Long Range Financial Plan - City of Barrie

November 22, 2017

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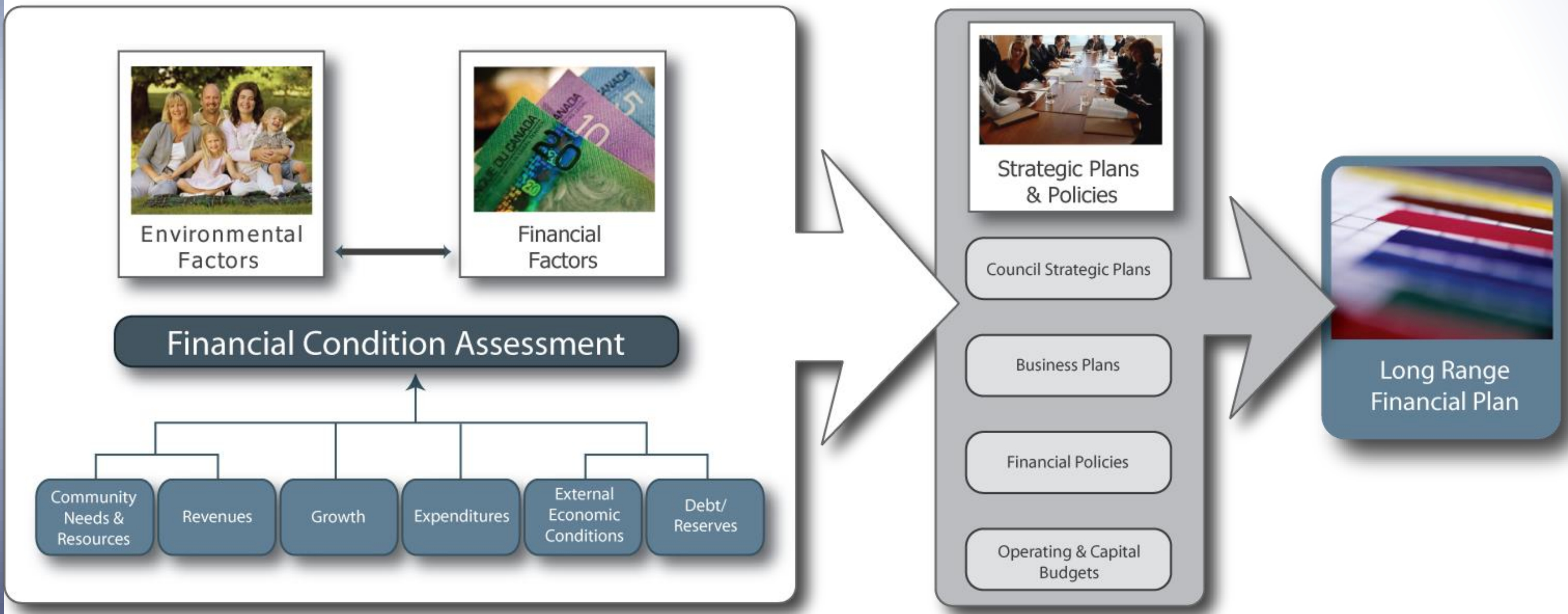
Presentation

- Present findings from the Financial Condition Assessment – 5 year historical review
- Present 5 year Financial Forecast

Long Range Financial Planning Process



- Undertake a *Financial Condition Assessment*
- Incorporate *Strategic Plans and Policies*
- Develop a *5 year Long Range Financial Plan*

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Financial Condition Assessment

Financial Condition Assessment - Purpose

- Identify key trends and compare the City's financial status against a peer group of municipalities and industry standards
- Review the City's current principles/policies and provide preliminary observations
- Compare the City's financial position in relation to its targets and strategies

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Peer Municipal Comparator Group

	2016 Population	Land Area	2016 population density per km
Brantford	97,496	72	1,354
Chatham-Kent	101,647	2,458	41
Greater Sudbury	161,531	3,228	50
Guelph	131,794	87	1,511
Kingston	123,798	415	298
London	383,822	420	914
Thunder Bay	107,909	328	329
Barrie	**141,434**	**99**	**1,428**

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Key Indicators

Growth and Socio-Economic Indicators

- Population
- Employment Statistics
- Building Construction Activity
- Property Assessment
- Household Income

Municipal Levy, Property Taxes & Affordability Indicators

- Municipal Levy
- Comparison of Relative Taxes
- Municipal Property Taxes as a % of Income
- Water/WW Costs as a % of Income
- Tax Ratios

Financial Position Indicators

- Reserves & Reserve Funds
- Debt
- Municipal Financial Position
- Taxes Receivable

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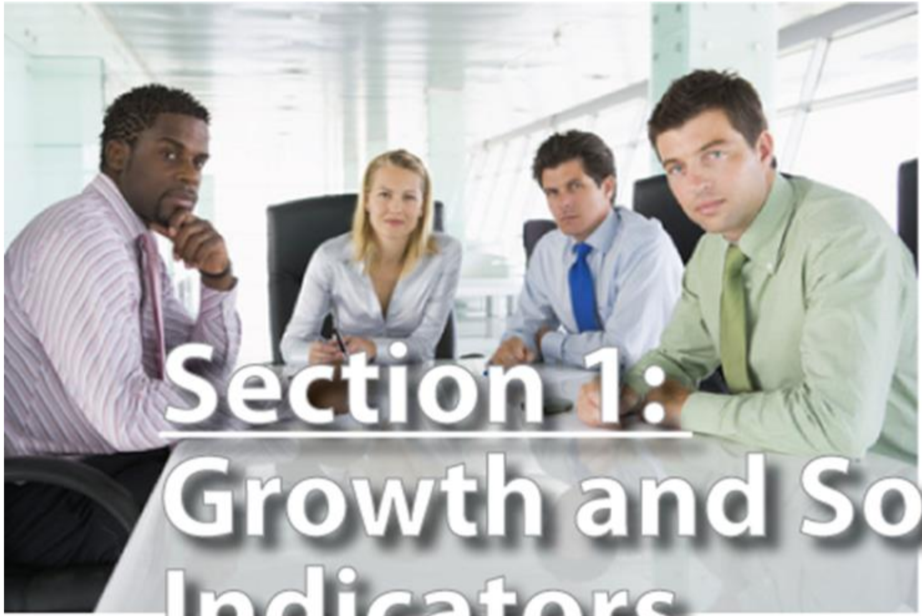

Section 1: Growth and Socio-Economic Indicators

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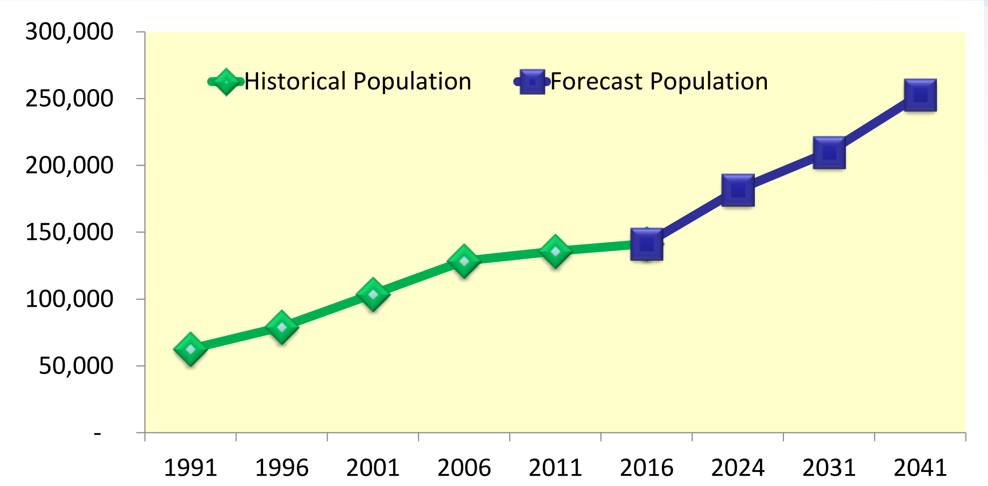
Barrie's Population Growth

- 125% increase 1991-2016, highest in the survey
- Further increase of 49% by 2031



What Does It Mean?

- Growing population supports business growth, provides an evolving and vibrant labour force and increased assessment
- Moving into a high growth period requires a strong financial foundation to provide new capital infrastructure, increased demand for services and maintaining existing infrastructure
- Much of the new infrastructure needed to support growth will be required before DC collections which will increase debt
- Some new infrastructure expenditures are not eligible under the DCA

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Analyzing Assessment

Assessment Composition

Excellent mix of residential and non-residential assessment: 25% Commercial & Industrial in Barrie

Assessment Change

Barrie's assessment has been trending up over the last 5 years

Richness of Assessment

Assessment per capita in Barrie is above the peer average

A strong assessment base is critical to a municipality's ability to generate revenues

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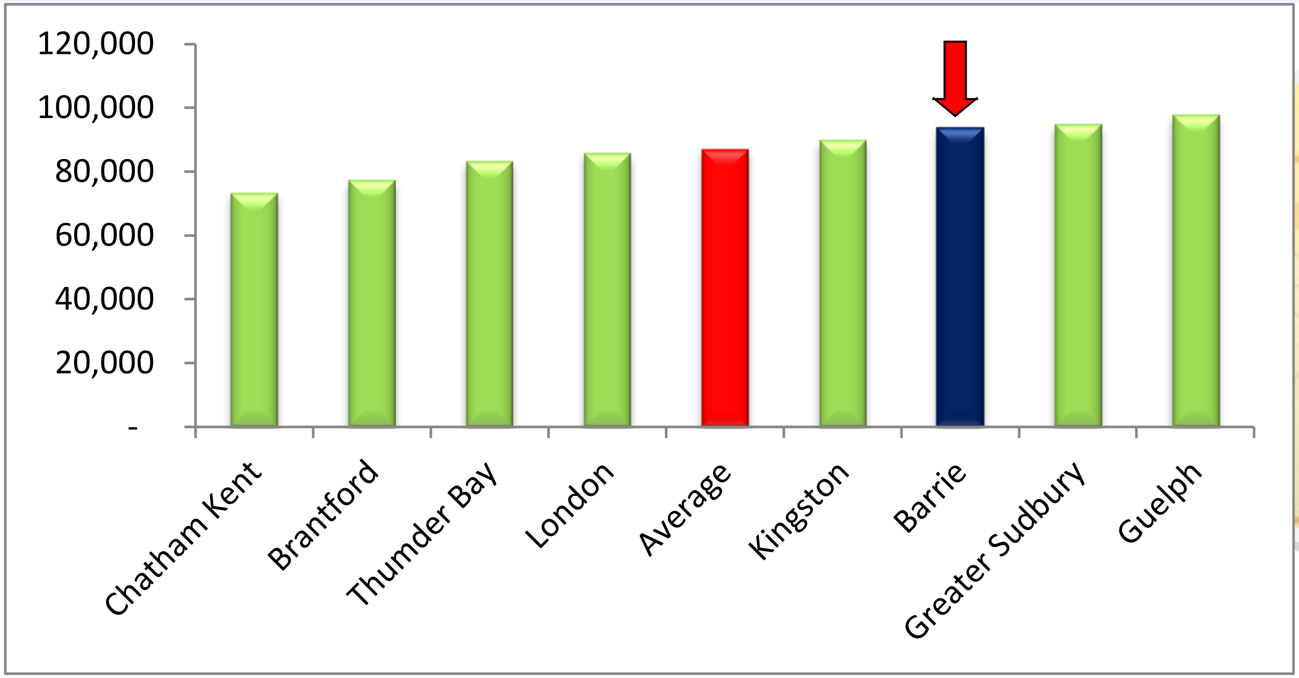
Household Income



- Barrie's average 2017 household income - $93,900 compared to peer municipal average - $87,000

What Does it Mean?

- Affordability of City programs and services is an important consideration because of higher than average household income levels

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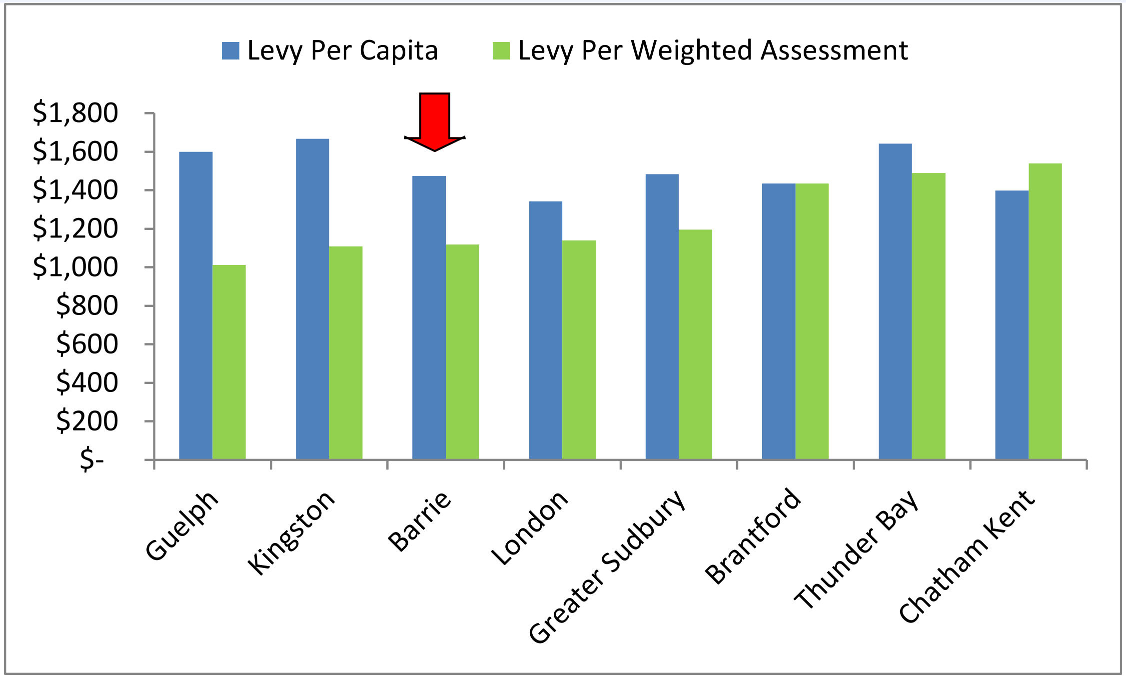
Socio-Economic Indicators - Summary

Indicator	Rating
Population Growth	Neutral
Population Density	✓
Demographics	✓
Unemployment Rate	✓
Employment Rate	✓
Construction Activity	✓
Assessment Composition	✓
Richness of the Assessment Base	✓
Assessment Growth	✓
Household Income	✓

Section 2: Municipal Levy, Property Taxes and Affordability

Tax Levy Analysis



- Barrie has lower than average municipal spending on a per capita basis and per $100,000 of assessment, reflecting a lower tax burden

What Does It Mean?

- With a higher assessment base, there is greater ability to fund programs and services

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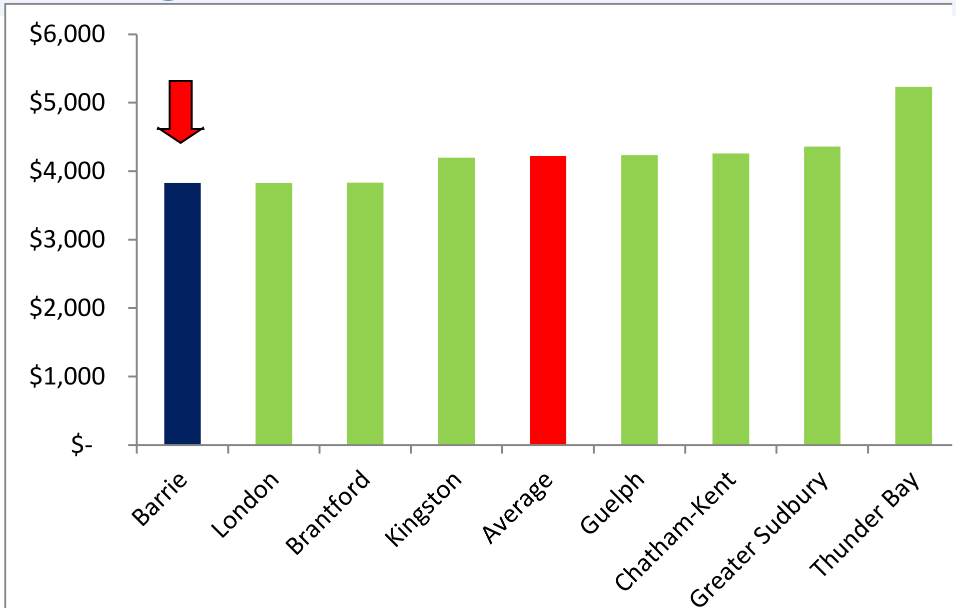
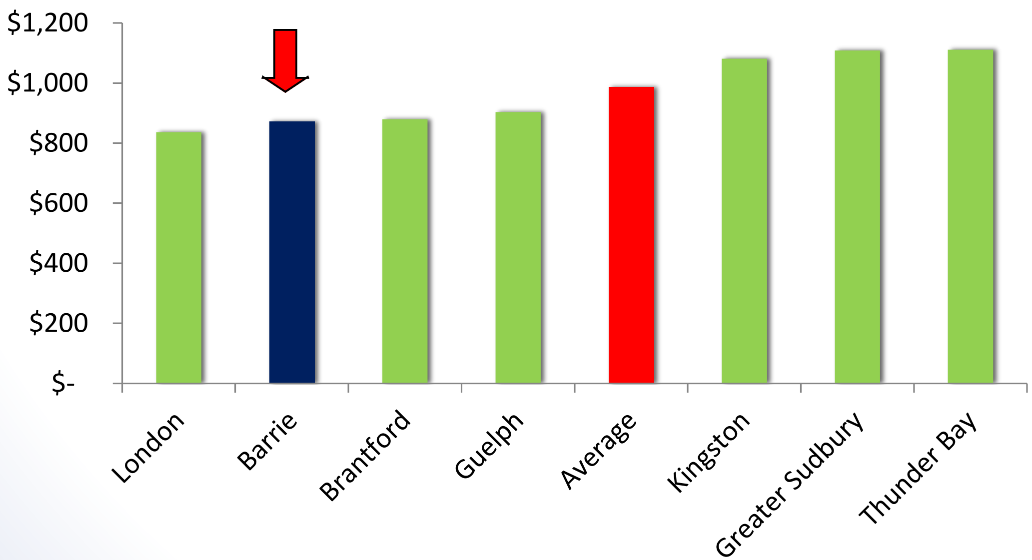
Average Residential Taxes and Water/WW Costs



- Property taxes paid for a typical 2-storey home in the City of Barrie is lowest in the survey



- Residential customers consuming 200 m2 per year in Barrie have the second lowest costs

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Municipal Levy, Property Taxes and Affordability

Indicator	Rating
Municipal Levy Per Capita	
Municipal Levy Per $100,000 of Weighted Assessment	
Property Taxes on an Average Residential Home	
Water/WW Costs—Residential	
Water/WW Costs—Non-Residential	
Residential Tax Affordability	
Residential Water/WW Affordability	
Non-Residential Tax Ratios	

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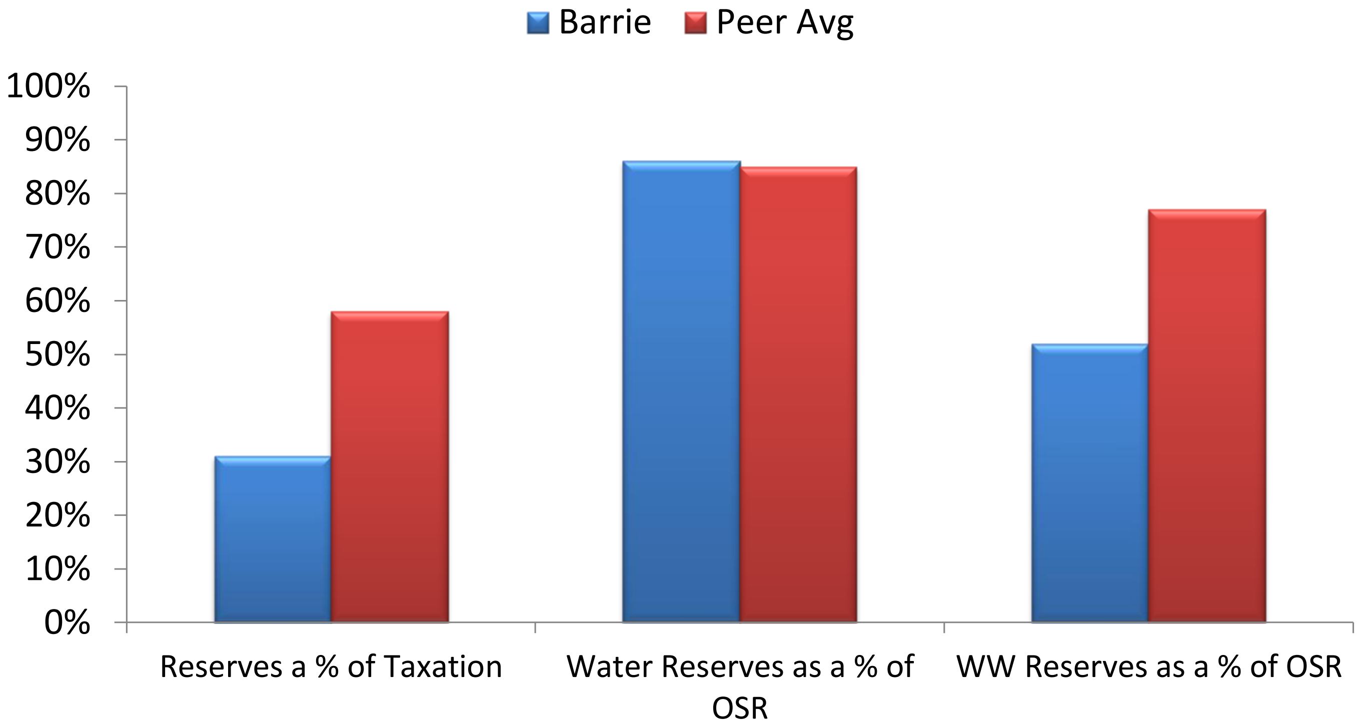
Section 3: Financial Position

Reserves/RF Peer Comparisons



- In 2016, Tax Reserves as a % of Taxation and WW as a % of Own Source Revenues (OSR) are lower in Barrie than in peer municipalities surveyed

What Does It Mean?

- Maintaining adequate reserve/reserve funds are a critical component of a municipality's long term sustainability

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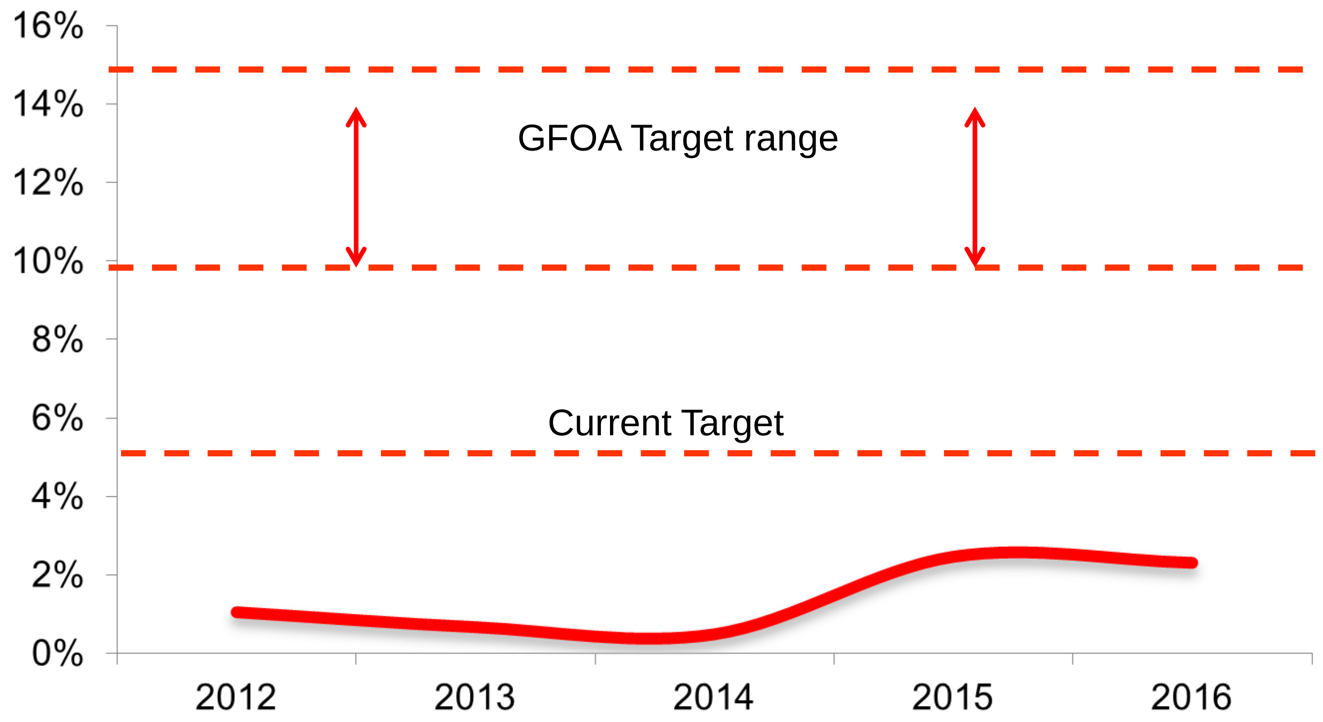
Tax Stabilization Reserves/Reserve Funds



- Credit rating agencies recommend maintaining 10%-15% of Stabilization Reserves as a percentage of Own Source Revenues

What Does It Mean?

- Limited dedicated funds available for unforeseen expenditures

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Capital Reserves

(000's)	Reserve Balance	Accumulated Amortization	Infrastructure Sustainability Ratio
Tax	$ 36,926	$ 377,384	10%
Water	$ 20,569	$ 76,184	27%
Wastewater	$ 15,001	$ 201,252	7%

Capital Reserves are used for replacement of assets <u>and</u> to fund the non-DC eligible portion of new capital infrastructure

- Capital reserves provide the financial flexibility to meet replacement costs without resorting to debt, large tax or rate increases and/or cuts to services.
- Barrie owns $1.6 billion in infrastructure based on historical cost and over $3.3 billion in replacement costs

What Does It Mean?

- Infrastructure replacement needs are significantly underfunded

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Debt Management

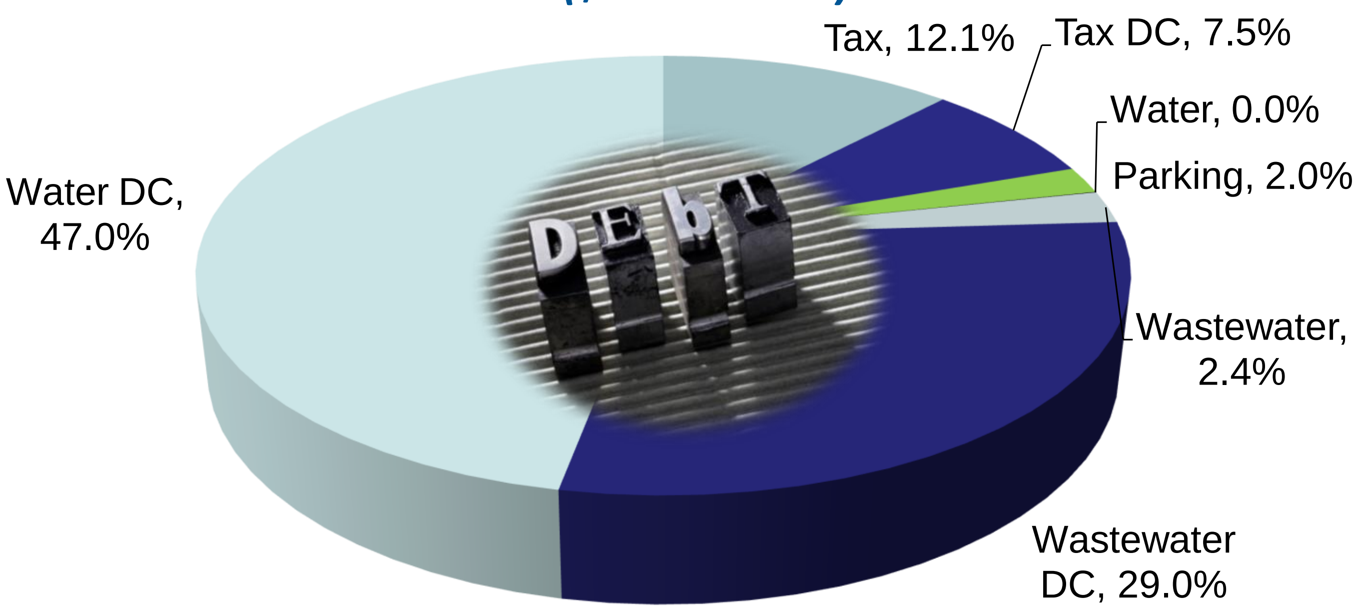
- City has an extensive debt policy
- Targets established for tax debt, water/ww and development related debt

What Does It Mean?

- 83.5% DC Recoverable – risk associated with growth and DC revenues

Debt Outstanding Year End 2016

($310 million)



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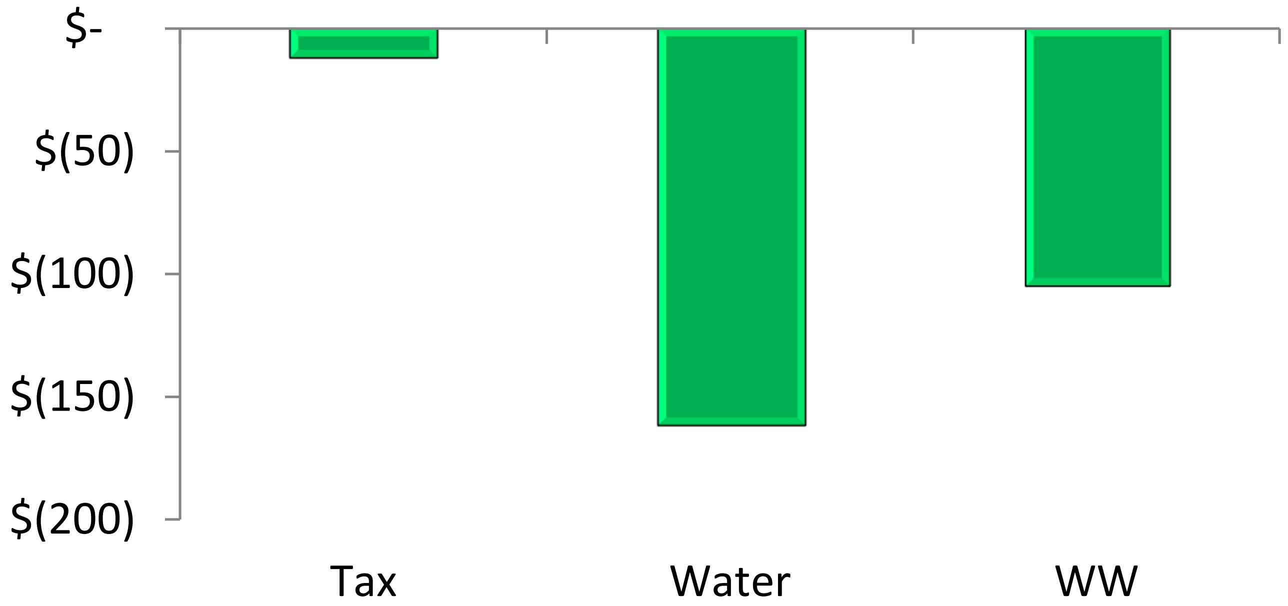
DC Net Position



At the end of 2017, it is projected that the net financial DC position (reserve and debt balances) is negative $278 million (including commitments)

What Does it Mean?

This is a risk if growth does not take place as anticipated

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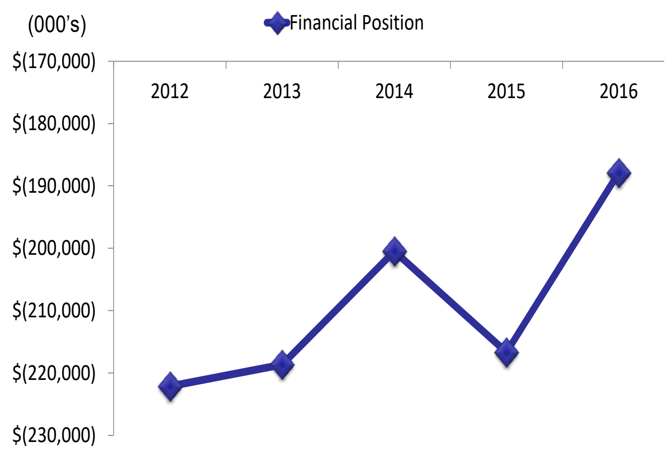
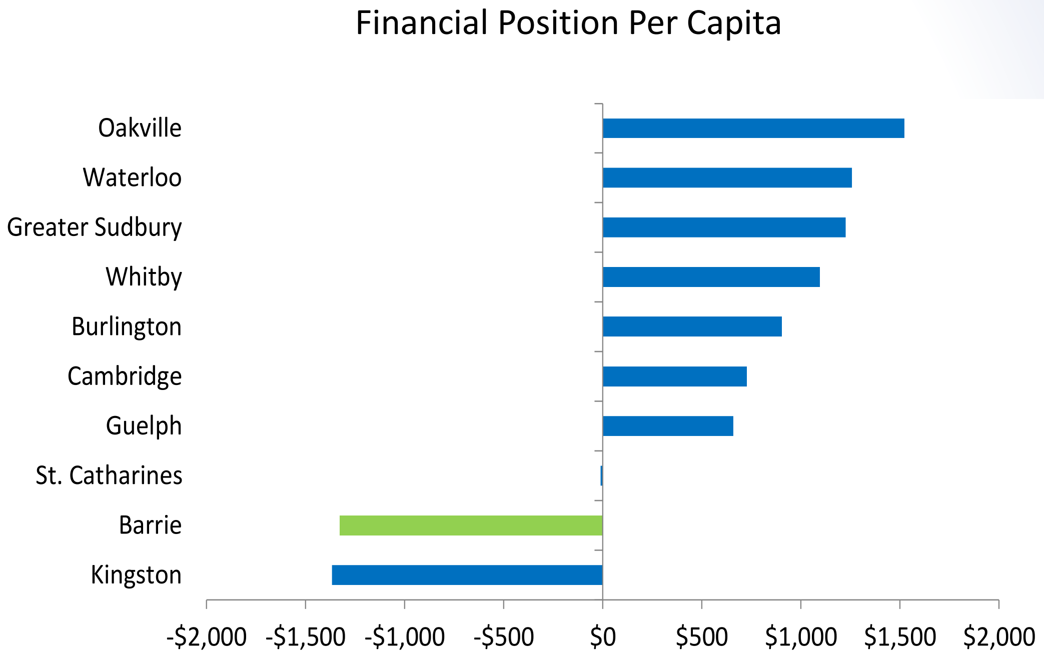
Financial Position - Trend





- Net Financial position is improving however is still in a negative position mainly due to the debt outstanding related to development charges

What Does It Mean?

- The City has limited financial flexibility to issue debt without affecting credit rating

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Financial Position Summary

Indicator	Rating
Asset Consumption Ratios	✓
Tax Discretionary Reserves as a % of Taxation	CAUTION
Water Reserves as a % of Own Source Revenues	CAUTION
Wastewater Reserves as a % of Own Source Revenues	CAUTION
Infrastructure Sustainability Ratio	CAUTION
Tax Stabilization Reserves	CAUTION
Water/WW Stabilization Reserves	CAUTION
Corporate Reserves	CAUTION

Indicator	Rating
Program Specific Reserves	✓
Capital—Growth and Development—Tax	✓
Growth and Development—Water and Wastewater	CAUTION
Tax Debt Management	✓
Water/WW Debt Management	CAUTION
Financial Position	CAUTION
Taxes Receivable	✓

Long Range Financial Plan

Long Range Financial Plan

- Although great effort has been made to present accurate financial projections, based upon the data available at this time, a LRFP is a dynamic document and should be updated and re-evaluated, on an ongoing basis

- Use as a forecasting tool to ensure that the City is on the right course to meet its financial obligations and future challenges

- It is recommended that the assumptions used in the LRFP be modified and refined, ***at least annually*** and as new information becomes available that could materially change the forecast

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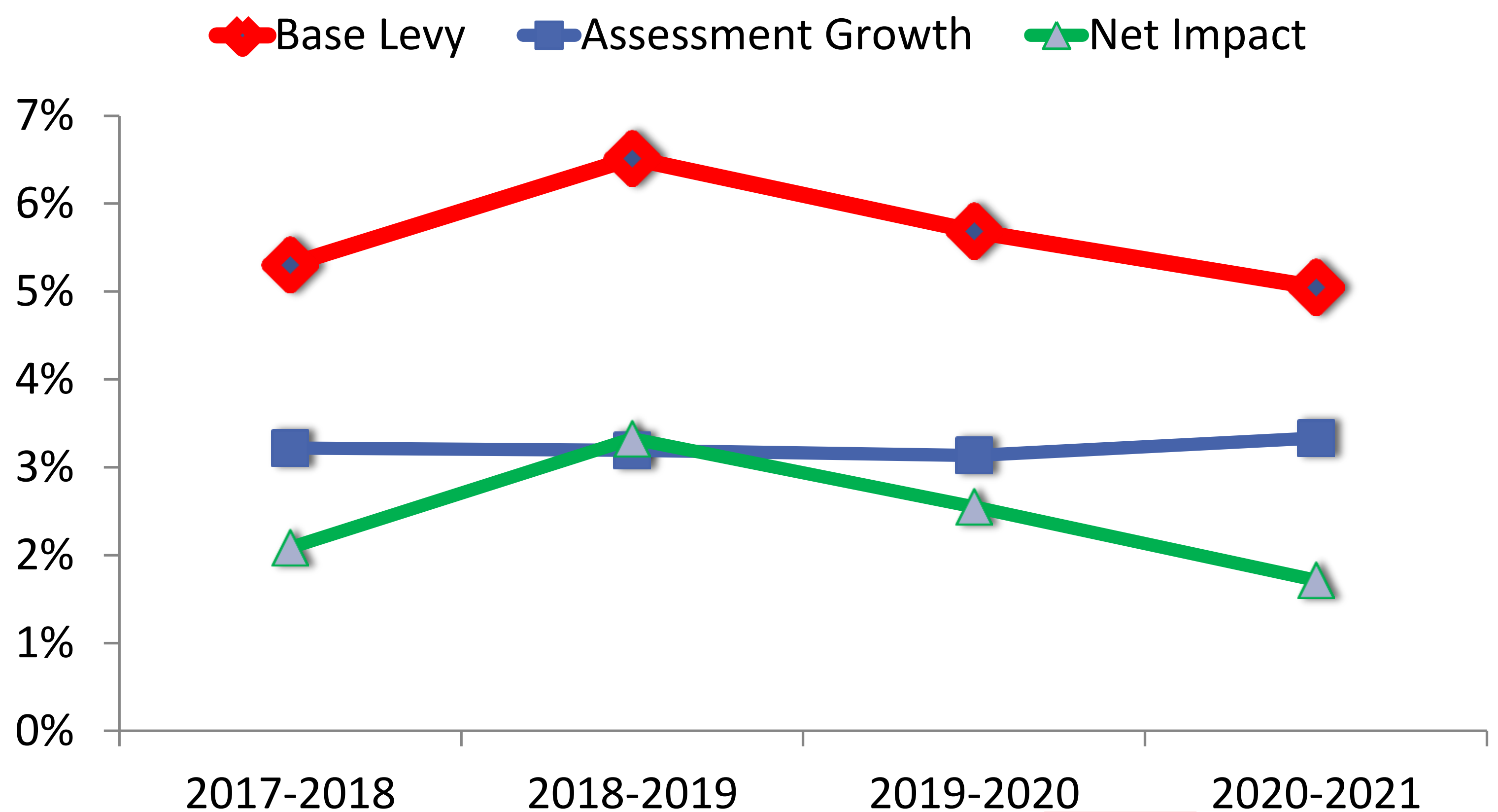
Finding the Right Balance

- Between delivering services demanded by the community in an affordable manner is a challenge.
- Maintaining the existing assets in a state of good repair while at the same time financing growth related projects and new strategic initiatives.

Tax Highlights

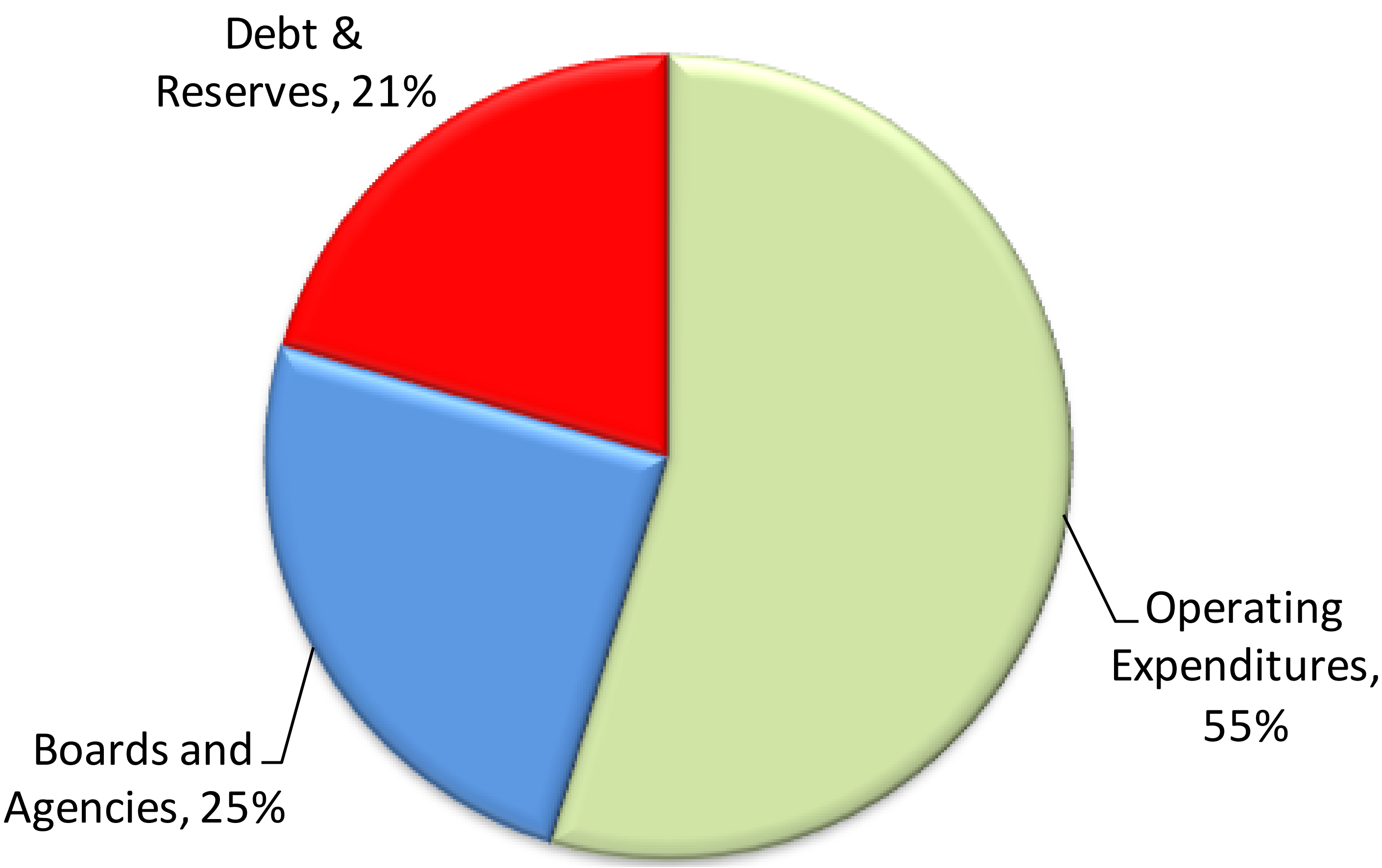
Tax Operating Budget Forecast



	Base Levy	Assessment Growth	Net Impact
2017-2018	5.3%	3.2%	2.1%
2018-2019	6.5%	3.2%	3.3%
2019-2020	5.7%	3.1%	2.6%
2020-2021	5.0%	3.3%	1.7%

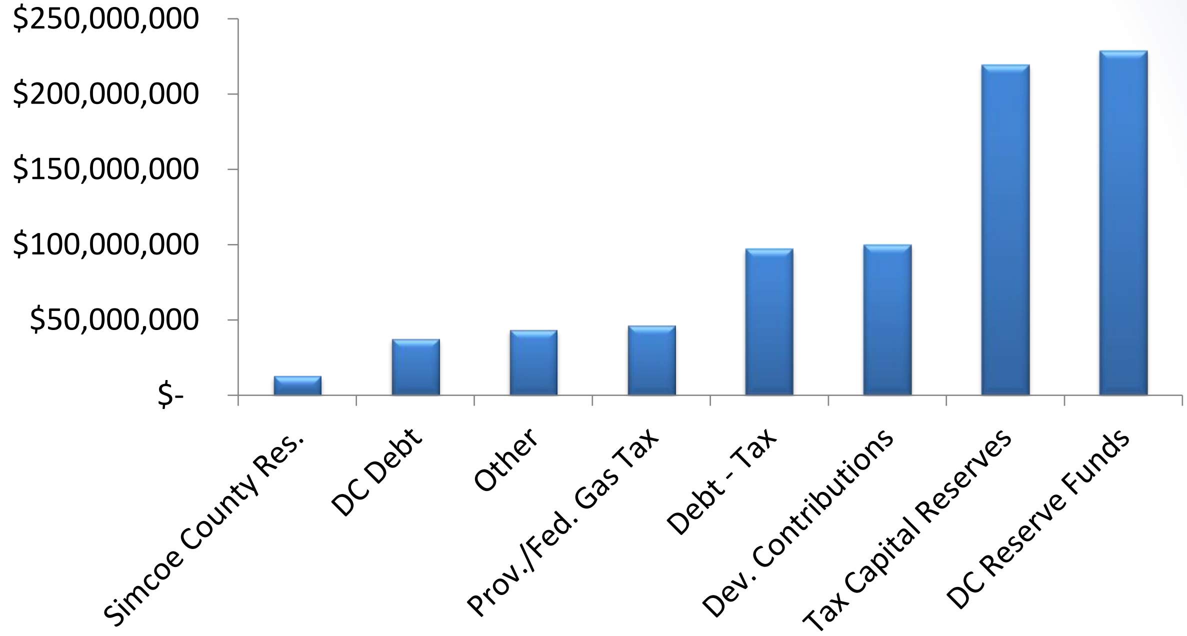
Operating Budget – Tax Highlights

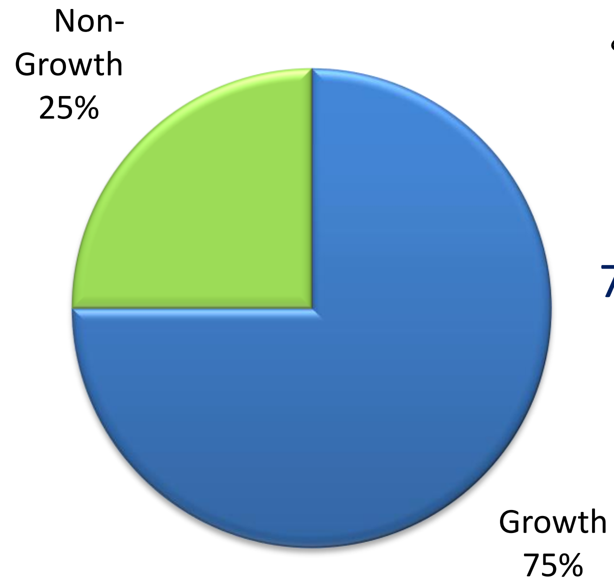
- In 2021 the following highlights the major areas of expenditure



5 Year Tax Capital – Total Capital of $785.7 million

Approx. $219.7 million (28%) of the 5 year capital will be financed from the Tax Capital Reserves; of which $133 million is related to growth projects.





75% of Tax Capital Budget is growth related projects

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New Reserves/Reserve Funds

Community Benefit Reserve

- ***Policy Statement*** –Funded from dividends received from Barrie Hydro Holdings Inc. to a maximum reserve balance of $10 million. This reserve will be used to fund projects and initiatives deemed to have significant strategic and/or Community benefit.

Capital Contribution Reserve Fund

- ***Policy Statement*** – As per the MOU signed in 2014, this reserve will be used for the growth related component of ineligible development charge services in the Annexed Area, and other restrictions on development charge funding.

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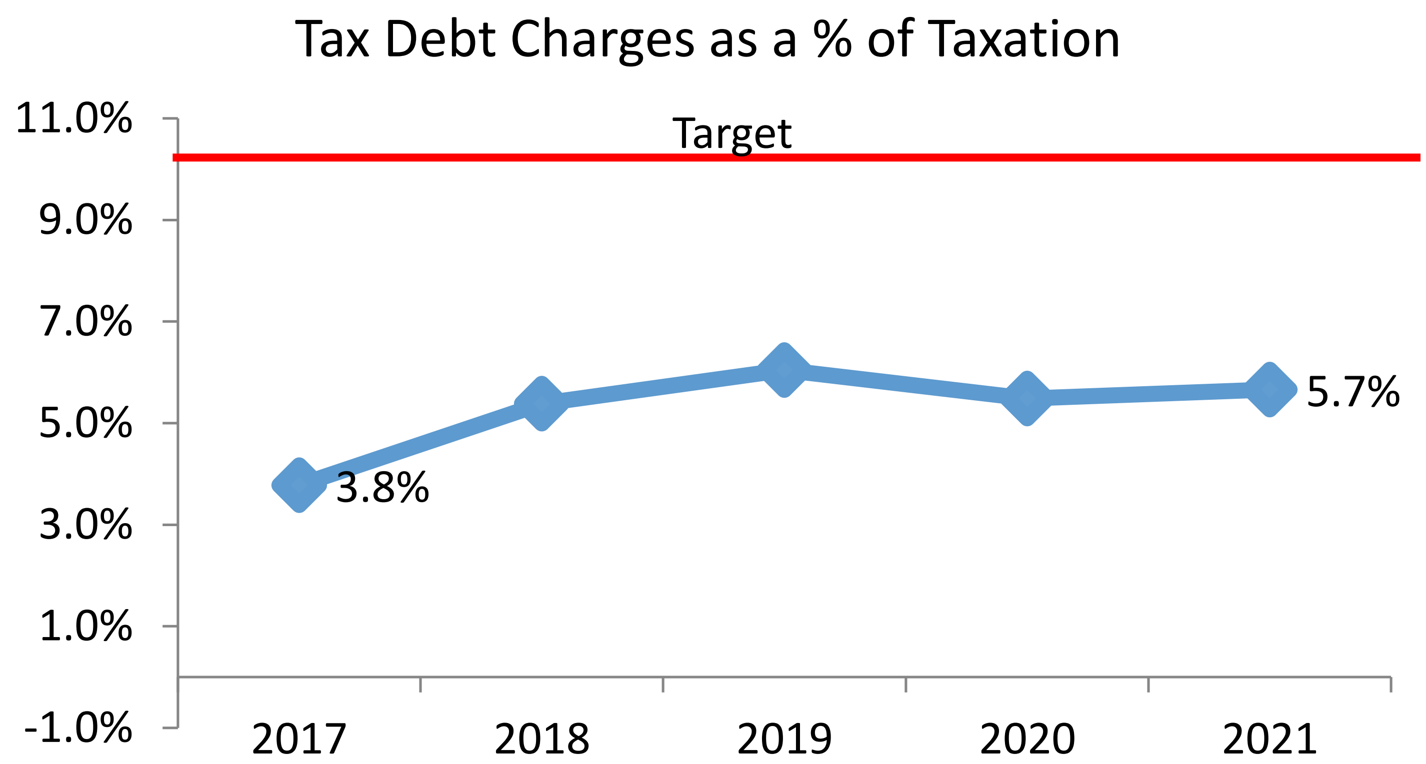
Tax Debt Charges as a % of Taxation



Debt charges are forecast to be well below the City's target of 10%

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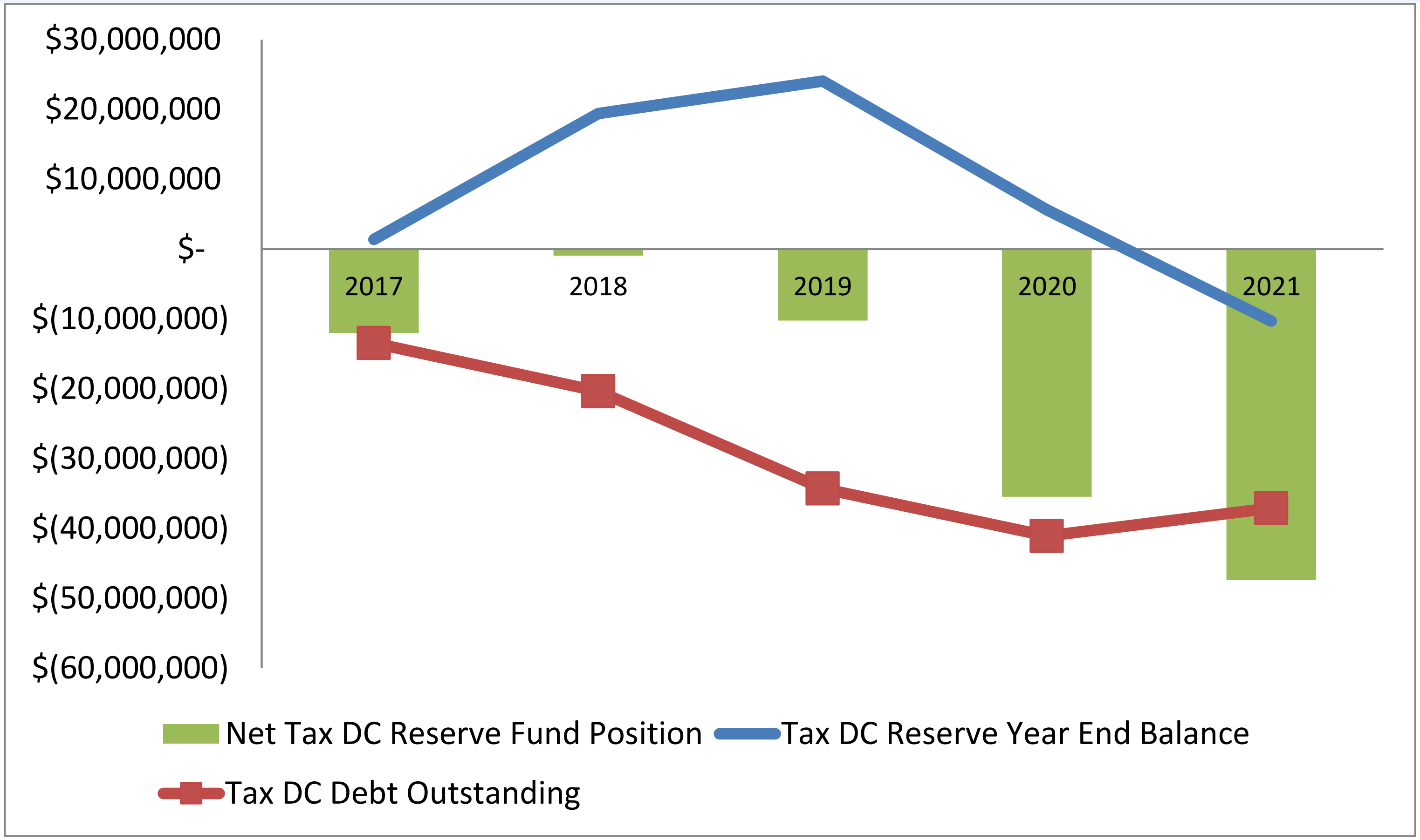
Net Tax DC Reserve Fund Position Forecast



- Taking into consideration the DC Reserve Fund balances and the debt outstanding associated with DC growth related projects, there is risk to meet future financial obligations
- Net ending balance is a negative $47 million in 2021

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Water/WW Highlights

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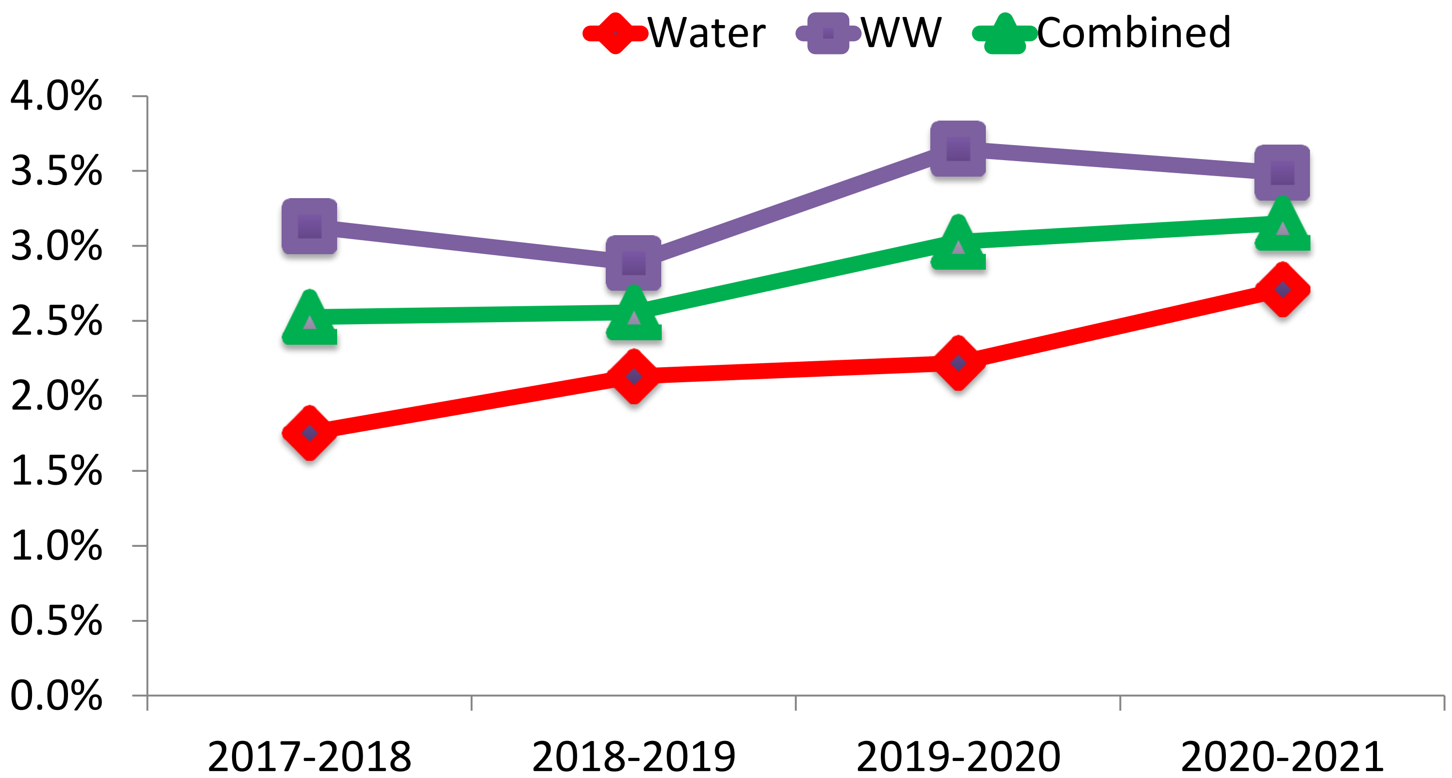
Operating Budget - % Change in Rate Revenue Requirements



	Water	WW	Combined
2017-2018	1.8%	3.1%	2.5%
2018-2019	2.1%	2.9%	2.6%
2019-2020	2.2%	3.6%	3.0%
2020-2021	2.7%	3.5%	3.2%

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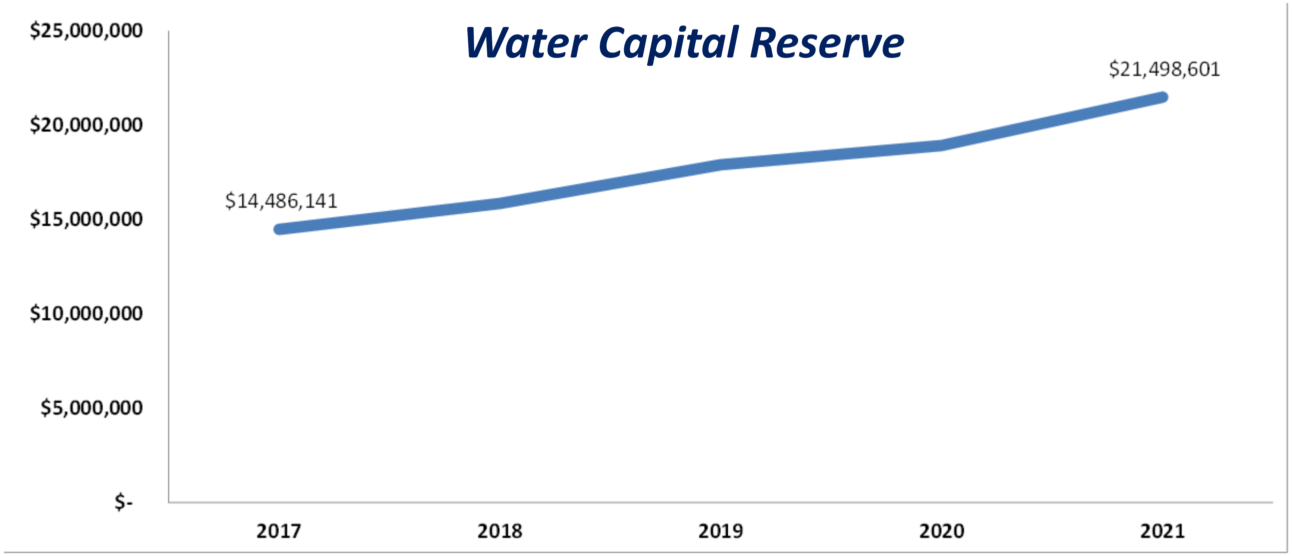
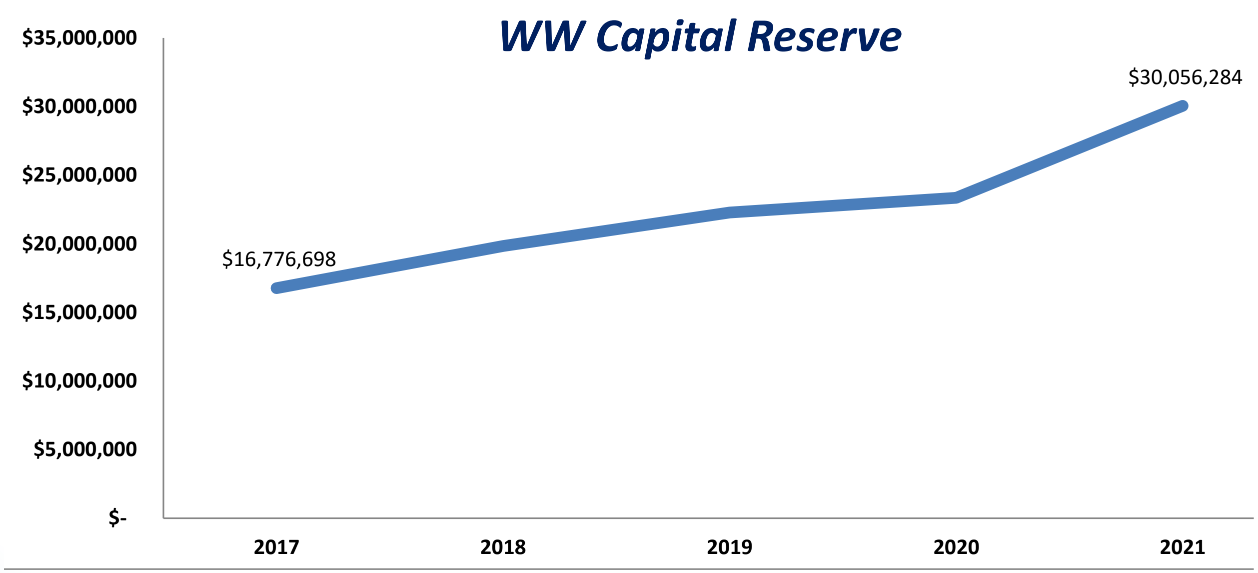
Water/WW Capital Reserves





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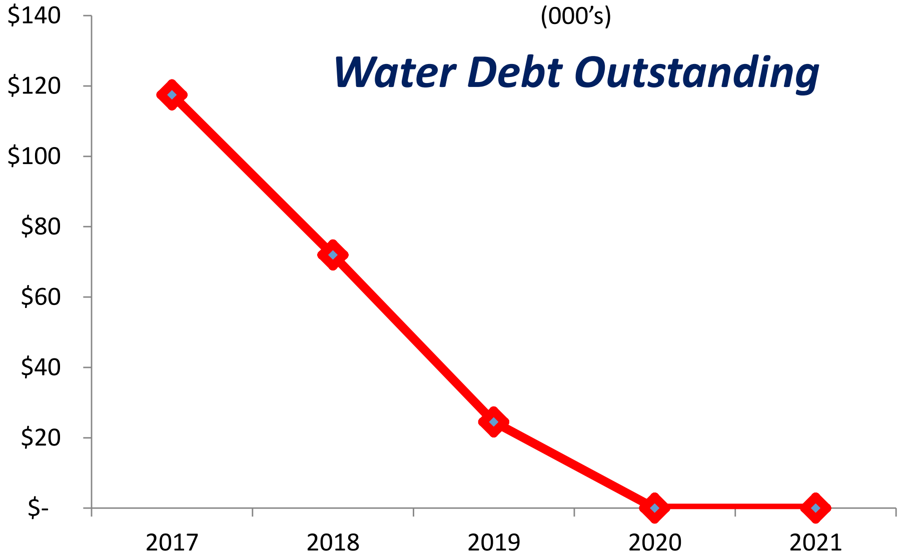
Water and Wastewater Debt Outstanding Recoverable from Rates



- WW debt outstanding from rates peaks at $8.5 million in 2019

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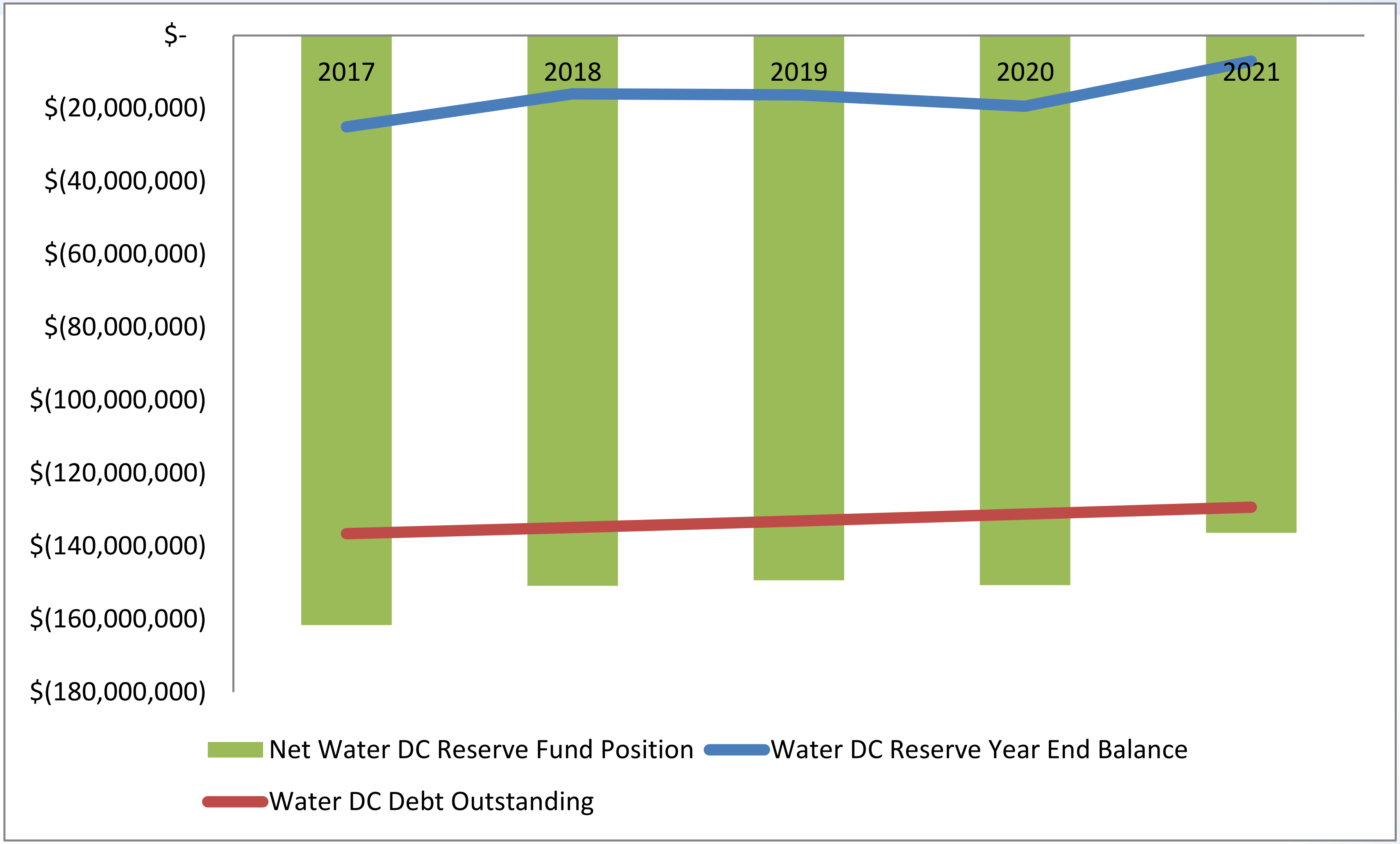
Net DC Reserve Fund Position Forecast – Water



- Net Water DC Reserve Fund position improves over the forecast period but continues to be in a negative position of $136 million

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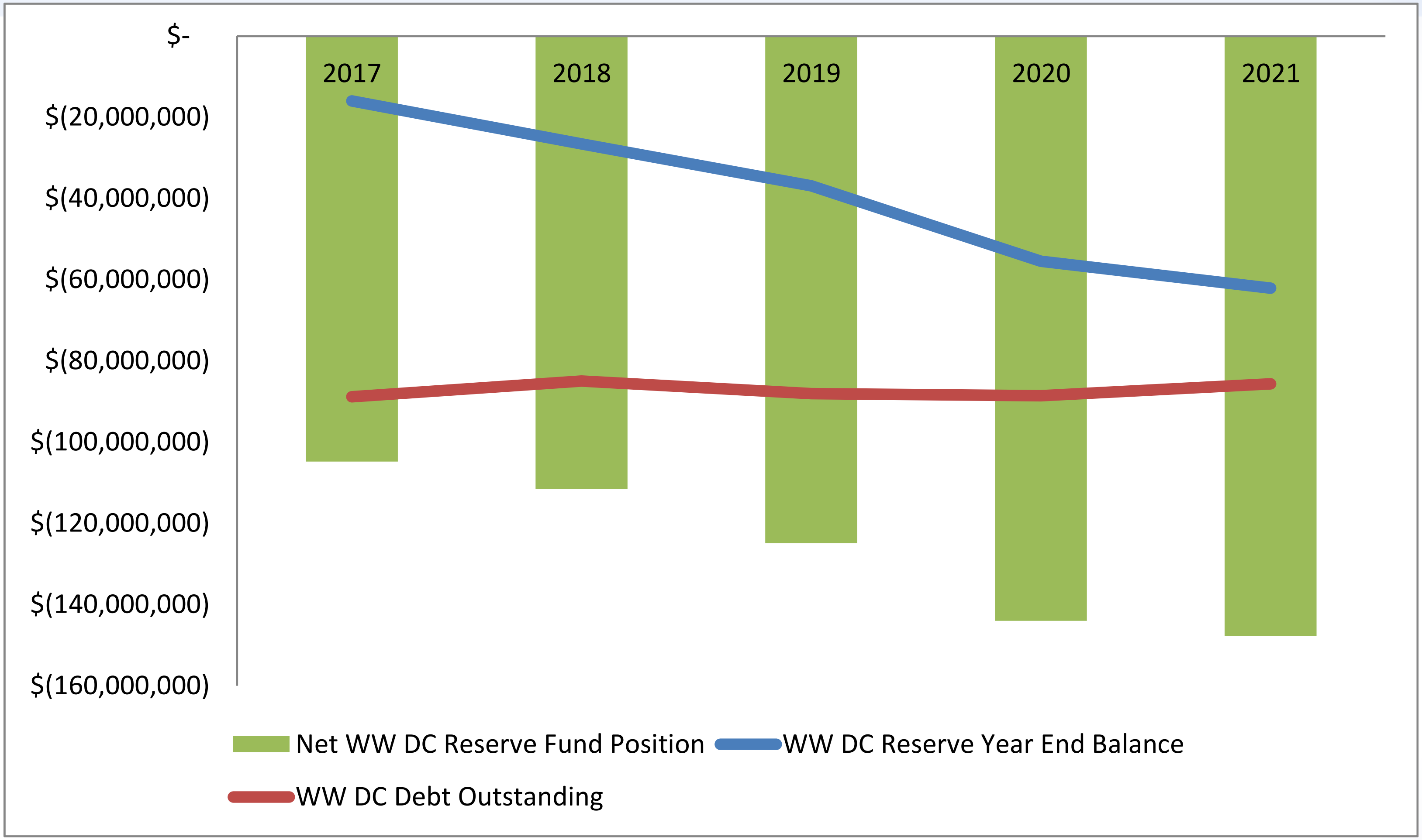
Net DC Reserve Fund Position Forecast – Wastewater



- Net WW DC Reserve Fund position declines over the forecast period and continues to be in a negative position ($147.8 million in 2021)

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Parking

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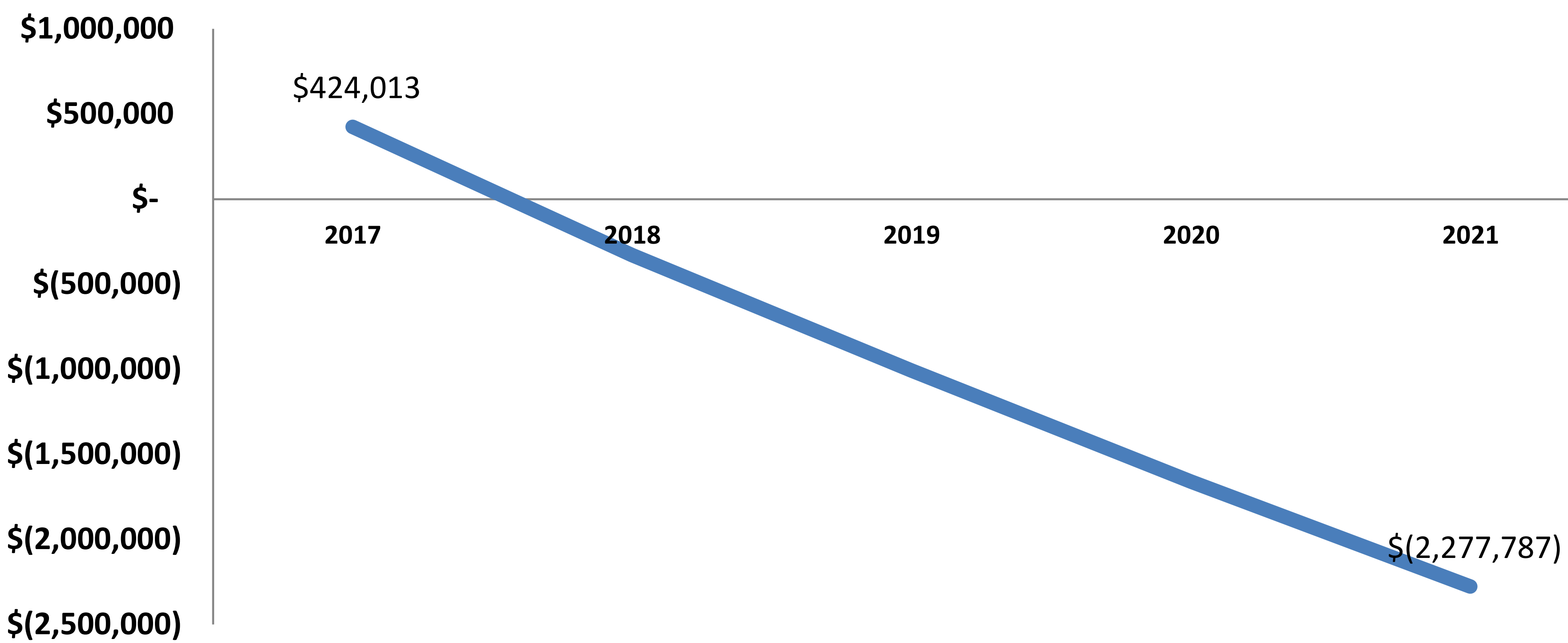
Parking



- Over the forecast period, the Parking program is not expected to generate sufficient revenues to be self funding (average annual shortfall $540,000)
- When debt charges of $977,000 retires in 2024, this should improve (note opening reserve balance includes $1 million in revenues from the sale of a parking lot)

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Affordability Metrics

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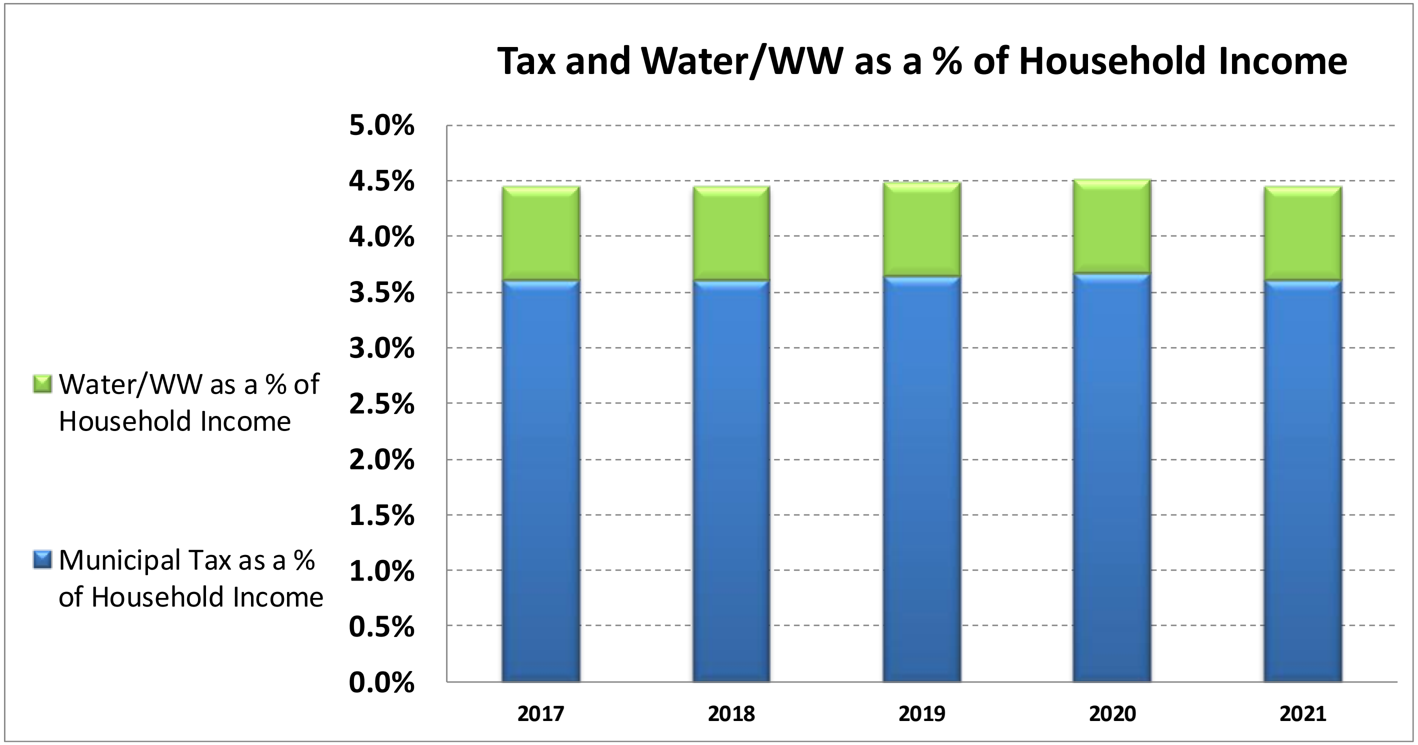
Affordability Metric



- Tax affordability target is a maximum of 4% of household income – over 5 year period the burden remains 3.6%-3.7%
- Water/WW affordability target is a maximum of 2.5% - over 5 year period, burden remains about 0.93%

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Summary

Strengths/Opportunities to Support Future Growth & Financial Sustainability

- Strong financial policies in place to provide the City with financial resilience in dealing with future financial challenges
- Well diversified assessment base and an excellent balance of residential and non-residential construction activity
- Residential taxes and water/wastewater cost affordability metrics continue to be below the City's threshold over the forecast period
- Non-growth related tax debt remains well within the City's debt policy
- Forward looking strategies to address infrastructure replacement funding challenges
- Low asset consumption ratio - less immediate needs for asset replacement than peer municipalities

Strengths/Opportunities to Support Future Growth & Financial Sustainability

- Competitive Non-Residential Tax Policies supports economic development
- Hydro dividend will provide additional financial resources which can be used to fund community based projects or other Council priorities
- Opportunities to use Capital Contributions Reserve revenues to fund ineligible DC costs
- Opportunities to modify tax policies to provide additional revenues

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Future Challenges and Risks

- With an increase in population forecast, there will be additional capital and operating costs that must be funded
- Some of the City's costs are not controlled by the City and some are increasing at a rate faster than inflation
- Shifts in demographics and the community's willingness to pay for services
- Infrastructure gap is growing. Capital Reserves are also used to fund non-eligible DC growth related capital projects
- Potential increase in future interest rates may impact the debt servicing costs
- Lower than recommended Stabilization Reserves
- High Levels of DC Recoverable Debt—A prolonged economic slowdown could put existing taxpayers at risk

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Questions & Answers

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