

# Long Range Financial Plan - City of Barrie

November 22, 2017

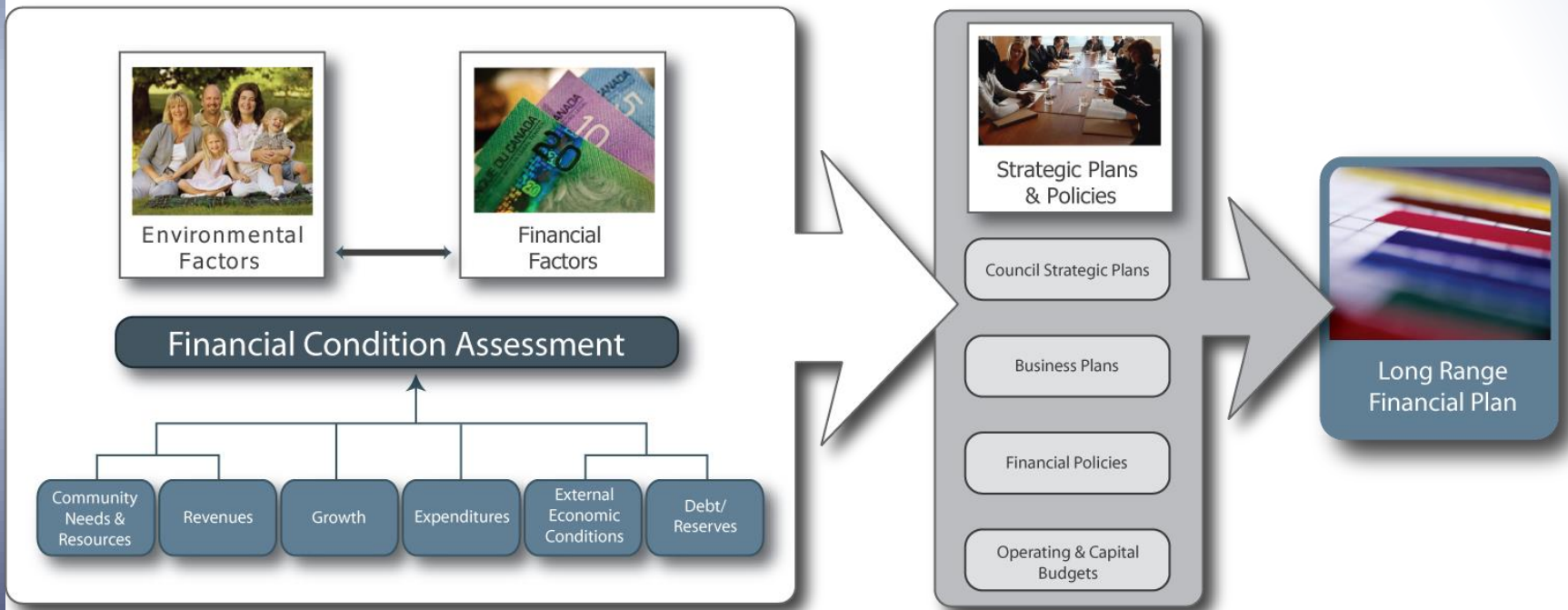


## Presentation

- 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*

# Financial Condition Assessment



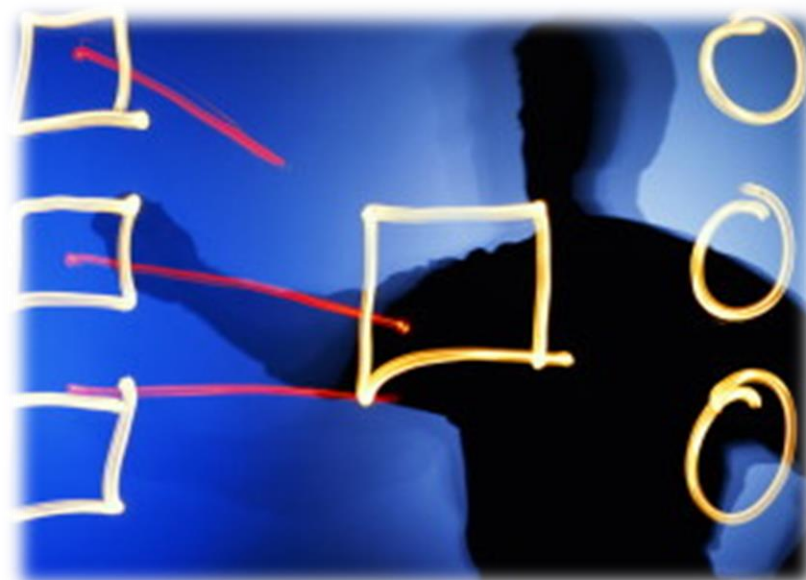
Environmental  
Factors



Financial  
Factors

## 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



## 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
<b>Barrie</b>	<b>141,434</b>	<b>99</b>	<b>1,428</b>



# 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

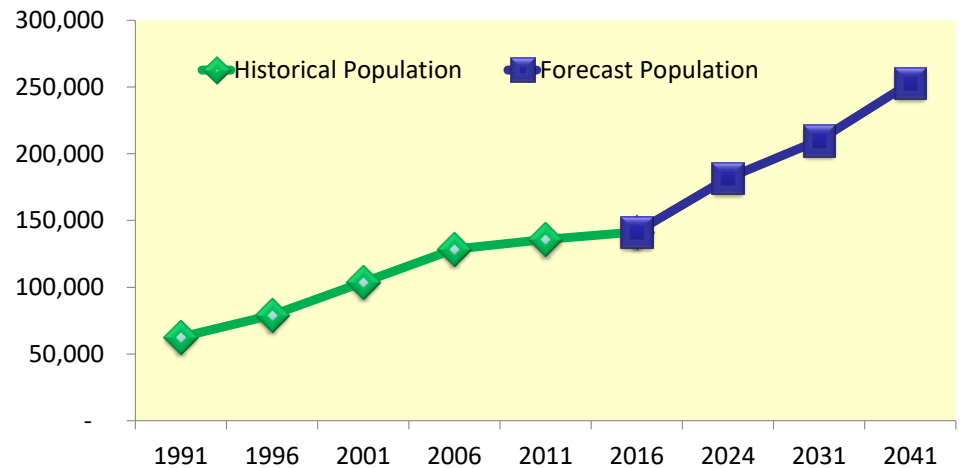


# Section 1: Growth and Socio-Economic Indicators



# 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

## 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

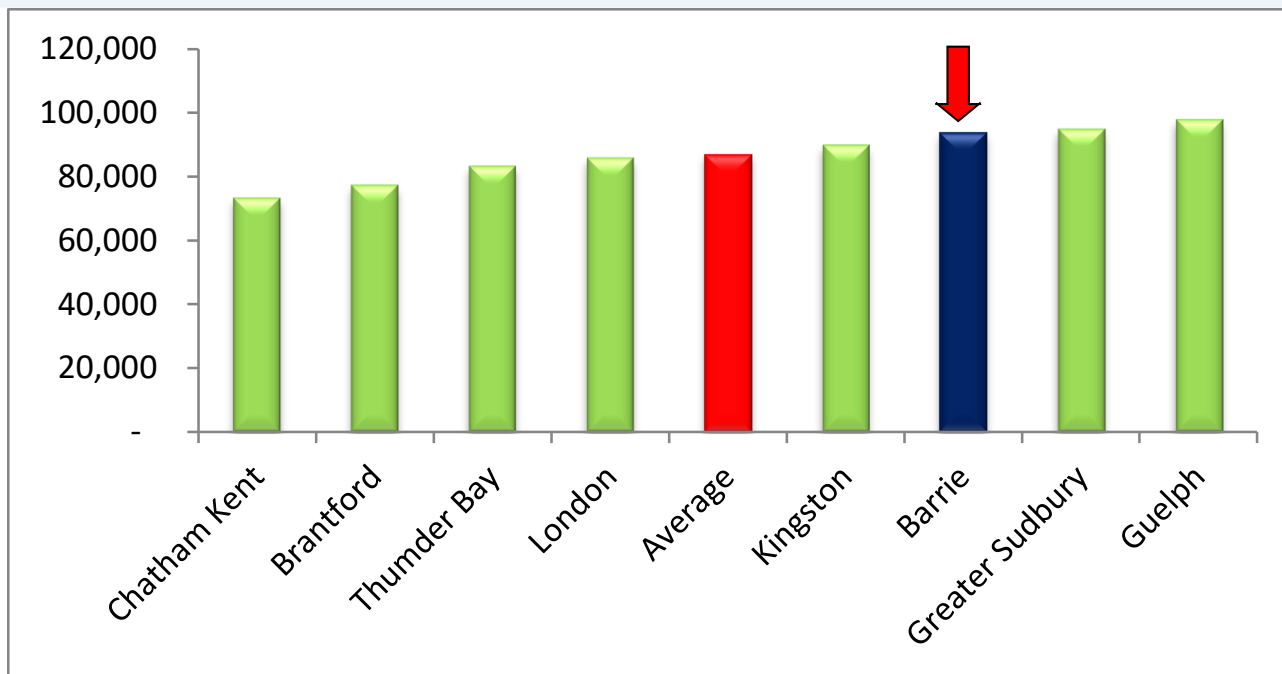


**Richness of  
Assessment**

Assessment per capita in Barrie is above the peer  
average

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

## 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

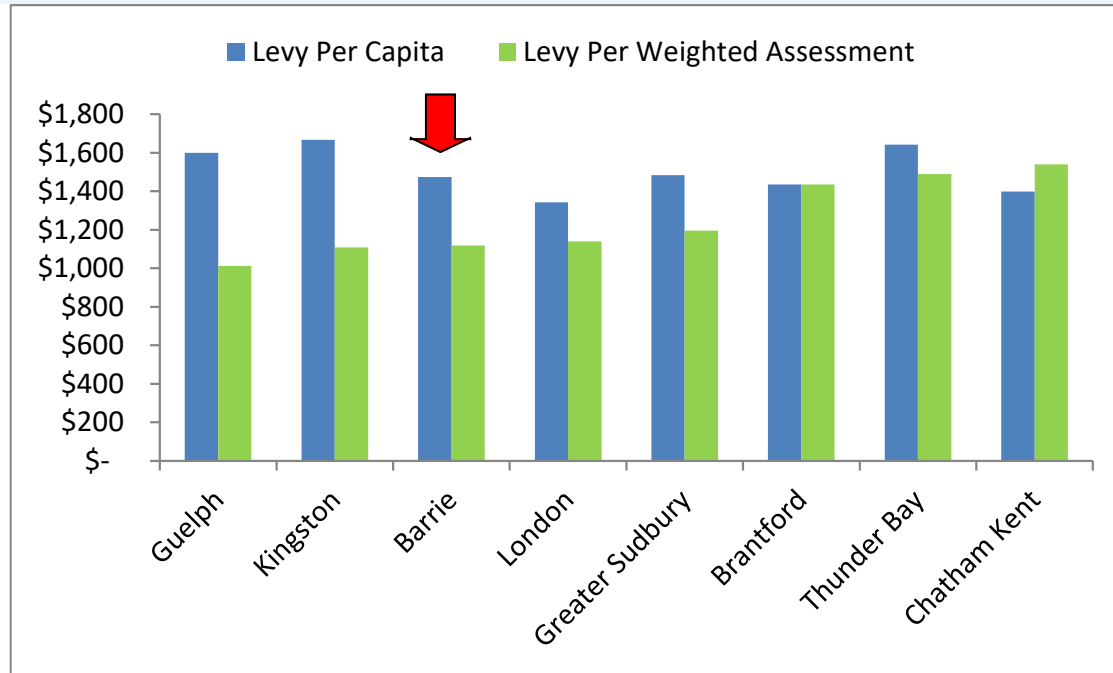
# Socio-Economic Indicators - Summary

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



# Section 2: Municipal Levy, Property Taxes and Affordability

# Tax Levy Analysis

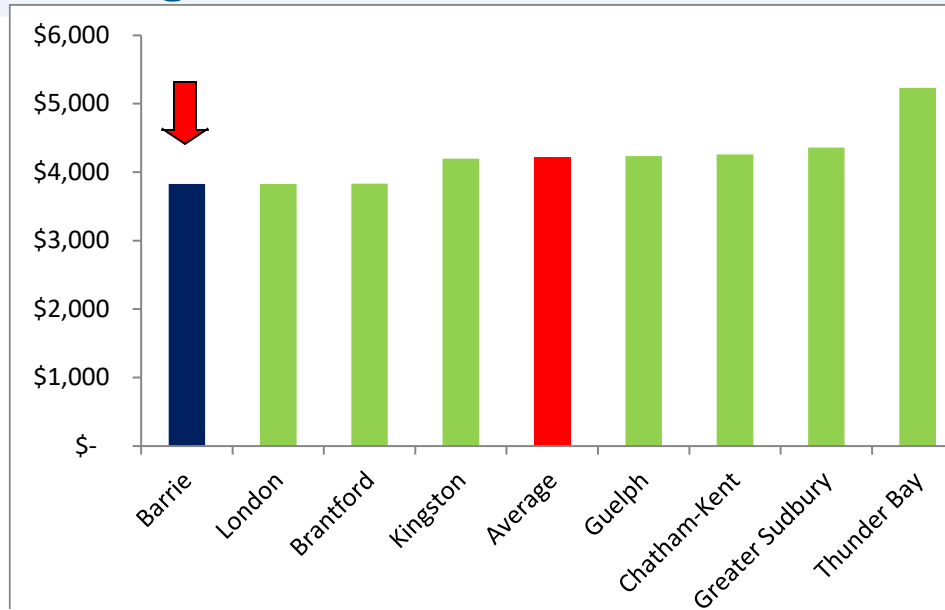


- Barrie has lower than average municipal spending on a per capita basis and per \$100,000 of assessment, reflecting a lower tax burden

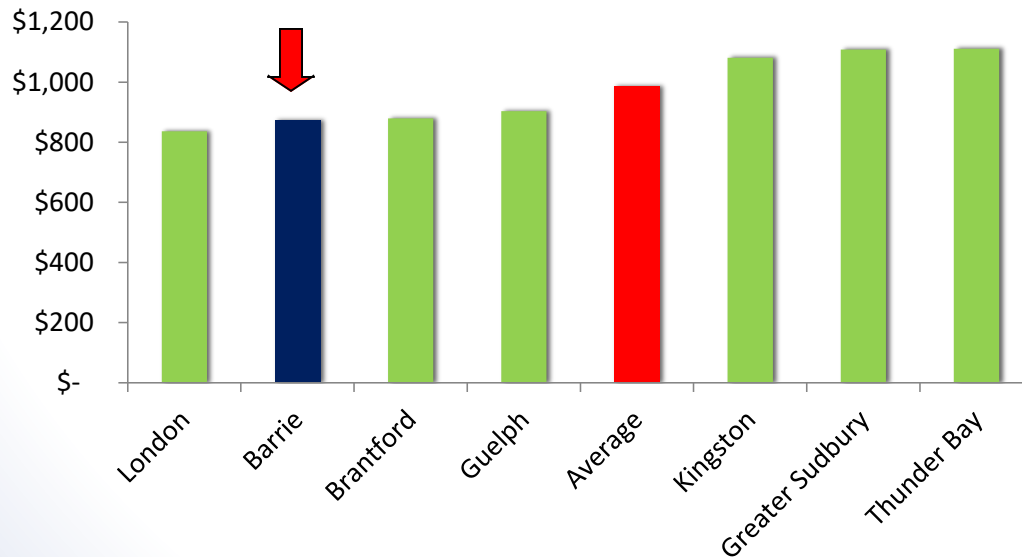
## *What Does It Mean?*

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

## 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 m<sup>3</sup> per year in Barrie have the second lowest costs

# Municipal Levy, Property Taxes and Affordability

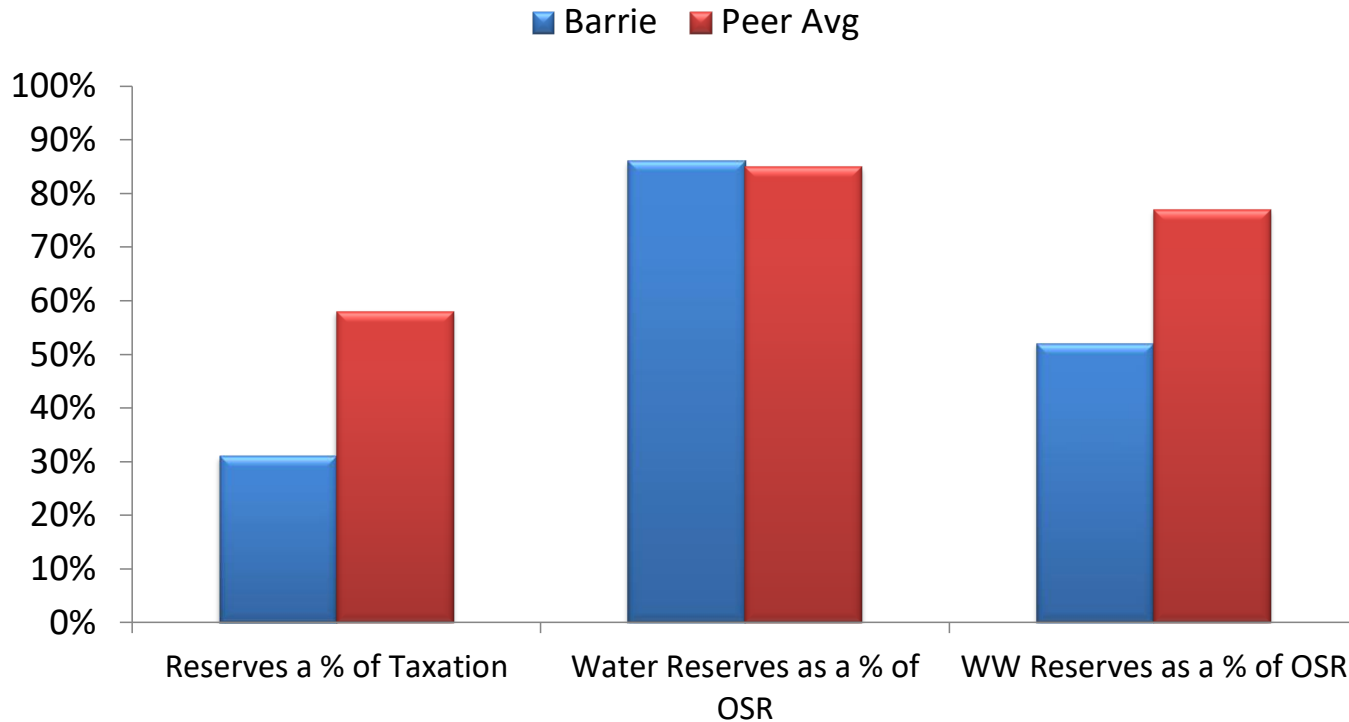
<i>Indicator</i>	<i>Rating</i>
<i>Municipal Levy Per Capita</i>	
<i>Municipal Levy Per \$100,000 of Weighted Assessment</i>	
<i>Property Taxes on an Average Residential Home</i>	
<i>Water/WW Costs—Residential</i>	
<i>Water/WW Costs—Non-Residential</i>	
<i>Residential Tax Affordability</i>	
<i>Residential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





# Section 3: Financial Position

## Reserves/RF Peer Comparisons

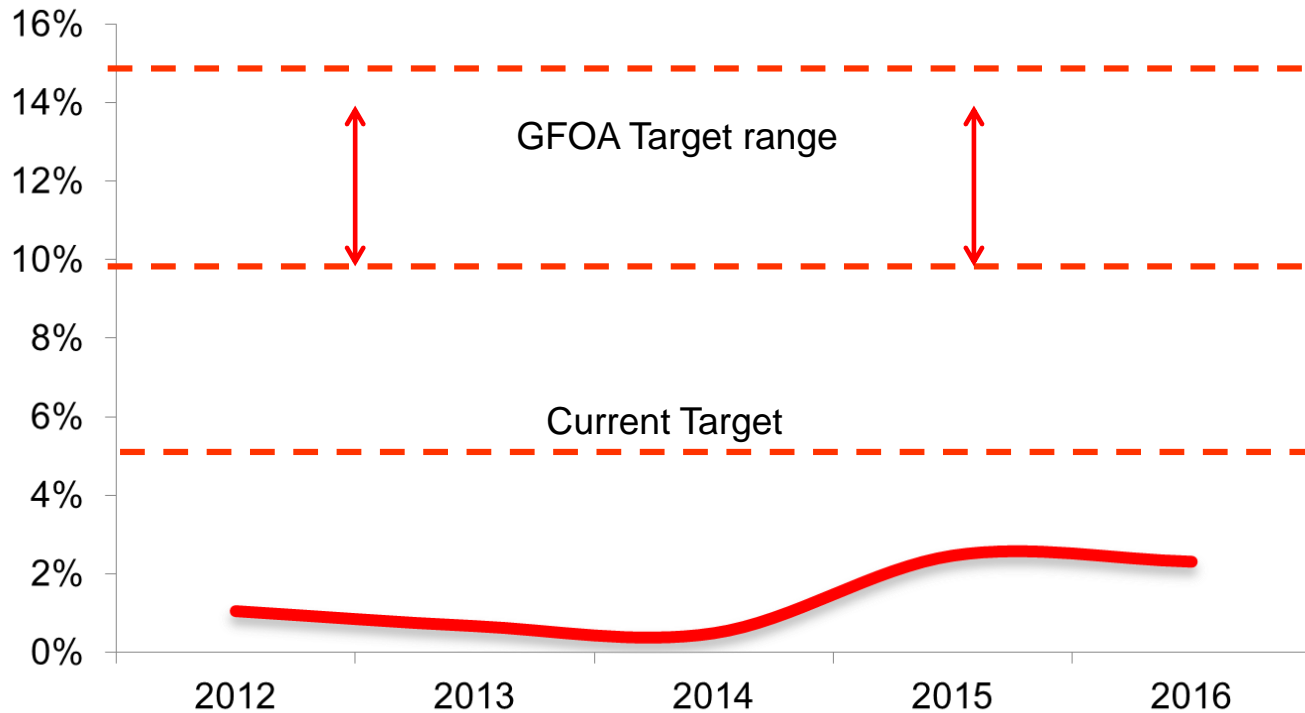


- In 2016, Tax Reserves as a % of Taxation and WW as a % of Own Source Revenues (OSR) are lower in Barrie than in peer municipalities surveyed

### *What Does It Mean?*

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

## 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

# 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 and 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

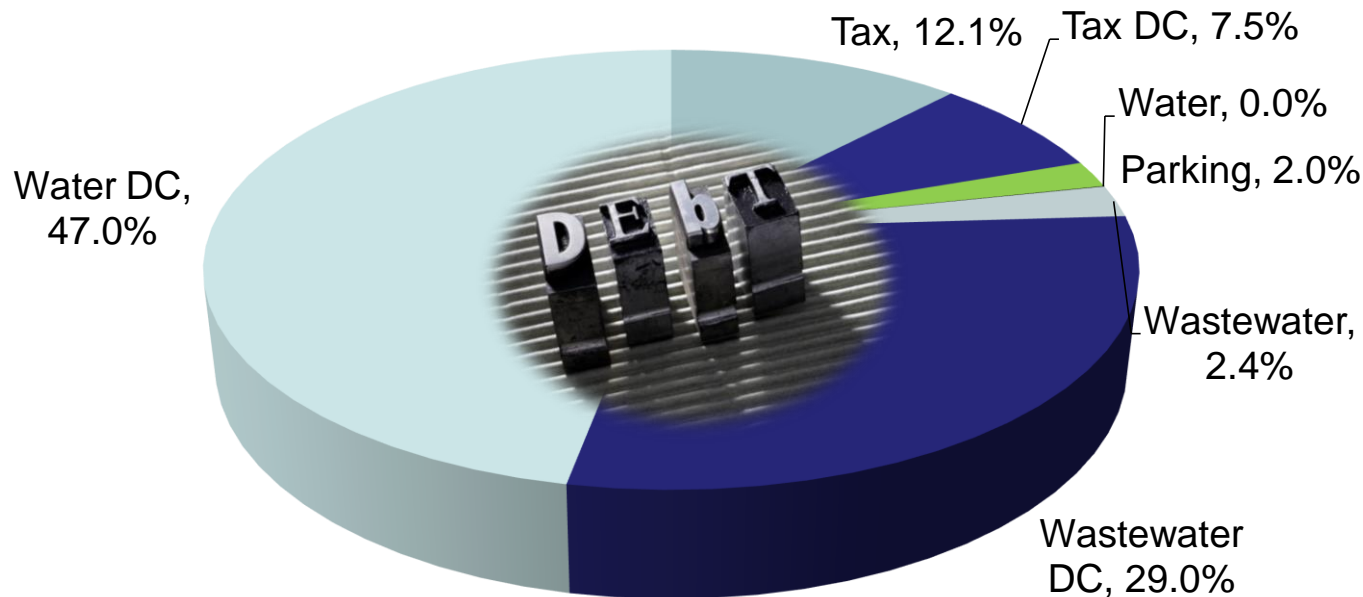
# Debt Management

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

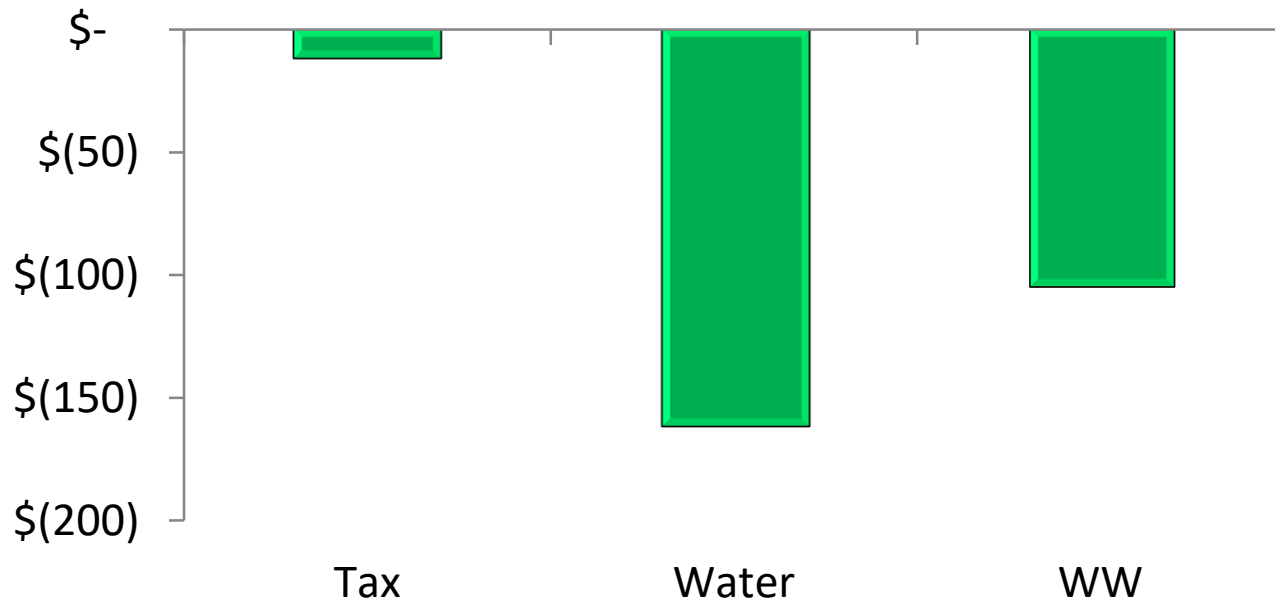
## *What Does It Mean?*

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

### *Debt Outstanding Year End 2016 (\$310 million)*



## DC Net Position

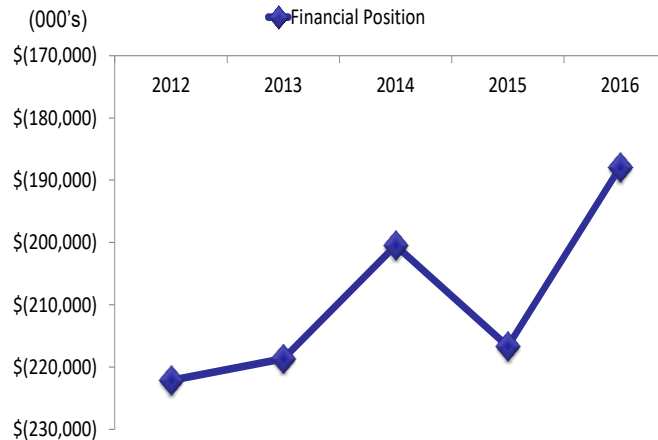


At the end of 2017, it is projected that the net financial DC position (reserve and debt balances) is negative \$278 million (including commitments)

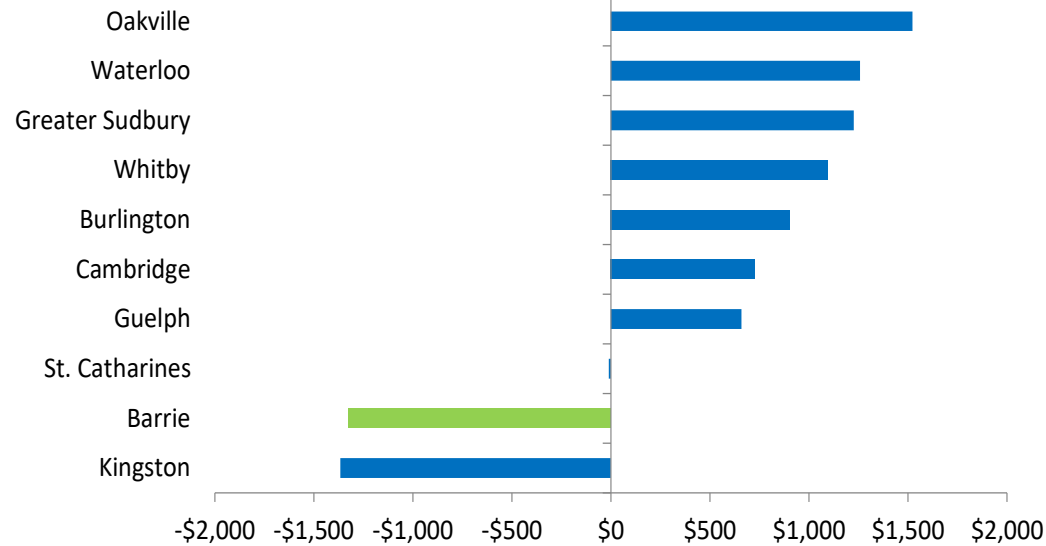
### *What Does it Mean?*

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

# Financial Position - Trend



Financial Position Per Capita

















- 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

# Financial Position Summary

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

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



# 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 LRF 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 LRF be modified and refined, **at least annually** and as new information becomes available that could materially change the forecast



## Finding the Right Balance

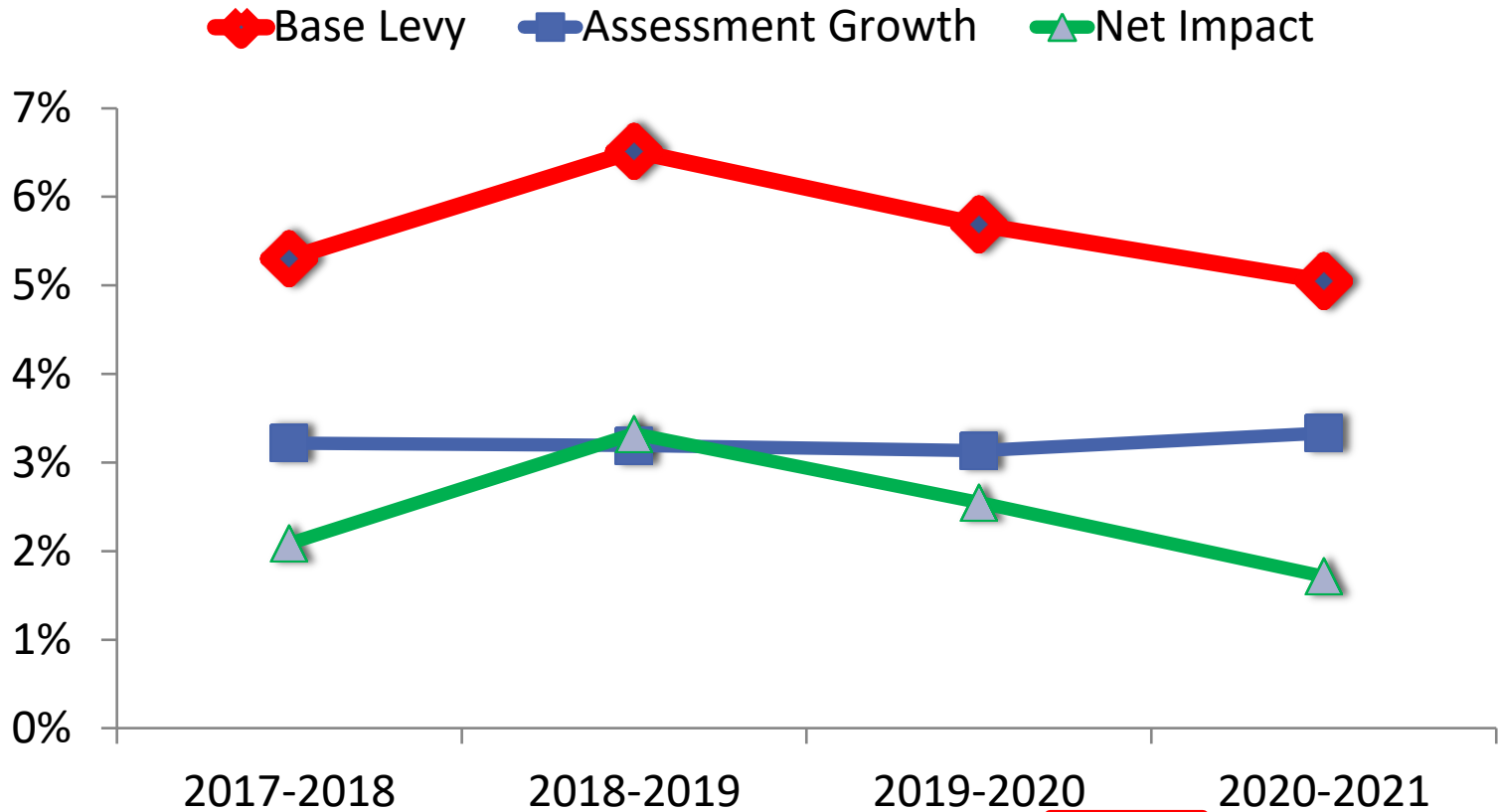
- Between delivering services demanded by the community in an affordable manner is a challenge.
- Maintaining the existing assets in a state of good repair while at the same time financing growth related projects and new strategic initiatives.



## Tax Highlights



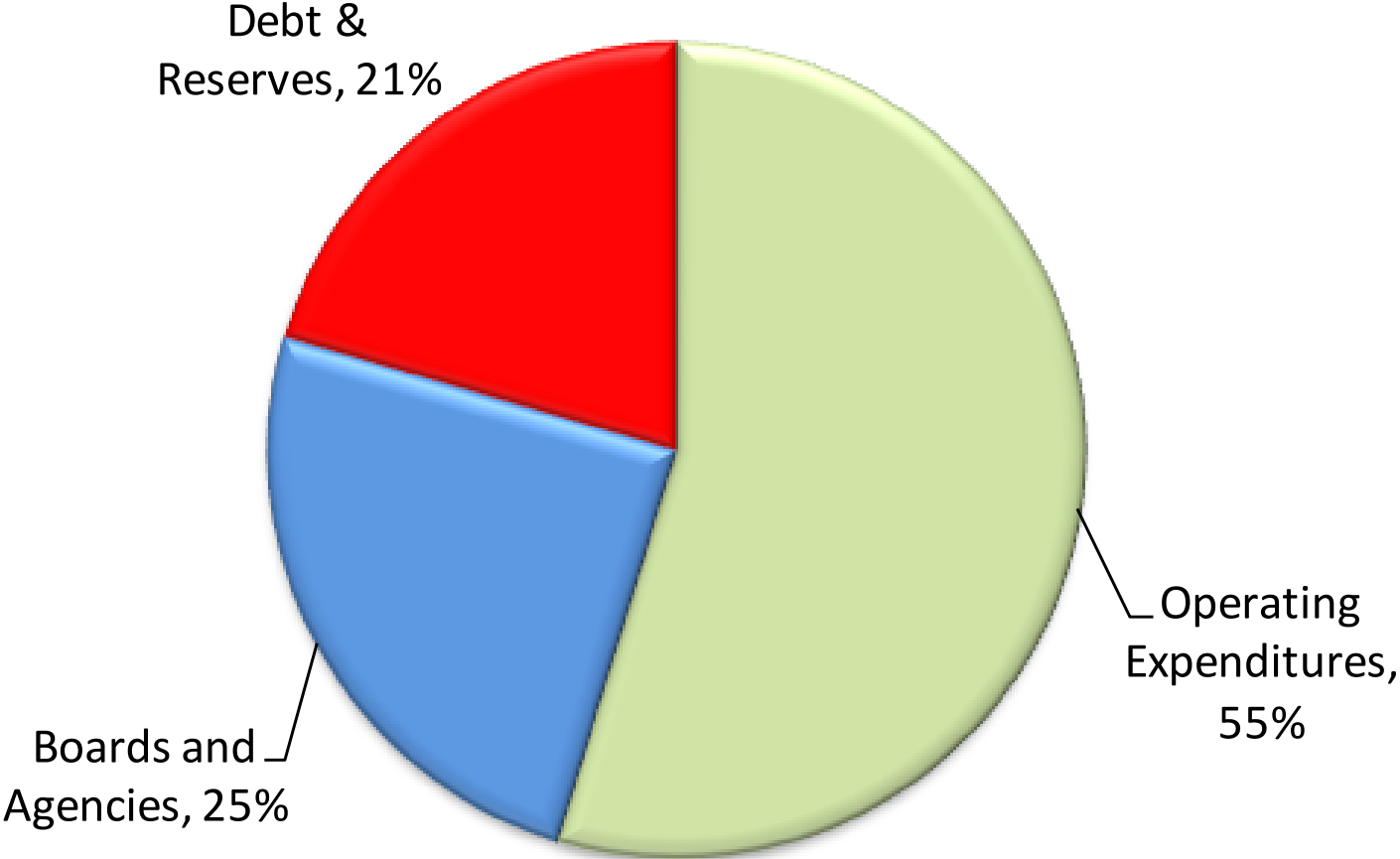
# Tax Operating Budget Forecast



	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%

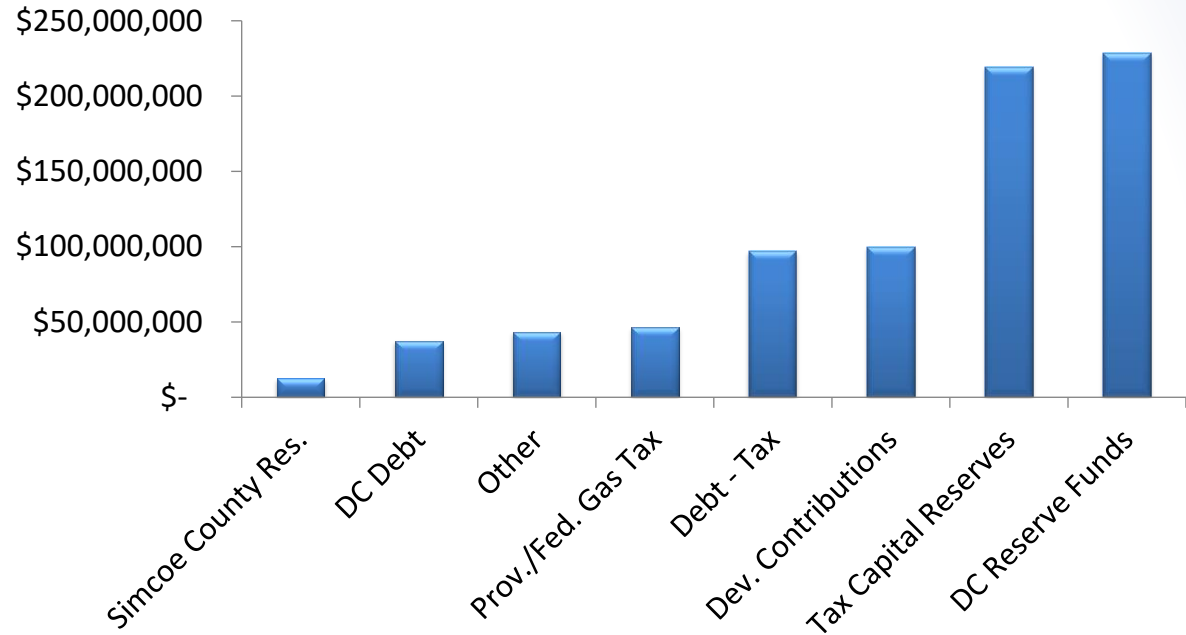
# Operating Budget – Tax Highlights

- In 2021 the following highlights the major areas of expenditure

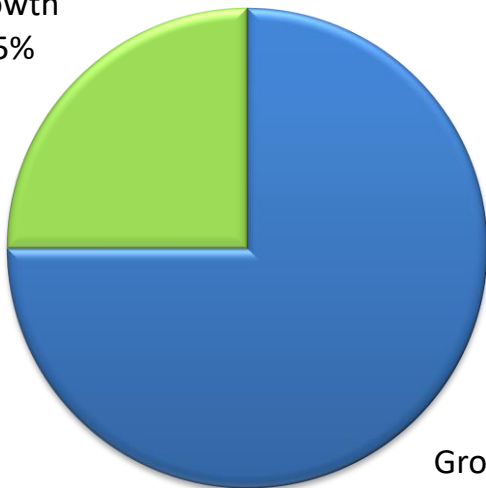


## 5 Year Tax Capital – Total Capital of \$785.7 million

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.



Non-Growth  
25%



75% of Tax Capital Budget is growth related projects

## New Reserves/Reserve Funds

### ***Community Benefit Reserve***

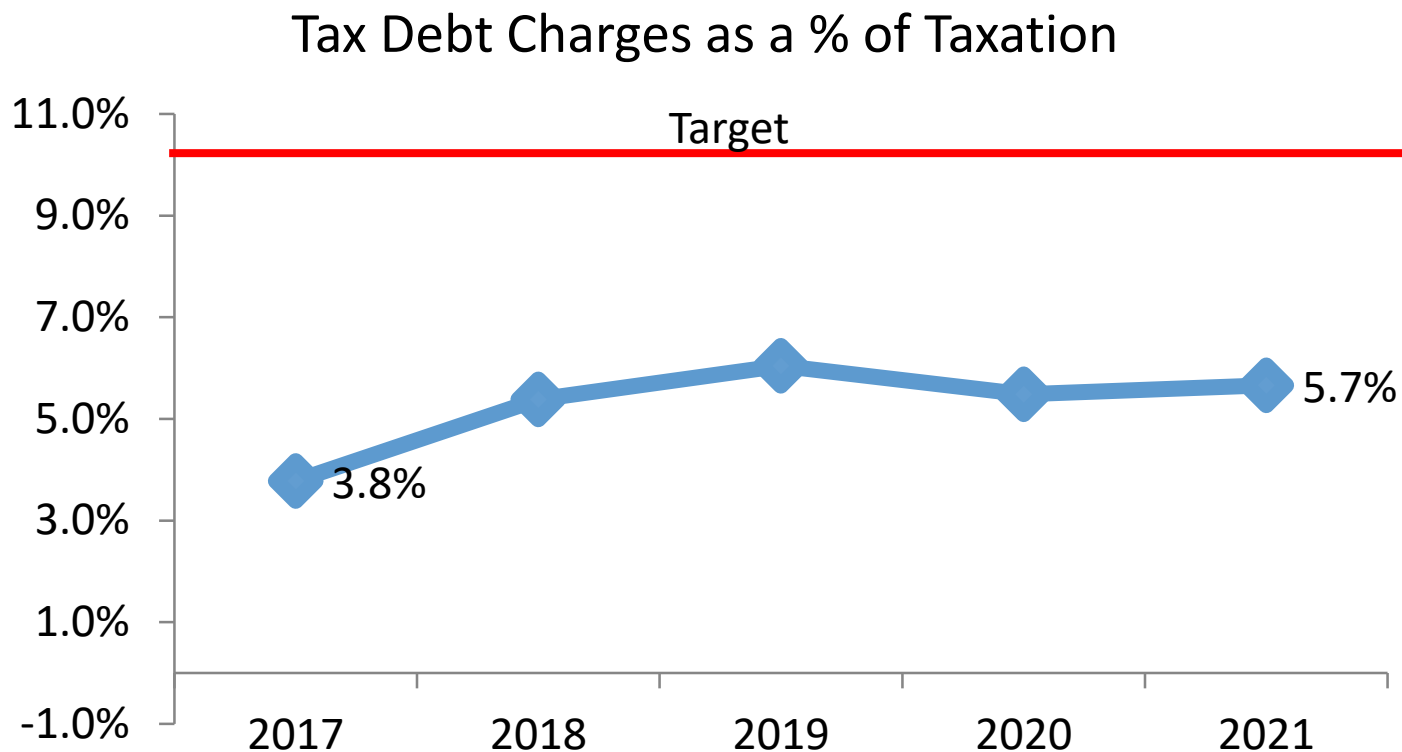
- ***Policy Statement*** –Funded from dividends received from Barrie Hydro Holdings Inc. to a maximum reserve balance of \$10 million. This reserve will be used to fund projects and initiatives deemed to have significant strategic and/or Community benefit.

### ***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.

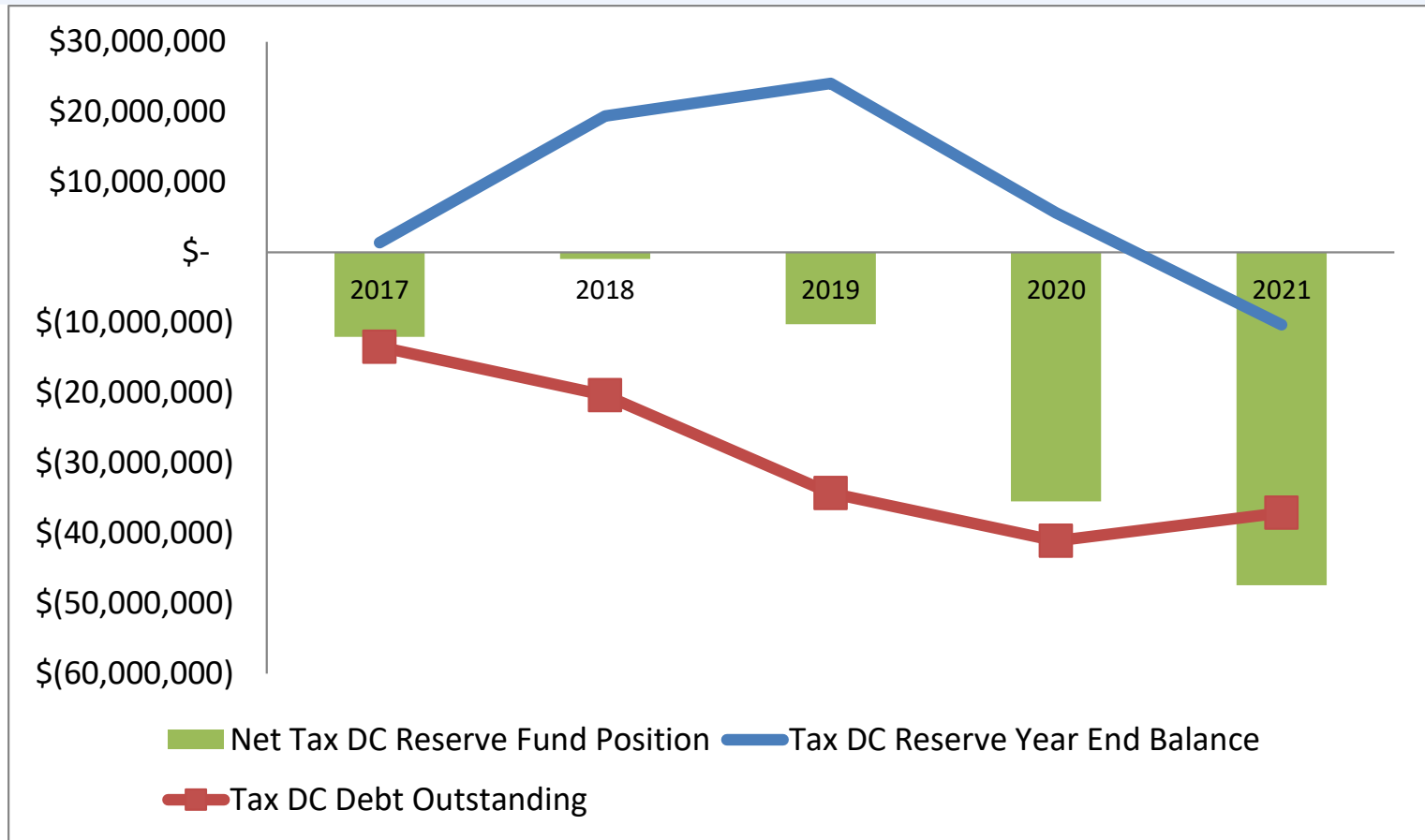


## Tax Debt Charges as a % of Taxation



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

## Net Tax DC Reserve Fund Position Forecast

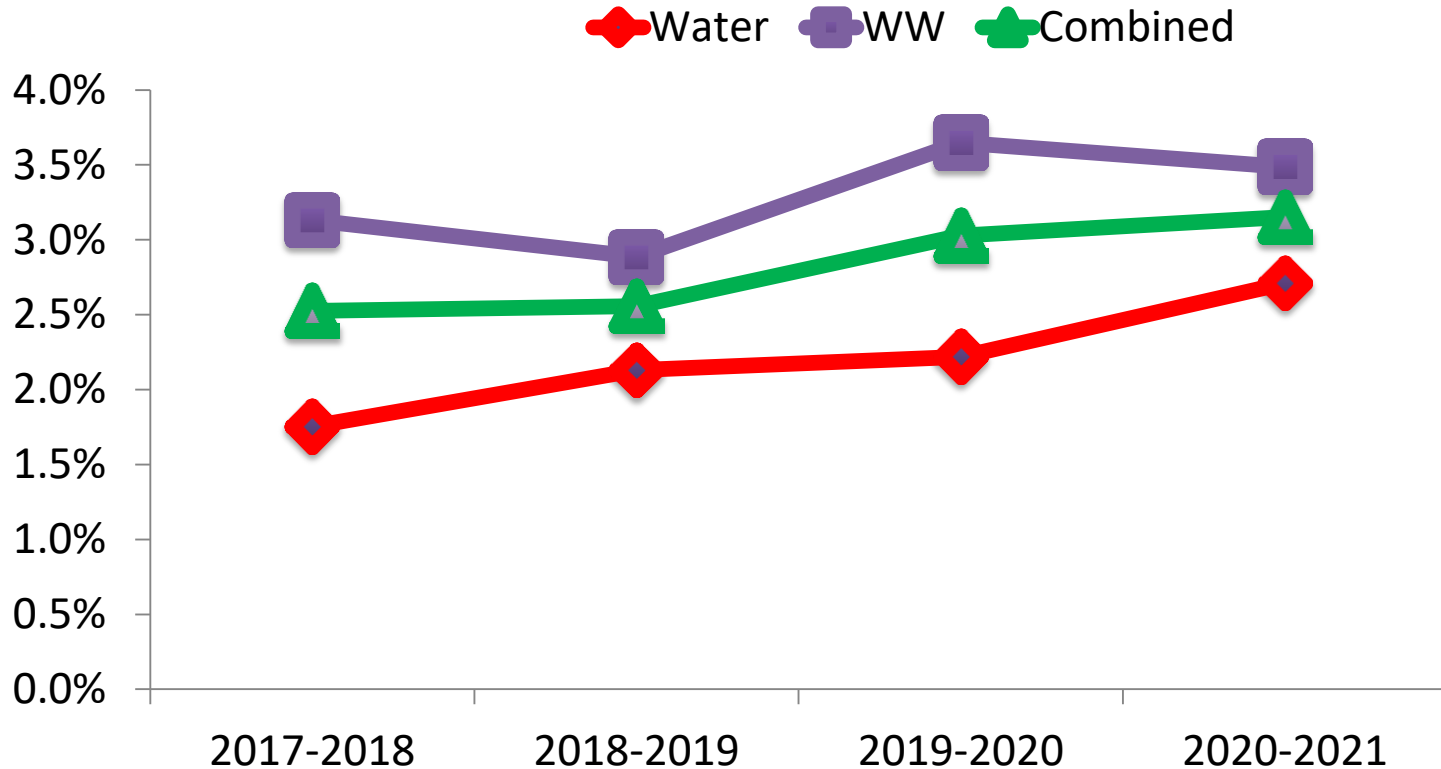


- Taking into consideration the DC Reserve Fund balances and the debt outstanding associated with DC growth related projects, there is risk to meet future financial obligations
- Net ending balance is a negative \$47 million in 2021

## Water/WW Highlights

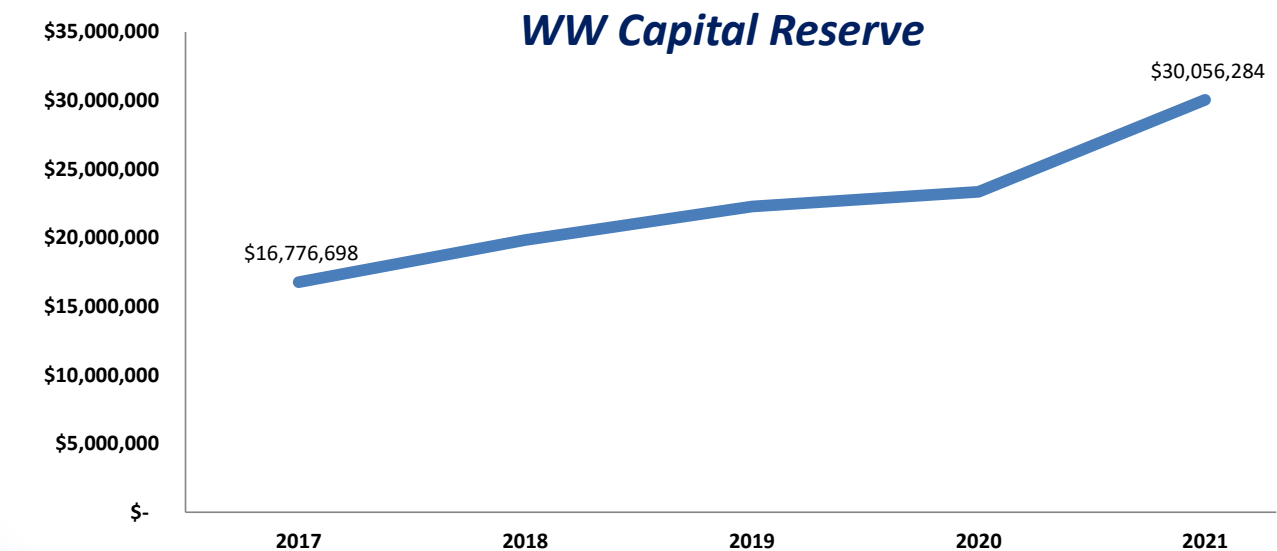
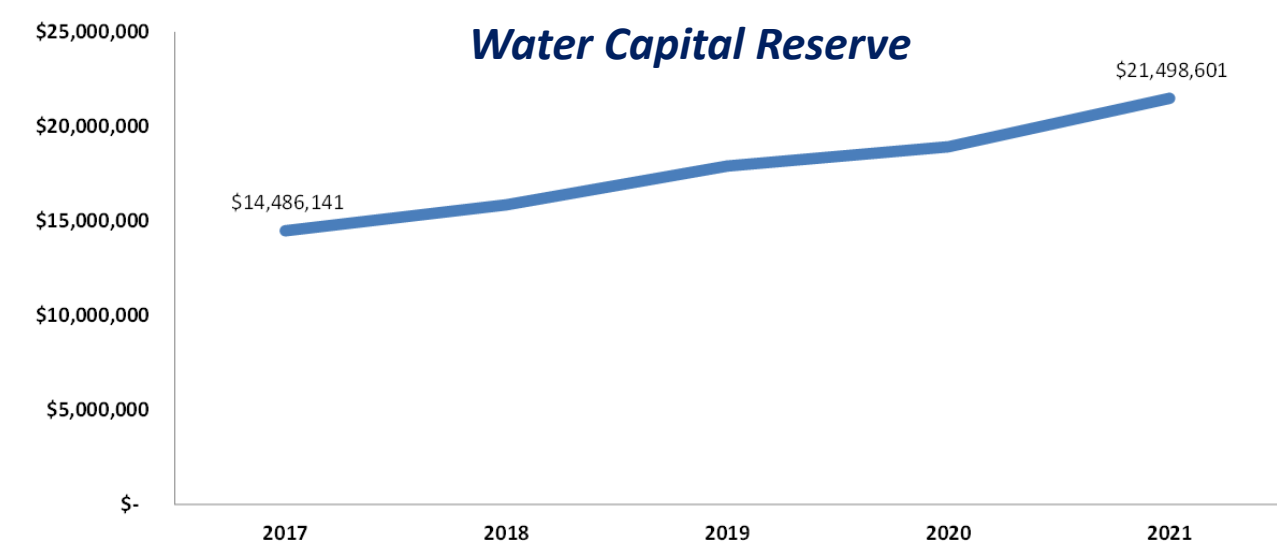


# Operating Budget - % Change in Rate Revenue Requirements

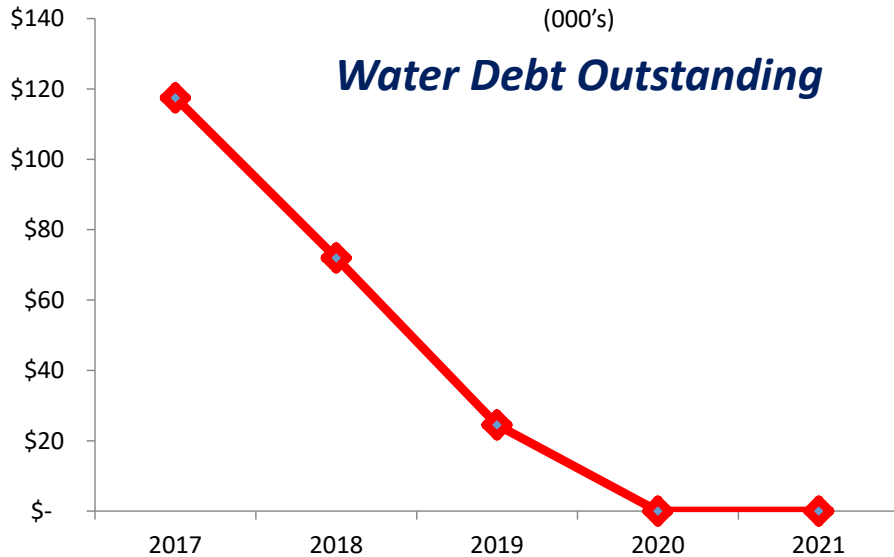


	Water	WW	Combined
2017-2018	1.8%	3.1%	2.5%
2018-2019	2.1%	2.9%	2.6%
2019-2020	2.2%	3.6%	3.0%
2020-2021	2.7%	3.5%	3.2%

# Water/WW Capital Reserves

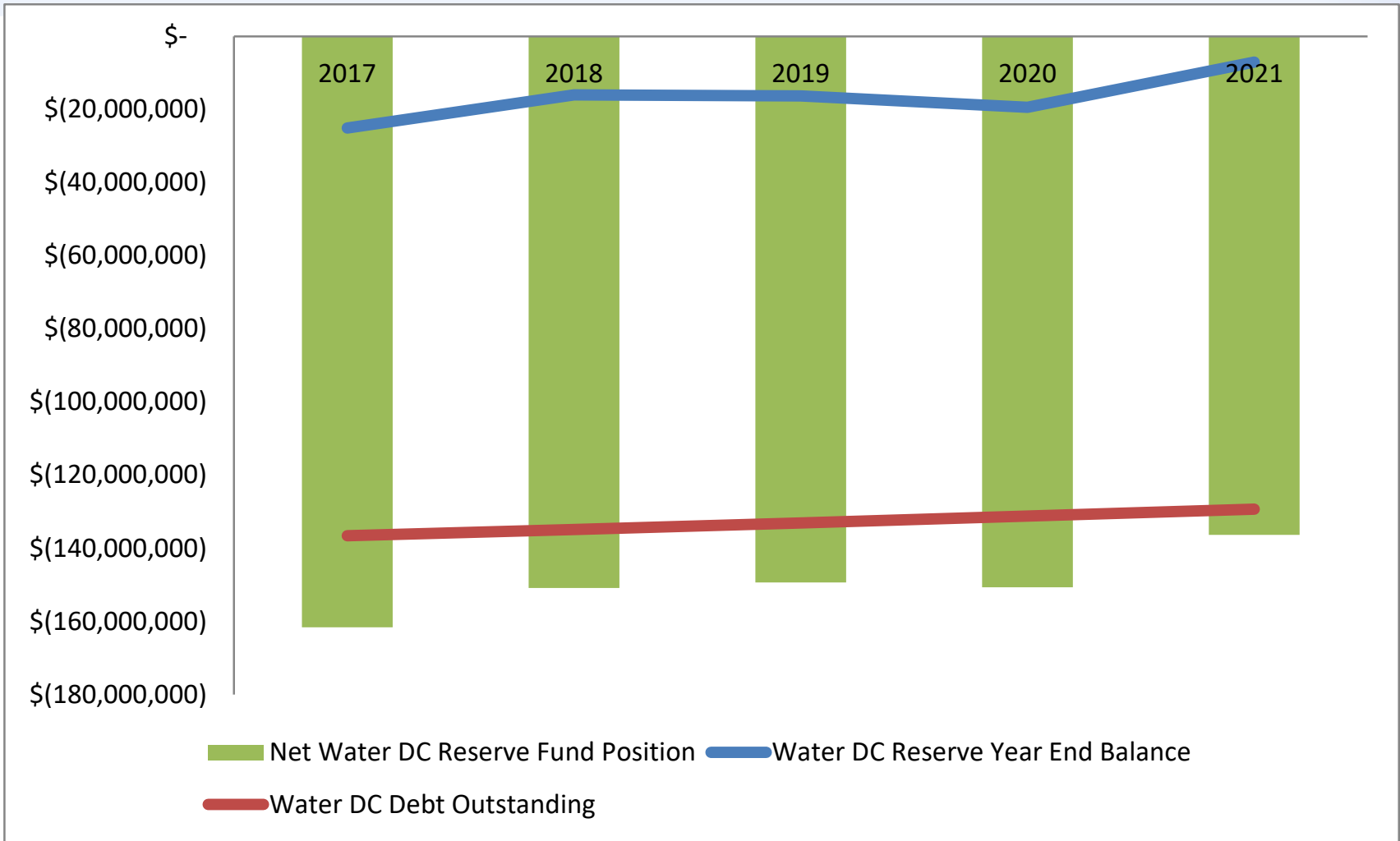


# Water and Wastewater Debt Outstanding Recoverable from Rates



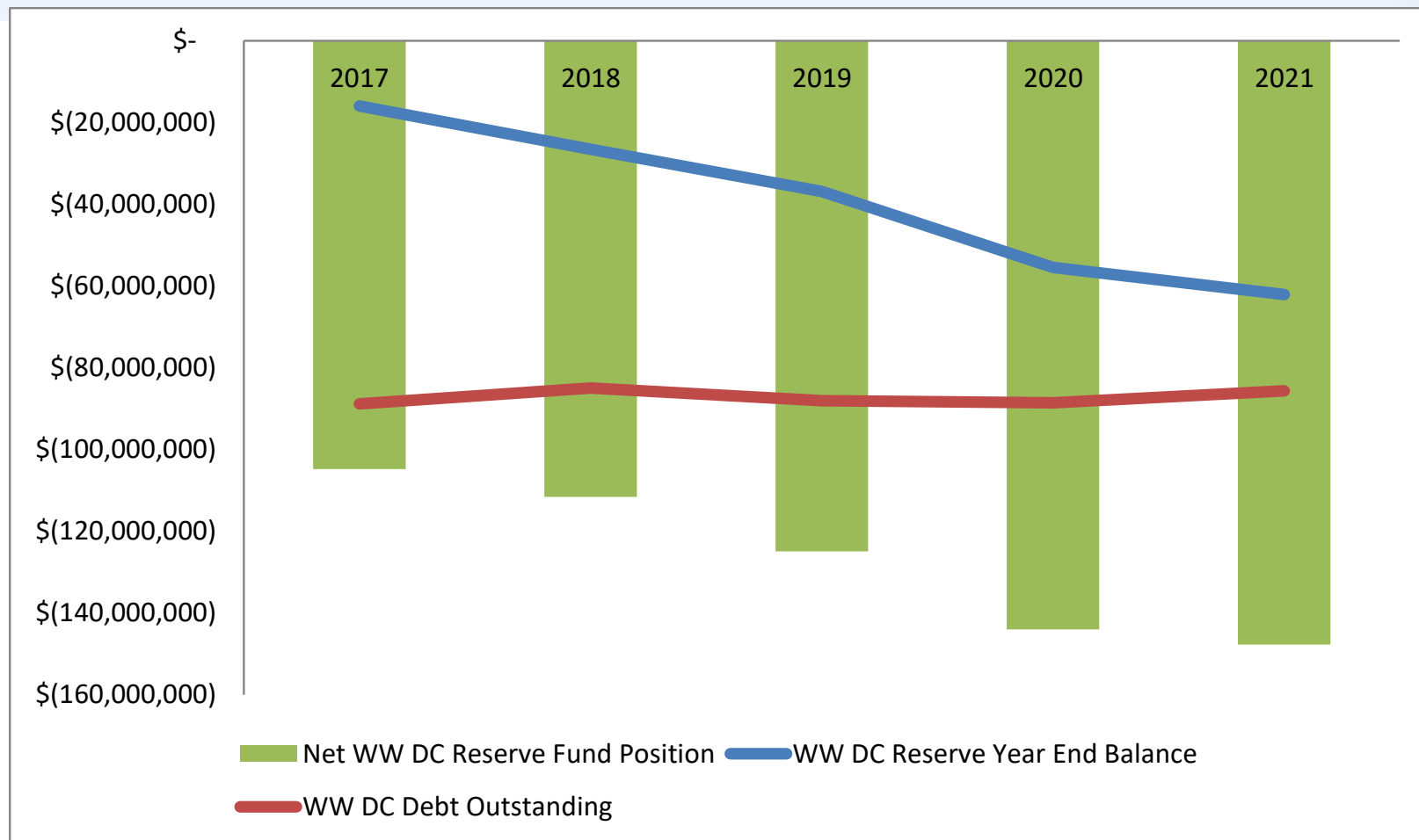
- WW debt outstanding from rates peaks at \$8.5 million in 2019

# 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

## Net DC Reserve Fund Position Forecast – Wastewater



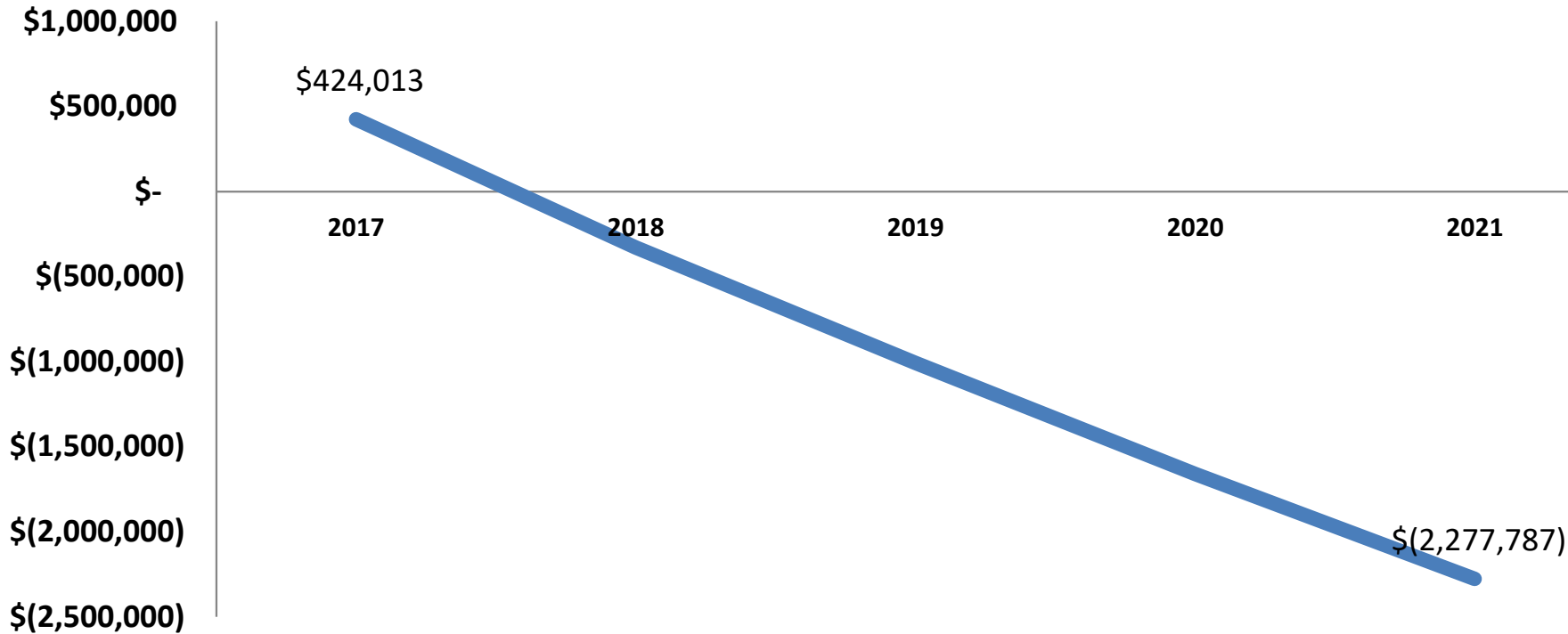
- Net WW DC Reserve Fund position declines over the forecast period and continues to be in a negative position (\$147.8 million in 2021)



Parking



## Parking

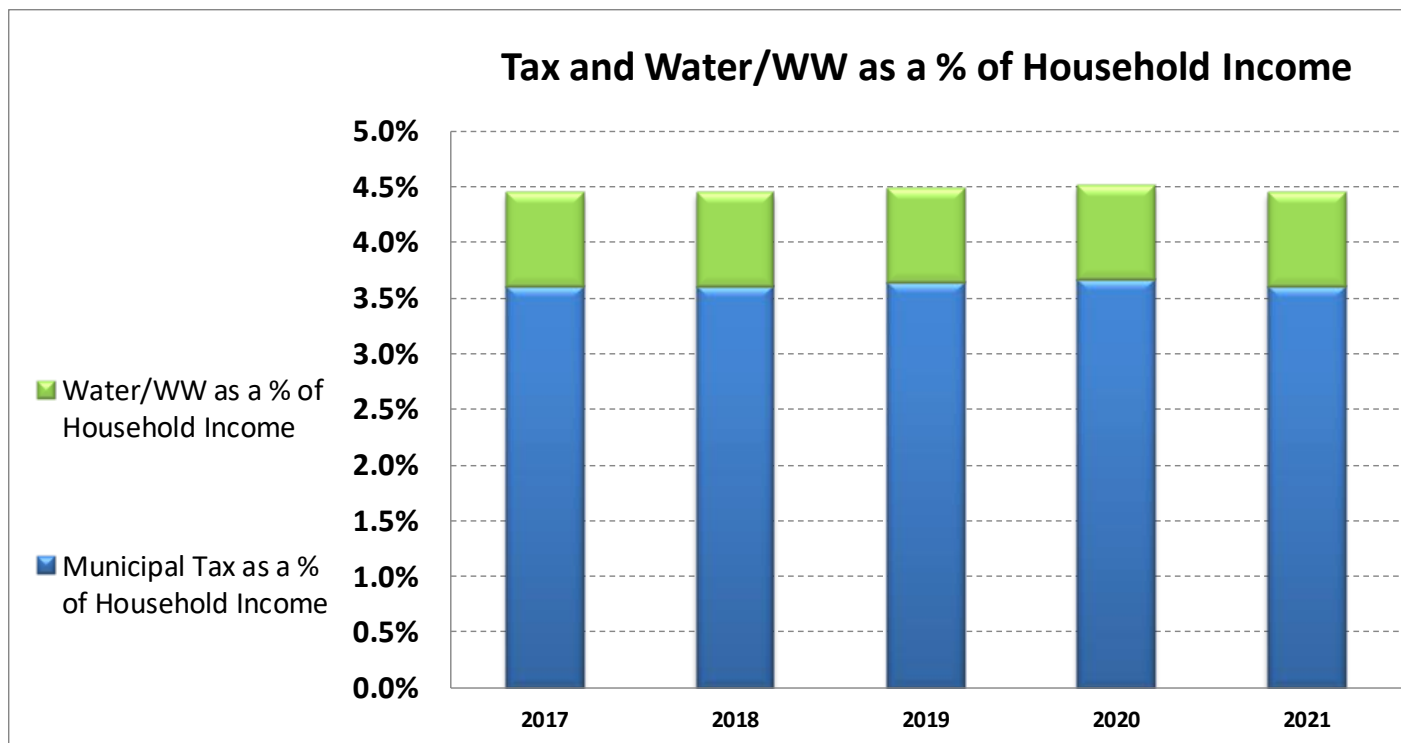


- Over the forecast period, the Parking program is not expected to generate sufficient revenues to be self funding (average annual shortfall \$540,000)
- When debt charges of \$977,000 retires in 2024, this should improve (note opening reserve balance includes \$1 million in revenues from the sale of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

# Affordability Metrics



# 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%

# 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

## 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



# Questions & Answers

Questions & Answers  
Answers