

Long Term Financial Plan Indicators

June 2018

Kevin Fowke, Corporate Services



Long Term Financial Indicators

- ▶ Sustainability
 - ▶ Flexibility
 - ▶ Vulnerability
-
- ▶ Indicators help us measure, compare and forecast financial condition

Finding the Right Balance

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



Sources of Funding

- ▶ Tax Levy
 - ▶ Provides funding for debt repayments and a significant source of funding for Reserves and Reserve Funds
- ▶ User Fees
- ▶ Grants and Transfers from Senior Levels of Government



Assumptions

- ▶ One to four (1 - 4%) percent annual increases in operating costs
- ▶ Water / Wastewater rates increase by 7.4% annually to 2025, 2% thereafter
- ▶ User fees increase by 3% per year
- ▶ Arena Event Centre is included in 2019 and 2020 using the \$100 million assumption and approved financing plan
- ▶ Projects with identified financing plans are included:
 - ▶ Place des Arts, MR 35 (in 2019), Maley Drive
 - ▶ Contributions to various institutions
 - ▶ Ongoing commitments to historical large capital spend (e.g. Wells, Biosolids, 199 Larch, Transit - Fleet Garage)

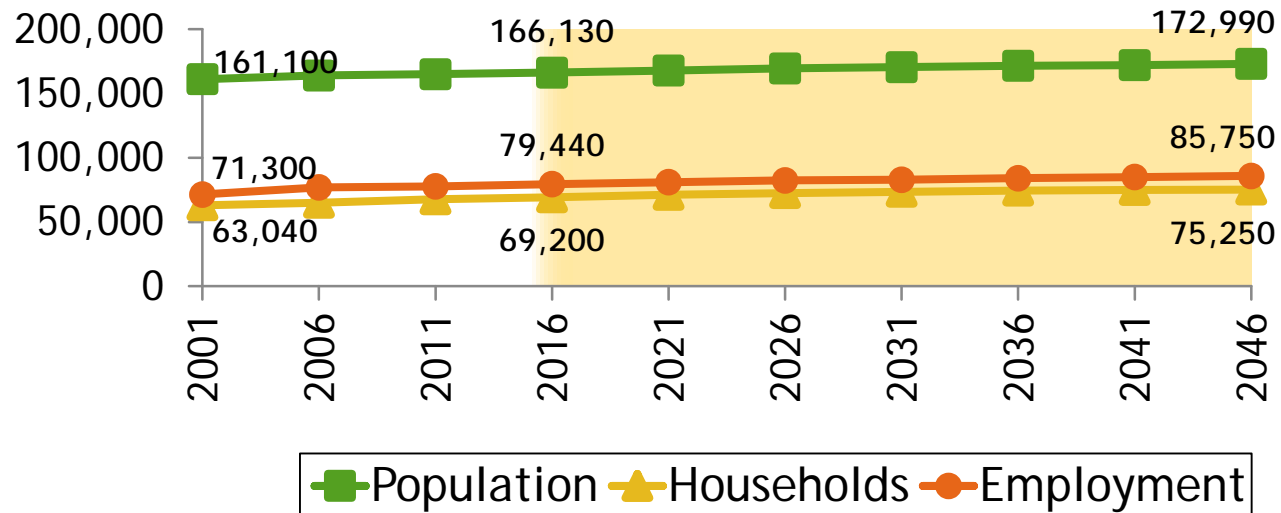
Financial Condition Assessment

- ▶ Environmental Factors
 - ▶ Population and Assessment
 - ▶ Employment
 - ▶ Building Construction Activity
 - ▶ Household Income
- ▶ Financial Factors
 - ▶ Reserves and Reserve Funds
 - ▶ Debt
 - ▶ Municipal Financial Position
 - ▶ Municipal Financial Indicators

Population Growth

- ▶ Slow, modest population growth, at target assumption, 7% by 2046

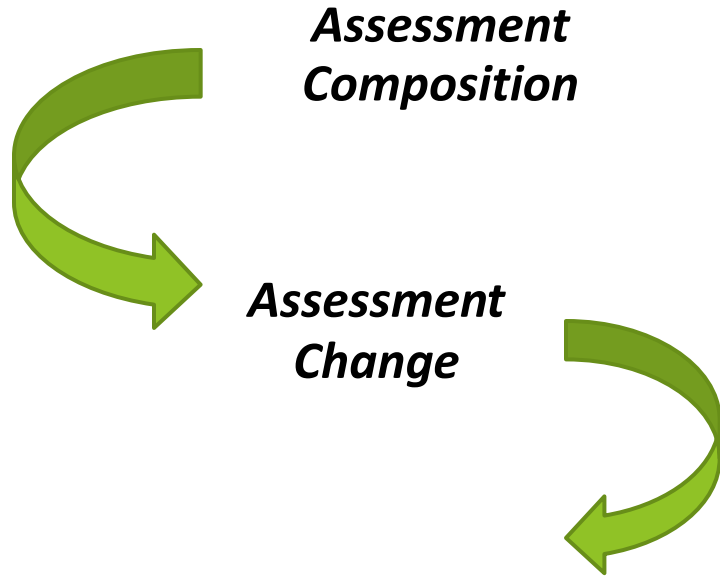
Historical and Forecasted Population, Households & Employment Trend City of Greater Sudbury 2001-2046



So What?

- Growing population supports business growth, provides an evolving and vibrant labour force and increased assessment
- Growth will (does) not fund all increases in cost of services and is insufficient to increase spending on long term assets.

Analyzing Assessment



Excellent mix of residential and non-residential assessment:
28% Commercial & Industrial in Greater Sudbury

Greater Sudbury's assessment has been trending up and is expected to increase in the future by approximately 1% per year

So What?

A strong assessment base is critical to a Municipality's ability to generate revenue.

Environmental Factors

Economic Indicator	Rating
Population Growth	✘
Population Density	✘
Demographics	✘
Unemployment Rate	✓
Construction Activity	✓
Assessment Composition	✘
Assessment Growth	✘
Household Income	✓

Financial Indicators - Sustainability

FINANCIAL ASSETS TO FINANCIAL LIABILITIES

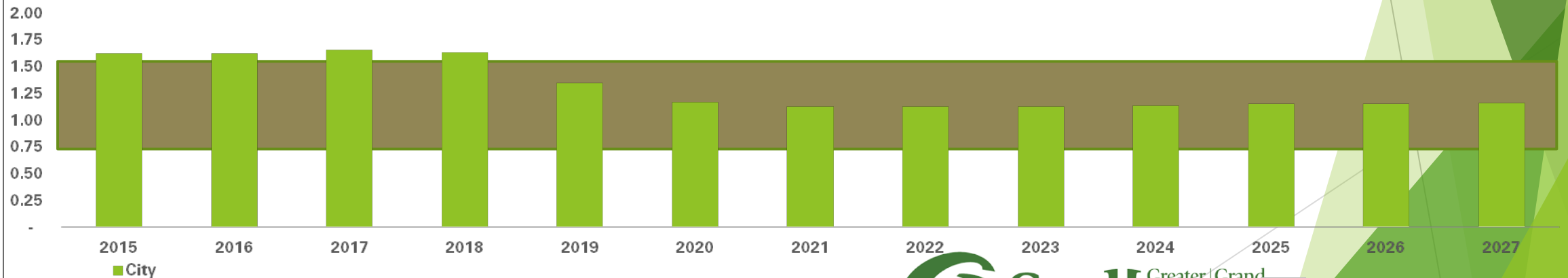
So What?

Over time City's solvency and financial sustainability decrease and yet remain within the normal range of comparator municipalities.

Now What?

Continue excellent return on investments.
Develop liquidity policy.
Monitor credit rating and long term debt servicing costs.

Financial Assets to Financial Liabilities



Financial Indicators - Sustainability

TOTAL RESERVES AND RESERVE FUNDS PER HOUSEHOLD

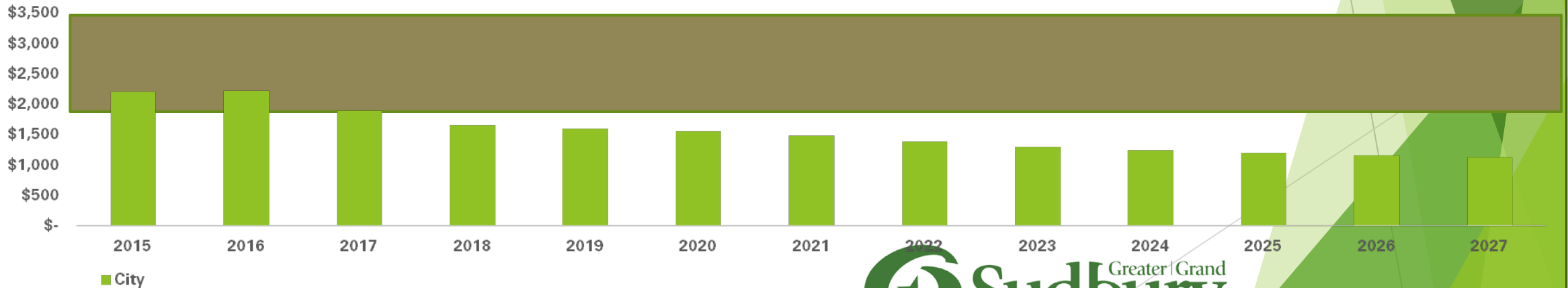
So What?

This graph reflects financing choices which have and will use reserves and reserve funds. Starting in the low range, CGS falls below the range for most municipalities.

Now What?

Reserves and Reserve Fund By-law Update.
Monitor Operational spending closely.
Develop funding plan for reserves.

Reserves and Reserve Funds per Household



Financial Indicators - Sustainability

TOTAL OPERATING EXPENSES AS A PERCENTAGE OF TAXABLE ASSESSMENT

So What?

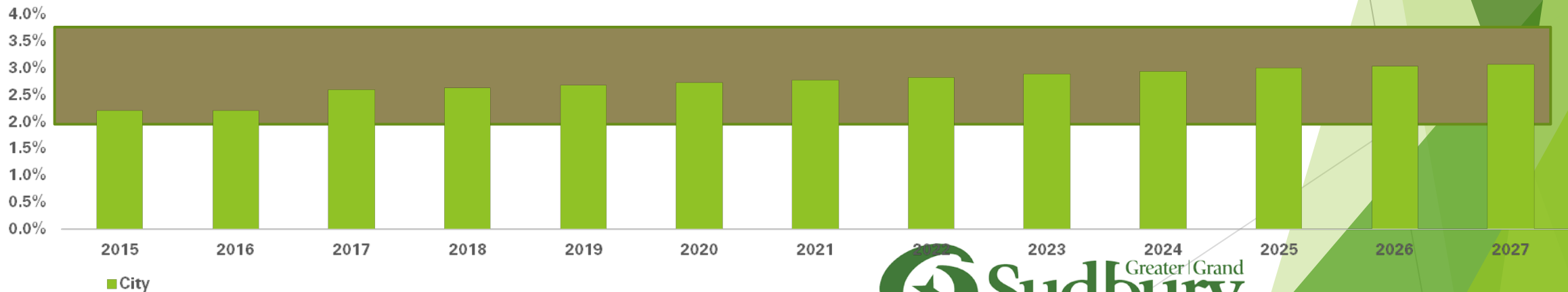
Level of Operating Expenses corresponds with increases in taxable assessment.

Now What?

Build better understanding of the relationship between service level and costs.

Economic Development - increase commercial and industrial base.

Operating Expenses as a Percentage of Taxable Assessment



Financial Indicators - Sustainability

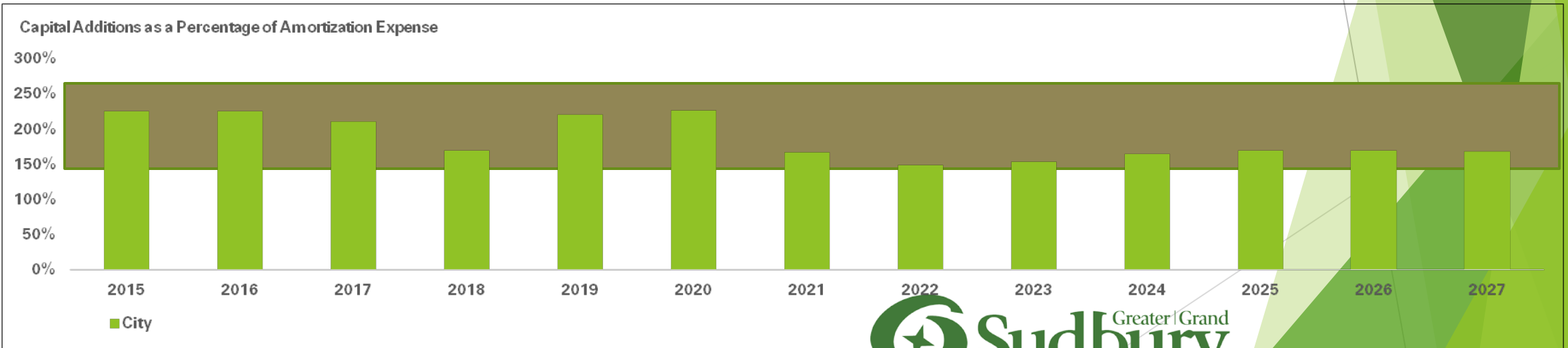
CAPITAL ADDITIONS AS A PERCENTAGE OF AMORTIZATION EXPENSE

So What?

Capital additions / plans have been strong yet fall off after major planned projects.

Now What?

Asset Management Policy / Next Steps
Capital Levy Recommendation to address asset renewal needs.



Financial Indicators - Flexibility

RESIDENTIAL TAXES PER HOUSEHOLD

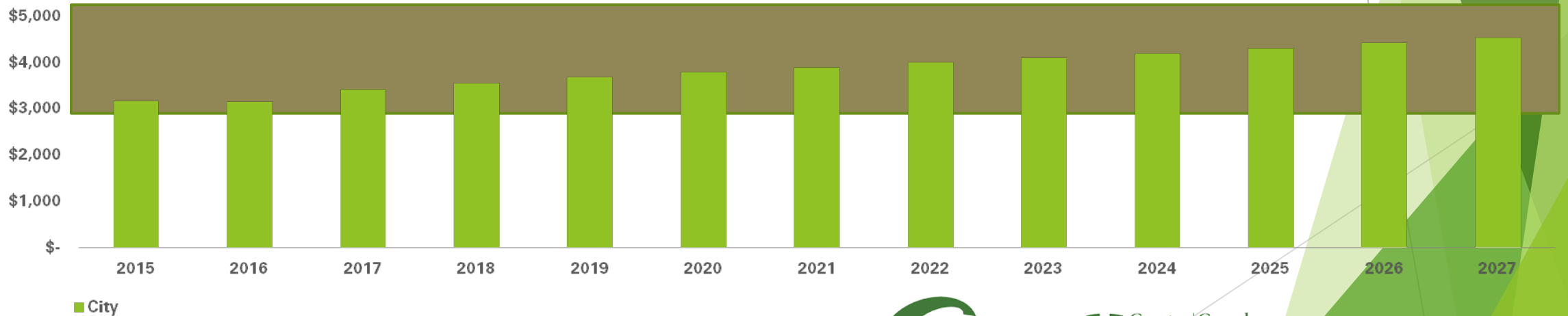
So What?

Residential taxes remain well within a range of our comparators which signals our competitiveness and affordability.

Now What?

Continue comparison to BMA comparators during the budget process.
Continue practice of limiting burden on residential class to the levy amount agreed by Council.

Residential Taxes per Typical Single Family Household (Municipal and Education)



Financial Indicators - Flexibility

TOTAL LONG-TERM DEBT PER HOUSEHOLD

So What?

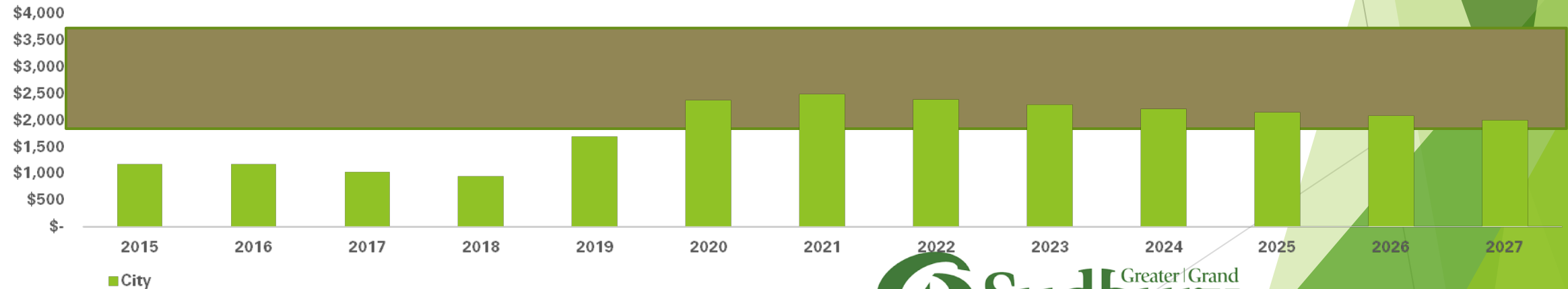
Total per household debt rises from historical levels but remains well within the range of our comparators.

Now What?

Monitor credit rating impact.

Continue with debt management policy to ensure it is maintained within acceptable levels.

Total Long-Term Debt per Household



Financial Indicators - Flexibility

RESIDENTIAL TAXATION AS A PERCENTAGE OF HOUSEHOLD INCOME

So What?

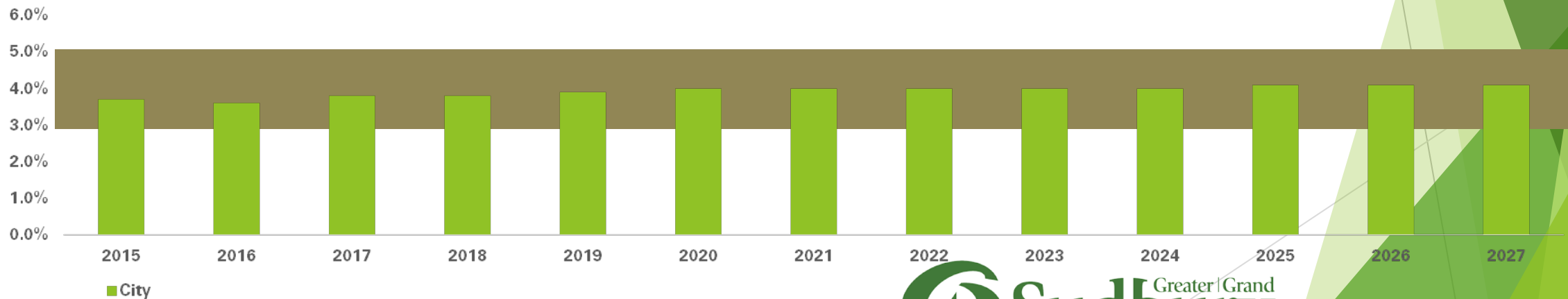
Average affordability is well within range of our comparators and below 4% over the LTFP period.

Now What?

Continue supports for those on fixed or low incomes.

Continue to pursue non tax revenues.

Residential Taxation as a Percentage of Household Income



Financial Indicators - Flexibility

TOTAL TAXATION AS A PERCENTAGE OF TOTAL ASSESSMENT

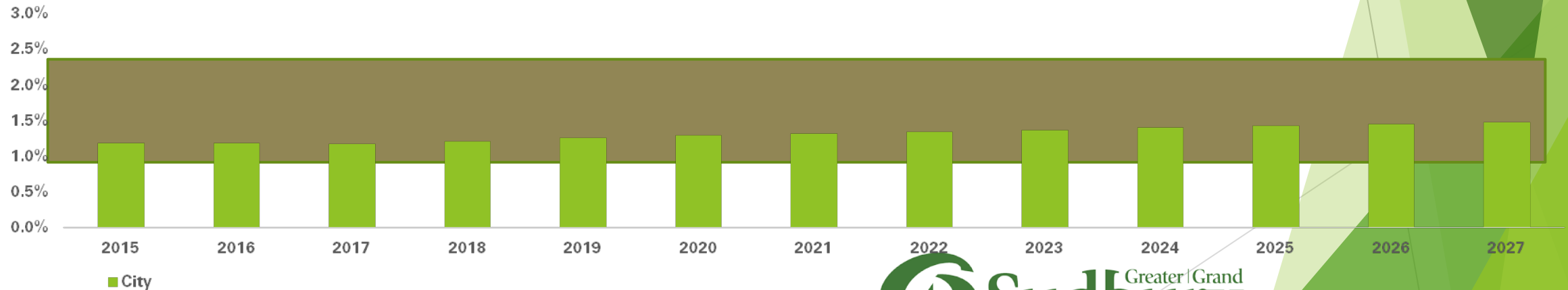
So What?

This indicator remains relatively flat, CGS is well within range of comparators and relatively low percentages over the LTFP period, which indicates flexibility to generate incremental revenue in future.

Now What?

Economic Development – increase commercial and industrial base.

Total Taxation as a Percentage of Total Assessment



Financial Indicators - Flexibility

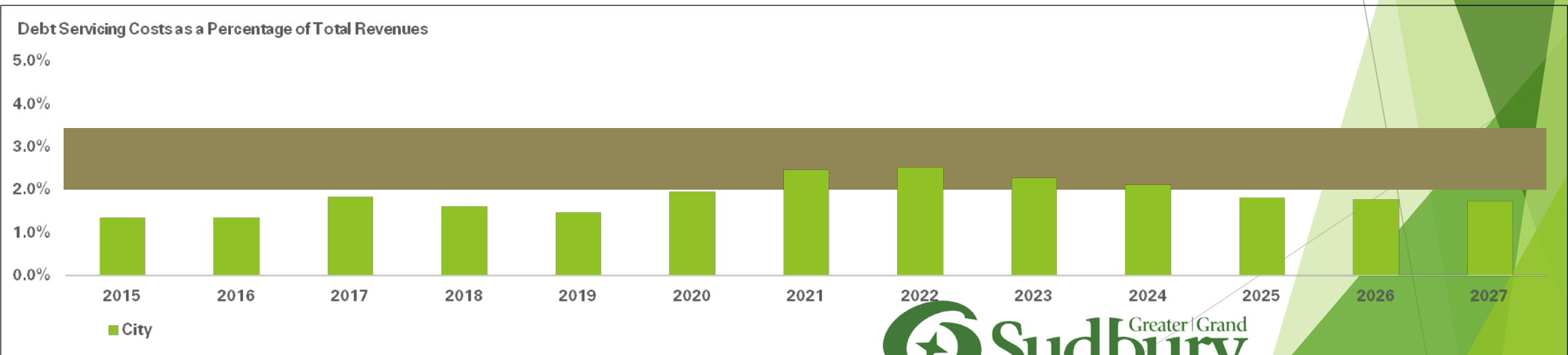
DEBT SERVICING COSTS (INTEREST AND PRINCIPAL) AS A PERCENTAGE OF TOTAL REVENUES

So What?

CGS Debt Servicing costs increase over the LTFP plan period yet are well within approved Debt policy limits.

Now What?

Monitor credit rating.
Ensure debt levels and repayment terms reflect affordability thresholds.



Financial Indicators - Flexibility

NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS AS A PERCENTAGE OF HISTORICAL COST OF TANGIBLE CAPITAL ASSETS

So What?

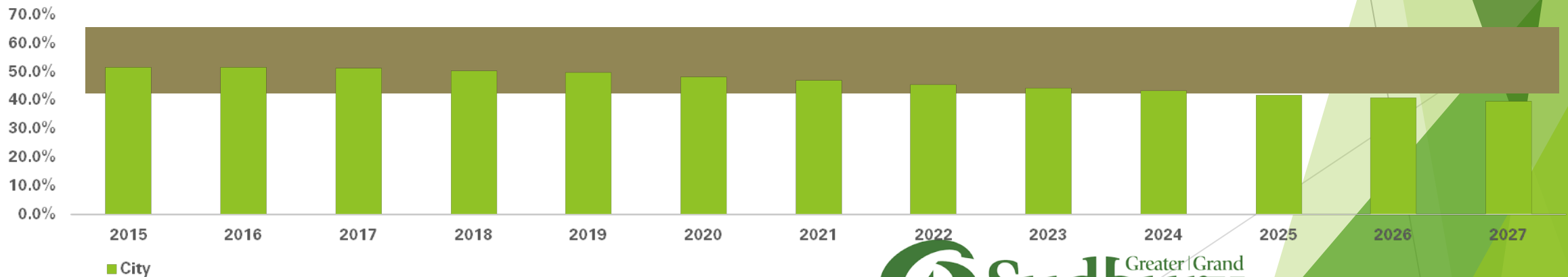
This indicator of reinvestment in capital assets decreases over time and falls below a 50% threshold indicating CGS's reinvestment is not keeping pace with the aging of its assets.

Now What?

Asset Management Policy / Next Steps

Capital Levy Recommendation to address asset renewal needs.

Net Book Value of Assets as a Percentage of Historical Cost



Financial Indicators - Vulnerability

OPERATING GRANTS AS A PERCENTAGE OF TOTAL REVENUES

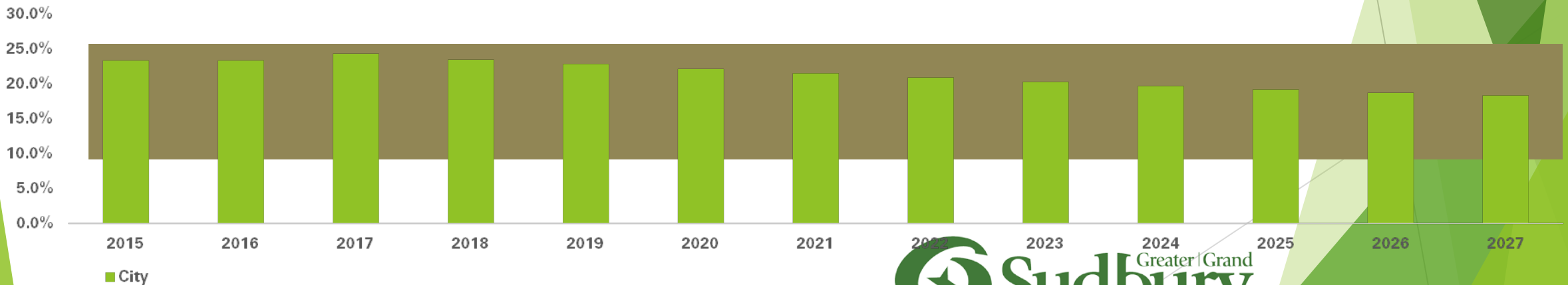
So What?

CGSs degree of reliance on senior levels of government improves over time yet is relatively high. Less vulnerability and severity of impact of a decrease in operating grants is a positive.

Now What?

Continue to articulate priorities to maximize operating grant revenues while monitoring this indicator's positive progress.

Operating Grants as a Percentage of Total Revenues



Financial Indicators - Vulnerability

CAPITAL GRANTS AS PERCENTAGE OF TOTAL CAPITAL EXPENDITURES

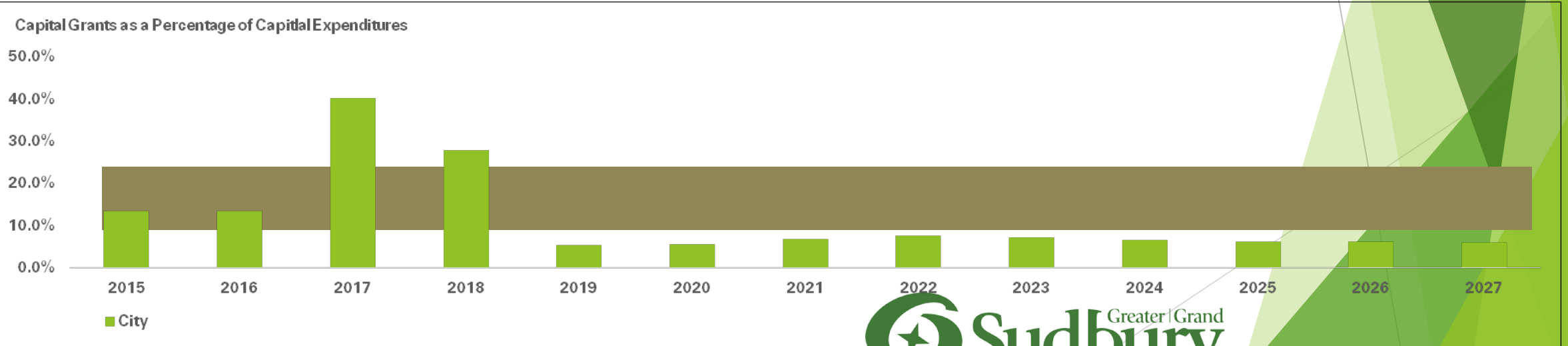
So What?

CGS's reliance on funding from senior levels of government for capital is highly variable and predicted to be below the current range of our comparator municipalities.

Now What?

Continue to articulate priorities for capital expenditure to senior levels of government using this comparative measure.

Asset Management Policy / Next Steps



Strengths

- ▶ Strong Asset Management Policy and forward looking work underway to articulate most pressing capital needs and address infrastructure funding challenges
- ▶ Good average household income combined with relatively low overall tax burden (on average)
- ▶ Debt and overall debt servicing costs well within City's debt policy
- ▶ Reducing vulnerability and strong arguments to make for capital funding from senior levels of government
- ▶ Stable local economy and good assessment mix

Future Challenges and Risks

- ▶ Slow, modest growth in population, somewhat mitigated by steady growth in assessment base
- ▶ Some of the City's costs rising at a rate higher than inflation
 - ▶ Municipalities are not households and do not spend on the same "basket of goods" that make up the CPI indicator
- ▶ Despite positive overall and comparative taxation, impatience with perceived value for money
- ▶ Significant gap between capital spending and asset renewal requirements
- ▶ Lower than peer and lower than recommended reserves and reserve funds

Questions?