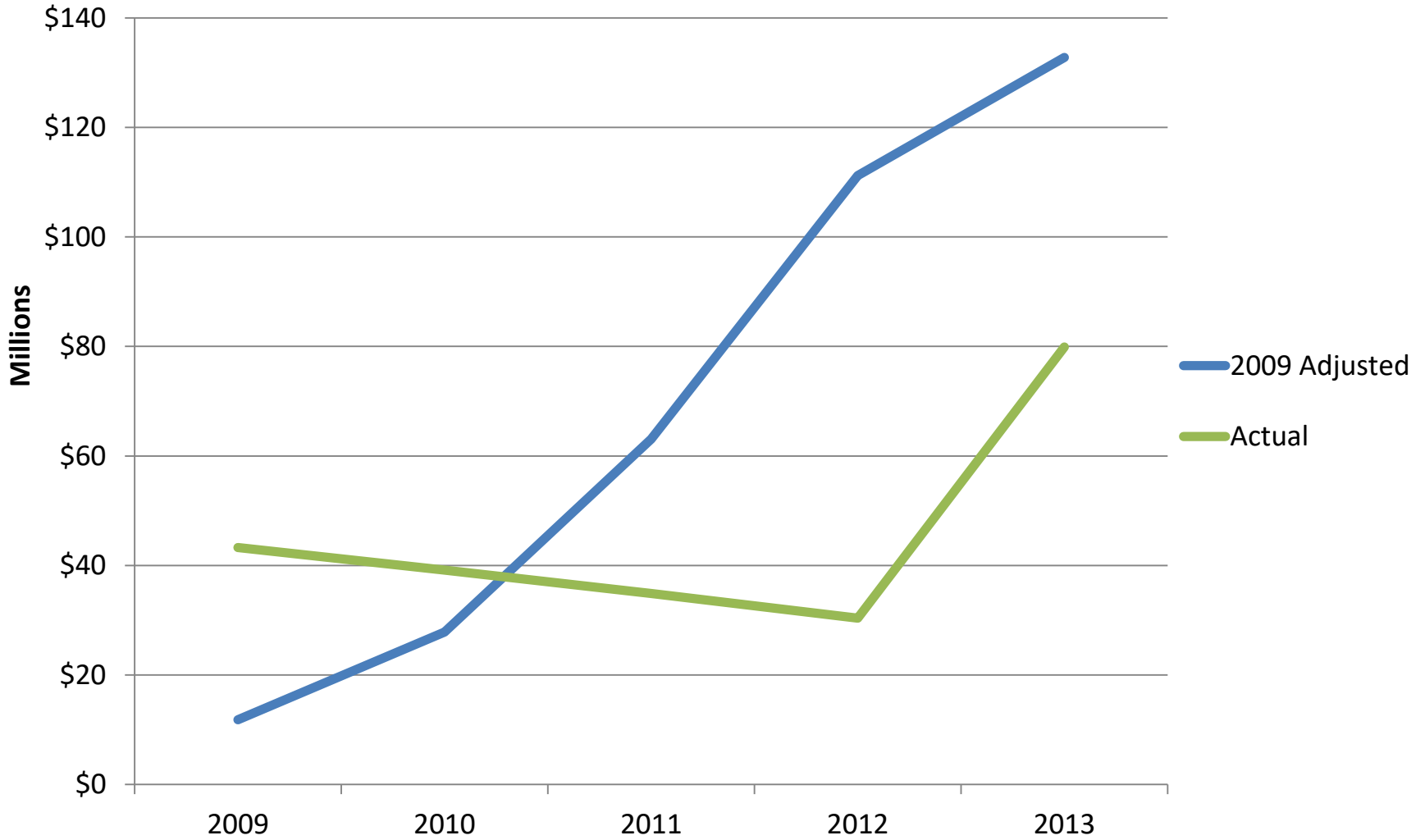
### Water Reserve Balance

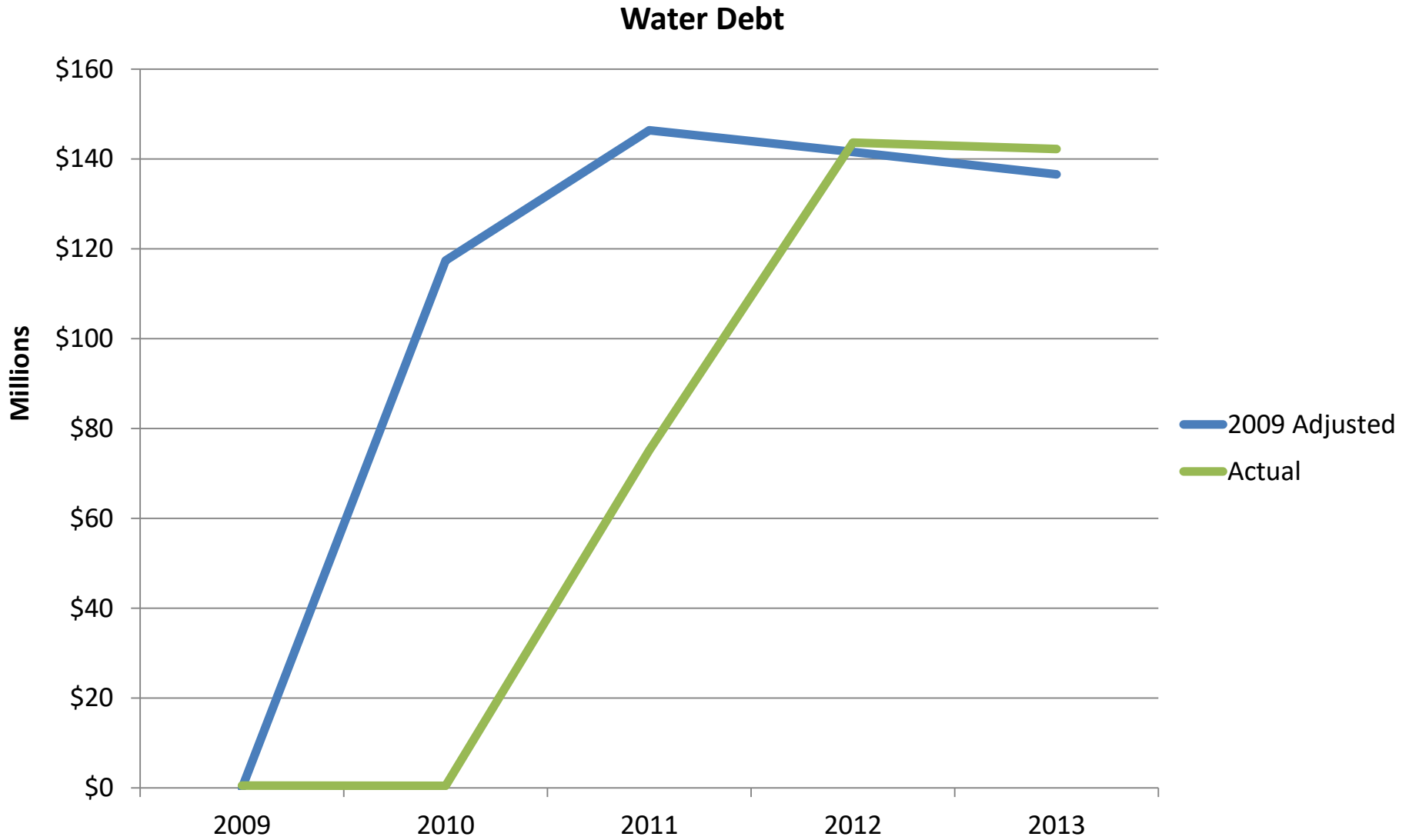


### Wastewater Reserve Balance



### Tax Debt



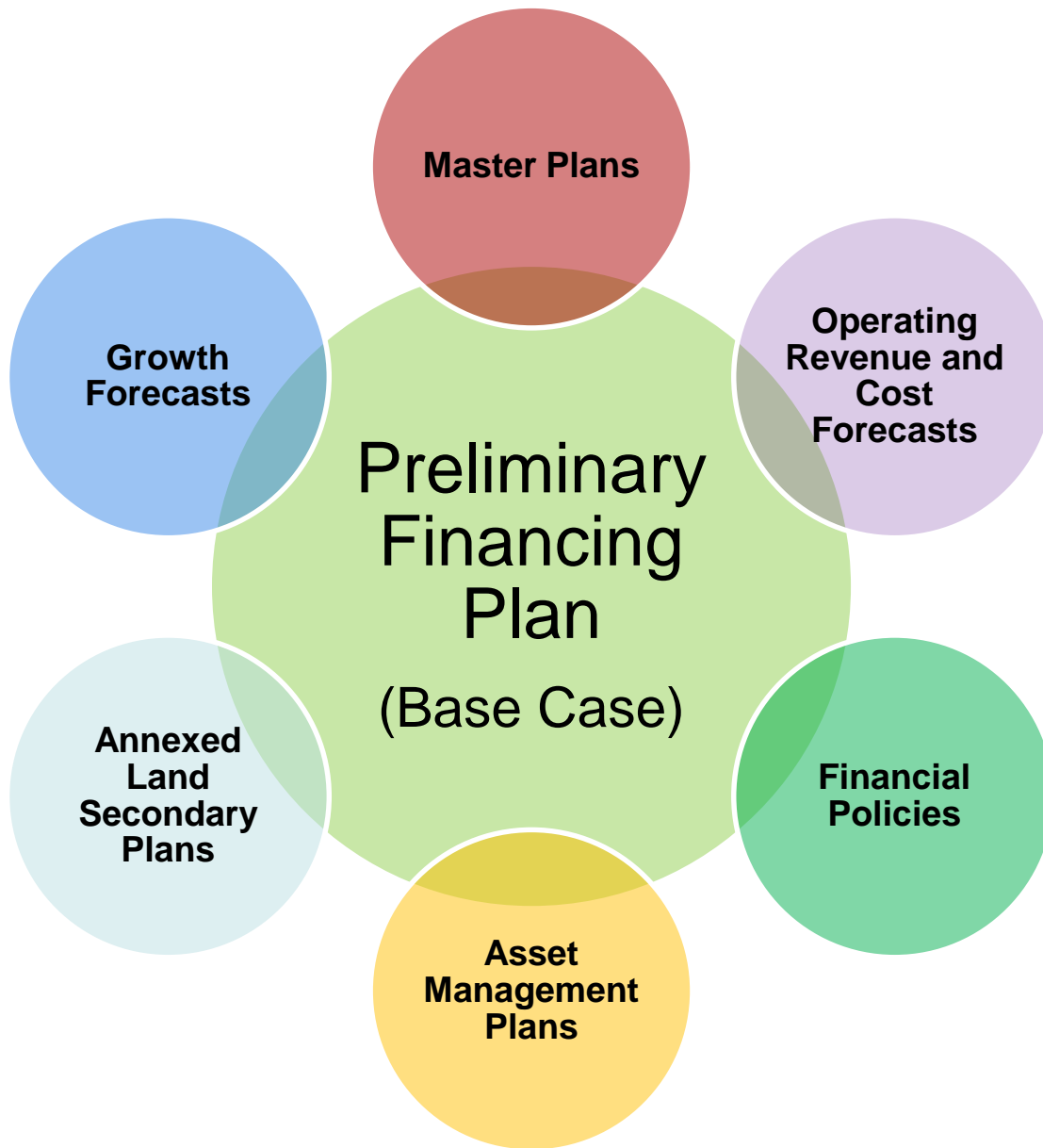




- Address legislated obligations and specific directions set by Council (Marina, Elections, and Library etc..)
- Typically based on known financial obligations resulting from past transactions/events
- Value of legislated obligations significantly exceed current reserve balances



# **Factors Influencing Future Performance**

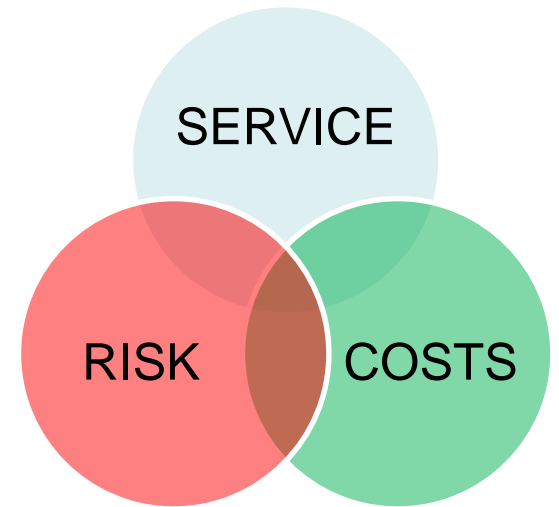


Financing Plan options will consider:

- Operating and capital cost adjustments
- Changes to anticipated service levels
- Changes to timing of service provision
- Level and timing of non-tax financing sources
- Level and timing of Developer Contributions
- Financial Policy Framework changes

□ Affordability concerns result in asset investment deferrals:

- Deteriorating infrastructure
- Reduced level of service
- Increased exposure to the risk of failure

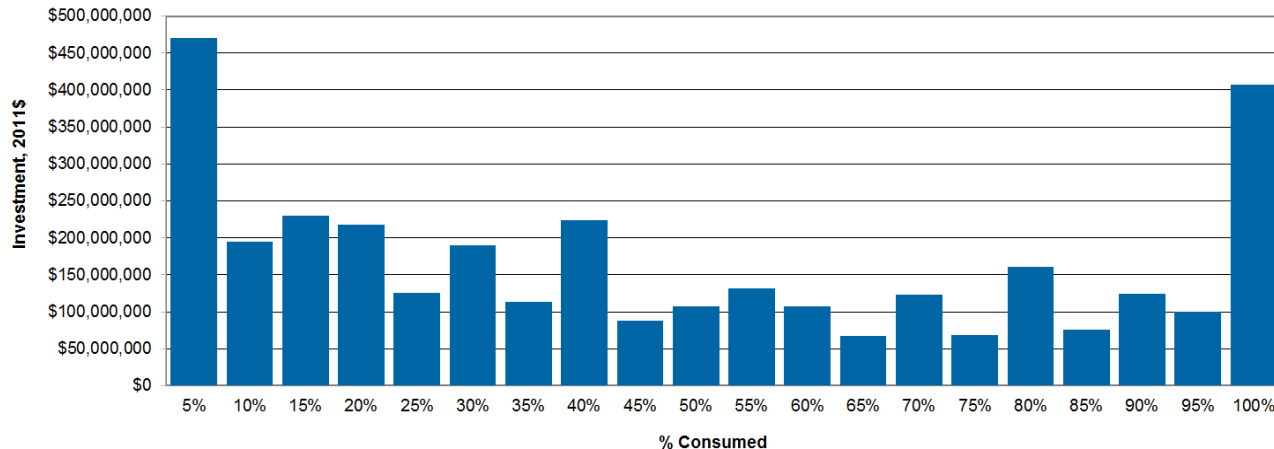


□ 2011 estimated asset deficit \$146 million

- Average annual replacement investment required is \$86 million
- Actual average for last several years is \$33.8 million
- Average annual growth in asset deficit \$51 million

## Asset Consumption Trends

- Many assets in the early stages of their lives
- \$400,000,000 of assets 100% consumed

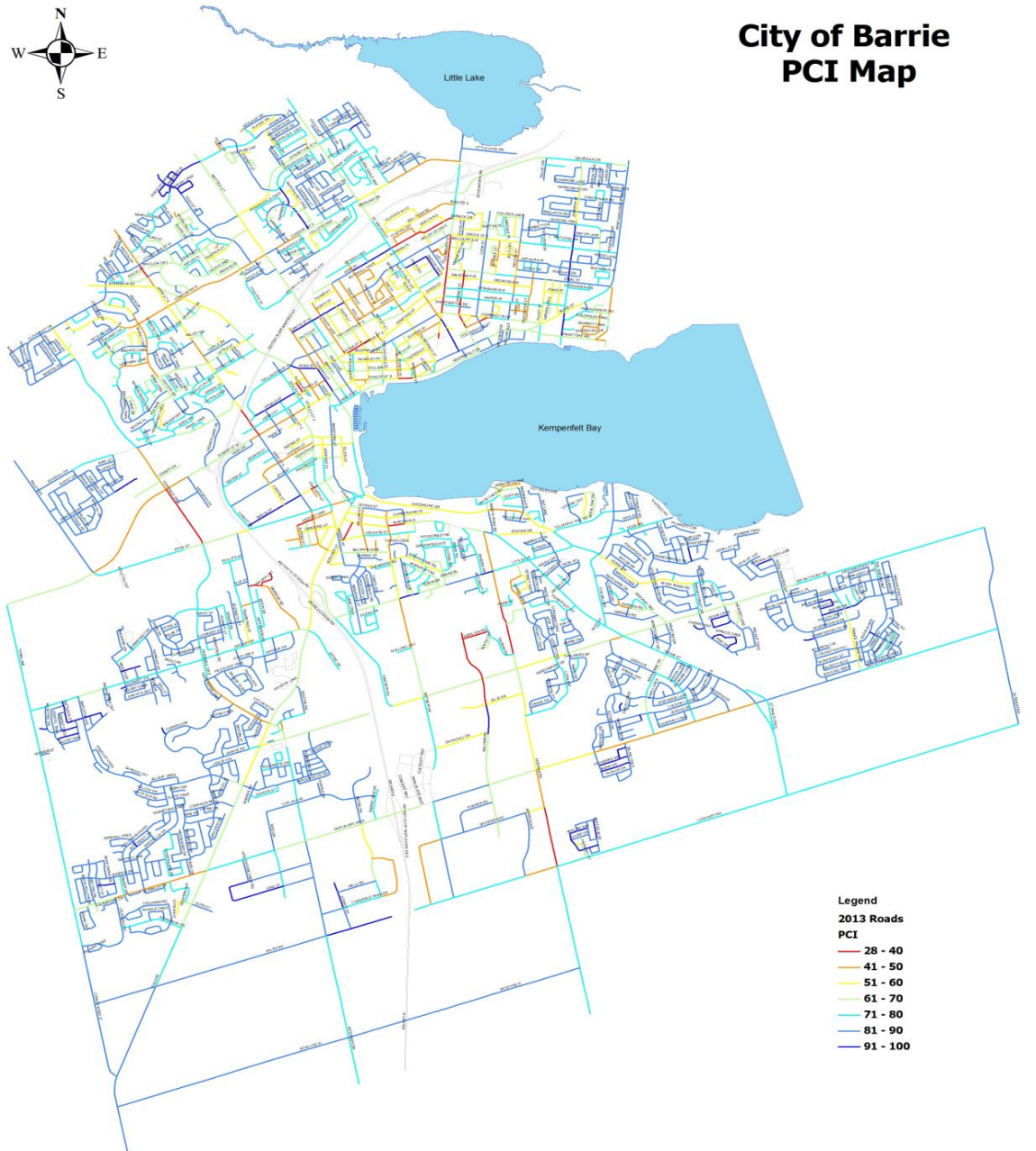


## Understanding asset sustainability requires more data

- Past approach to managing assets is not sustainable
- Need a more comprehensive understanding of service levels



## City of Barrie PCI Map



DATE: JAN 16TH 2013

## Road Condition

### 2010

- Network average  
PCI = 78

- 19% with  
PCI = 50-70  
(deteriorating  
rapidly)

### 2013

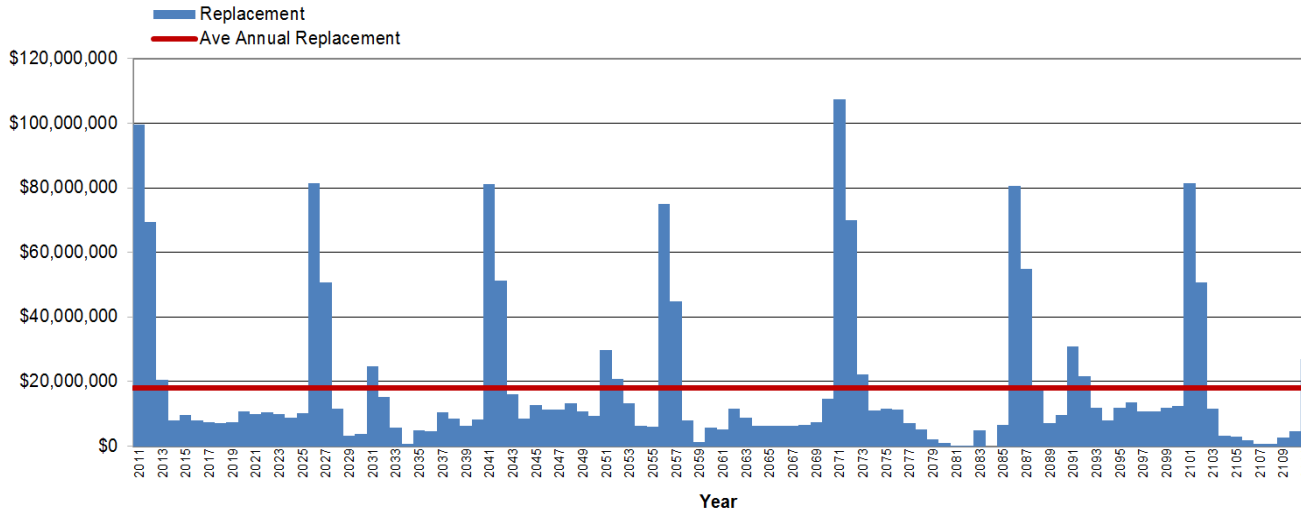
- Network average  
PCI = 75

- 21% with  
PCI = 50-70

## Surface Pavement

### Maximum Potential Life

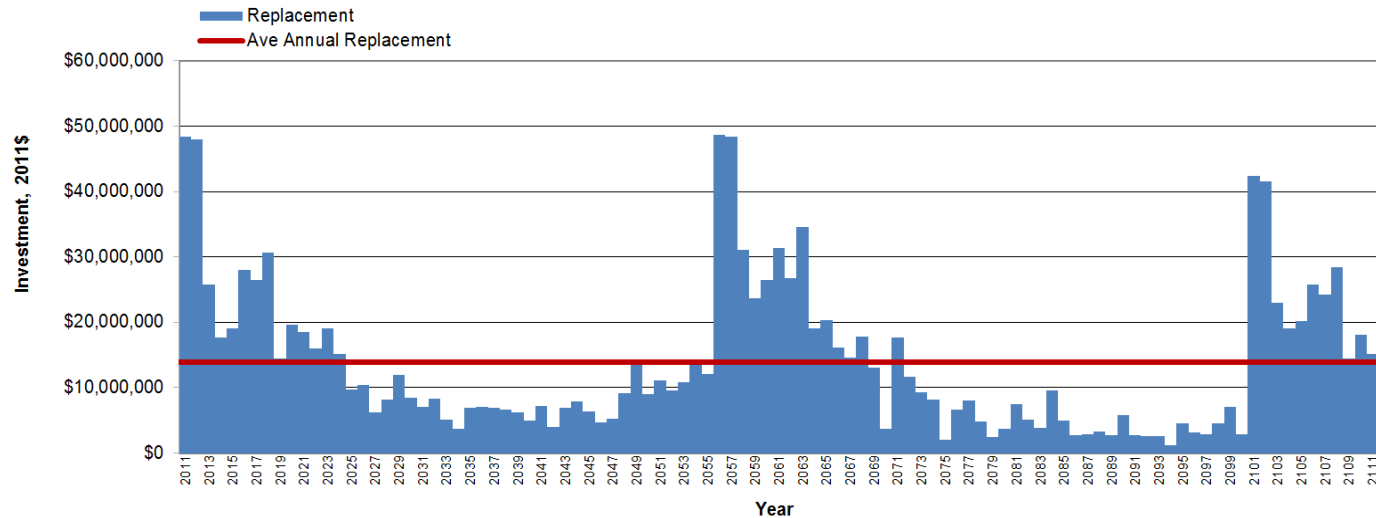
- Local – 25 years
- Collector – 20 years
- Arterial – 15 years



## Base Pavement

### Maximum Potential Life

- Local – 75 years
- Collector – 60 years
- Arterial – 45 years



Asset Type	Total km Owned	Portion Requiring replacement
Roads	564	<b>48 km (8.5%)</b> - road only
Water main	650	<b>58 km (9%)</b> - cast iron only
Sanitary sewer	549	<b>45 km (8.2%)</b> - condition of 4-5 out of 5
Storm sewer	426	<b>17 km (4.1%)</b> - condition of 4-5 out of 5

1 km of ROW replacement = \$3,000,000\*

1 km of road replacement = \$1,000,000\*

\*typical 2 lane local road with underground infrastructure of average size and depth

## □ Refine our understanding of Service Levels

- Define “quality” for a particular service area
  - Customer – customer satisfaction
  - Technical – how we manage assets
- Align with strategic planning / corporate objectives
- Drivers
  - Customer values and expectation
  - Legislative requirements
  - Availability of resources and financial constraints



## □ Develop a “Neighbourhood Renewal” Approach for Capital Planning and Budgeting

- Local roads, water mains, storm and sanitary sewers, parks and playgrounds
- Boundary delineation - site plans, school and park service areas, water sheds, water pressure zones, historic neighbourhoods, collector and arterial roads
- Maintain emphasis on risk analysis and optimizing investment decisions
- Tailored plans for sustainable asset renewal and service delivery

## **Business Planning**

- ❑ 2014 Budget Directions – May - June
- ❑ 2014 Business Plan Development Process – July 2013 to January 2014

## **Financial Planning for Growth Management**

- ❑ Fiscal Impact Analysis Presented to Council – June 2013
- ❑ Discussions with the Development Community – Fall 2013
- ❑ Development Charge Update – Target December 2013