

Meeting Room C, City Hall, 1 Carden Street

DATE Monday, September 21, 2015 – 6:00 p.m.

Please turn off or place on non-audible all cell phones, PDAs, Blackberrys and pagers during the meeting.

Disclosure of Pecuniary Interest and General Nature Thereof

BMA Financial Condition Assessment Report

Presentation:

Jim Bruzzese, BMA Management Consulting Inc.

Recommendation:

That the BMA Financial Condition Assessment Report presentation be received.

ADJOURNMENT

2014-2015 Financial Condition Assessment

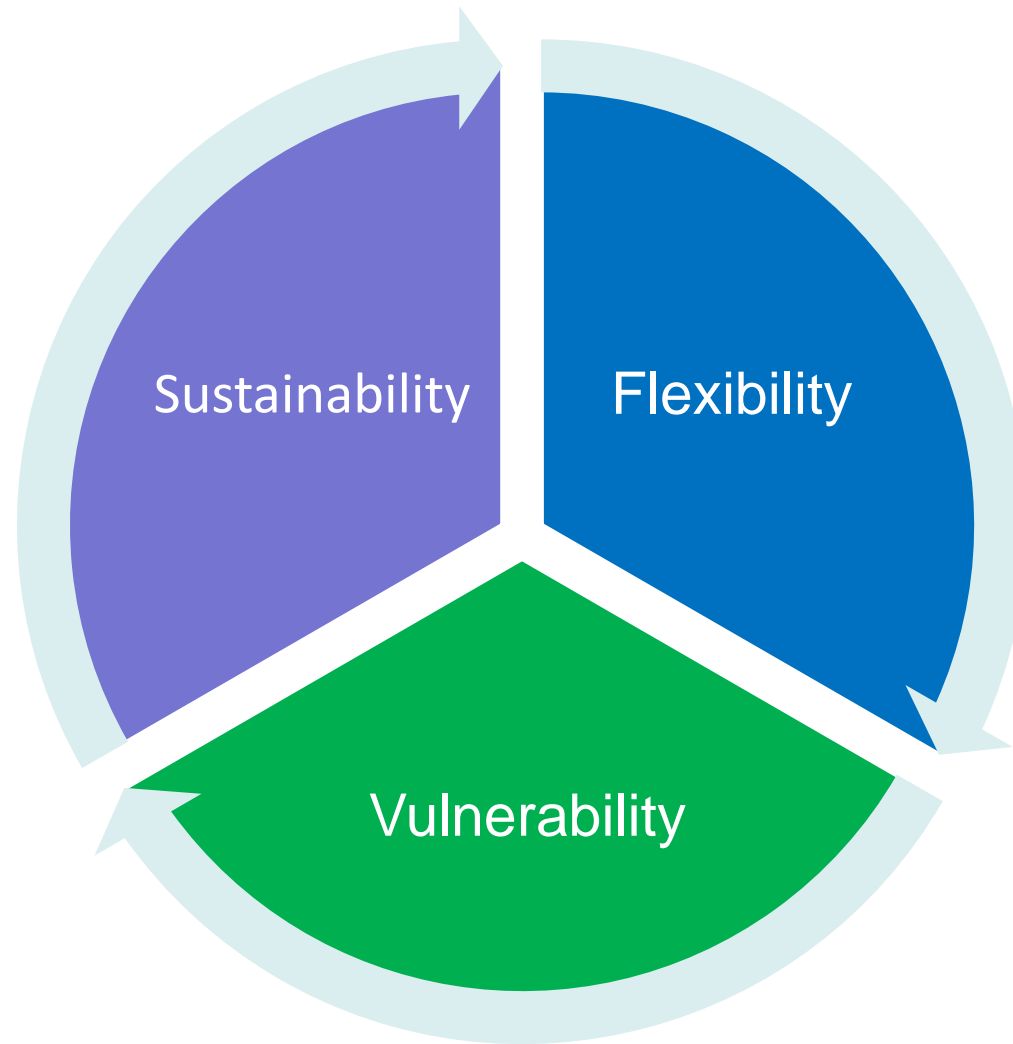
City of Guelph
Presentation: September 2015



Financial Condition Assessment

- Sound fiscal health is imperative to ensuring effective operations of the City
- Regular and timely financial condition assessment can provide early warning of potential fiscal problems
- The City is being proactive in preparing a financial condition assessment
 - Highlight findings and identify next steps





Financial Condition Assessment



Sustainability

The ability to provide and maintain existing programs without resorting to unplanned increases in rates or cuts in service.



Flexibility

The degree to which a municipality can issue debt or generate revenues without affecting the credit rating.



Vulnerability

Minimizing the level of risk that could impact its ability to meet financial obligations and commitments including the delivery of services.

Municipal Comparators

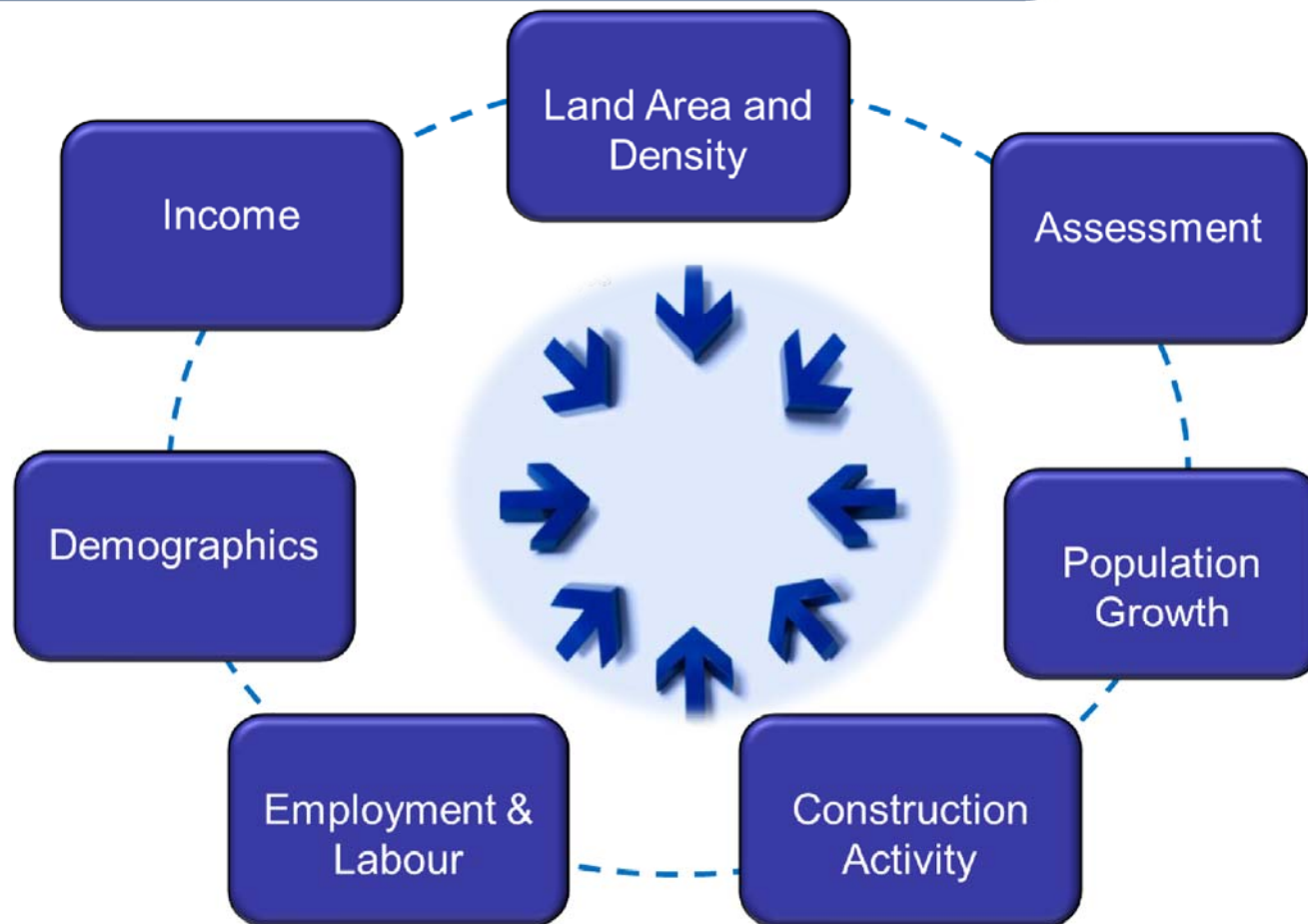
Municipality	2014 Estimated Population	Land Area (sq. km.)	Density pop/sq.km	Municipal Tiers	Location	Region
Barrie	143,634	77	1,865	single	Simcoe	Simcoe
Brantford	95,532	72	1,327	single	Southwest	Brant
Burlington	187,292	186	1,007	two	GTA	Halton
Cambridge	133,880	113	1,185	two	Southwest	Waterloo
Kingston	130,274	451	289	single	Eastern	Frontenac
London	383,817	421	912	single	Southwest	Middlesex
Oakville	197,882	139	1,424	two	GTA	Halton
St. Catharines	134,416	96	1,400	two	Niagara	Niagara
Waterloo	102,076	64	1,595	two	Southwest	Waterloo
Guelph	128,926	87	1,482	single	Southwest	Wellington

Selected based on a number of parameters including population, growth patterns, location, size and governance structure



Section 1: Growth and Socio-Economic Indicators

Growth and Socio-Economic Indicators

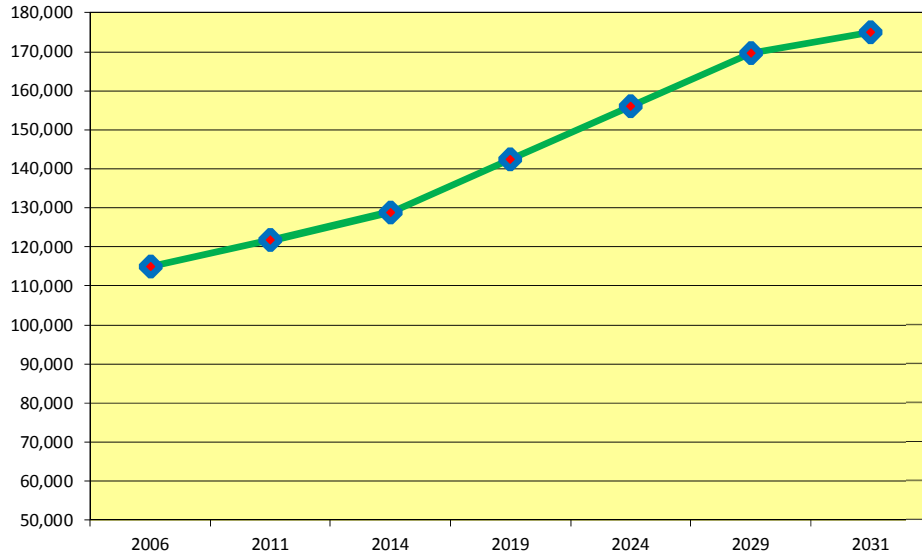


These indicators often provide the best “early warning” of future financial condition

Population Changes

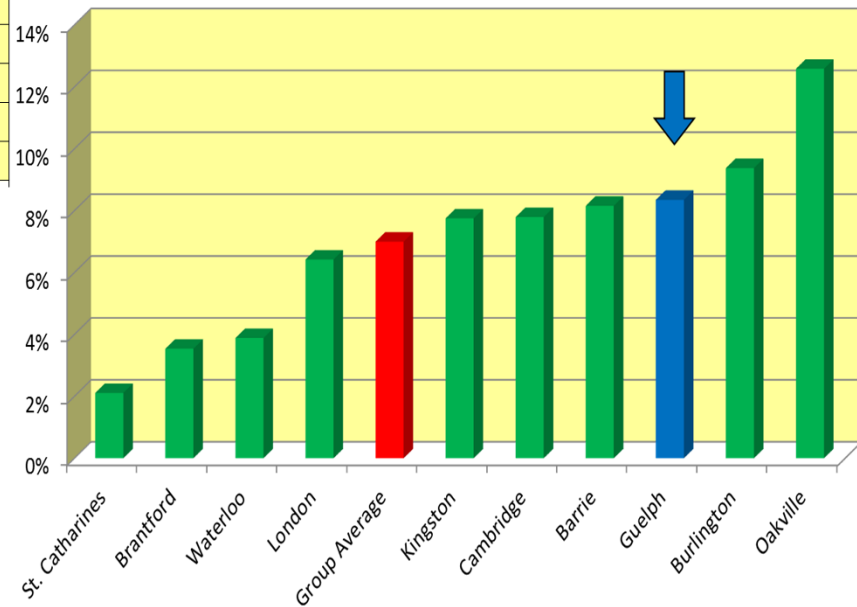


Guelph's population forecast



Steady rate of growth

Population Growth 2009-2014



Demographics

Age Profile	2006 Guelph	2011 Guelph	Trend
Age 0 - 14	18.4%	17.7%	↓
Age 15 - 19	6.6%	6.6%	
Age 20 - 44	38.6%	36.2%	↓
Age 45 - 54	14.4%	15.1%	↑
Age 55 - 64	9.6%	11.3%	↑
Age 65+	12.4%	13.0%	↑
Total	100.0%	100.0%	



An aging population increases the demand for some City services e.g. recreation and public transit

Labour Comparison



	Guelph CMA June 2015	Guelph CMA July 2015	Ontario June 2015	Ontario July 2015
Unemployment Rate (%)	3.4%	3.6%	8.0%	7.7%
Employment Rate (%)	70.1%	69.6%	59.6%	59.9%



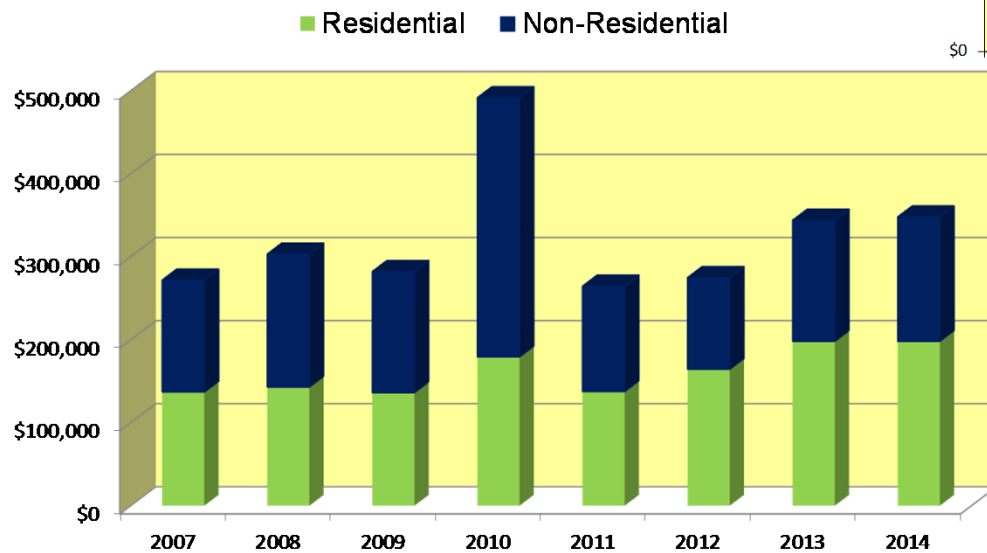
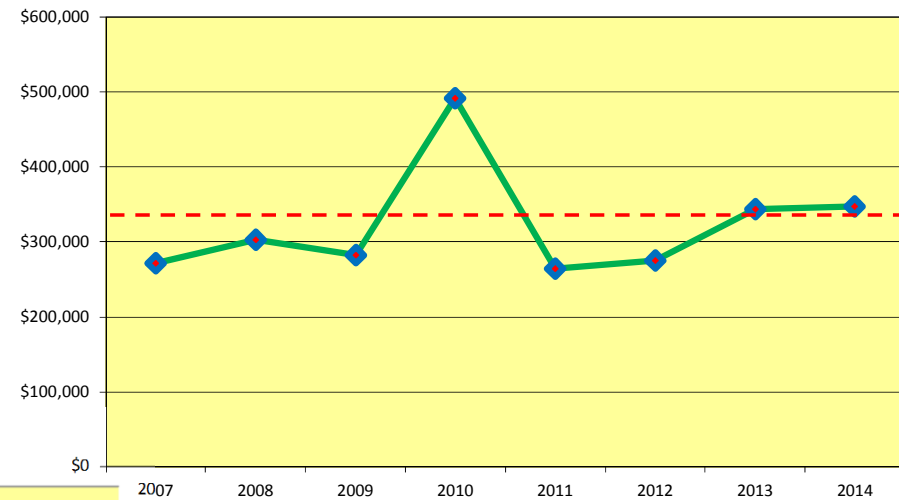
Significantly better than
the Ontario Average

Guelph's Building Construction Activity



Construction Activity \$000's

Activity trending upward since 2011

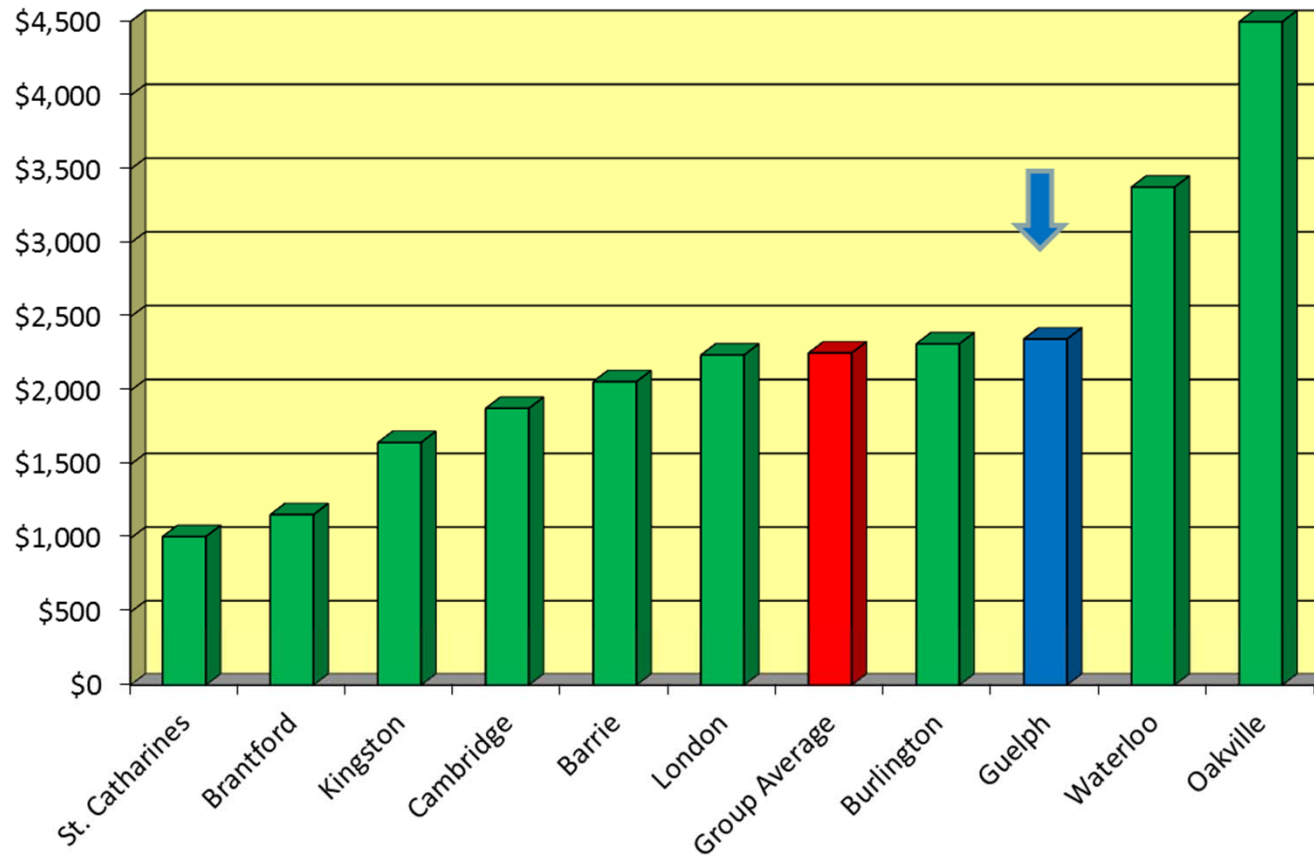


Good balance between residential and non-residential development

Construction Per Capita 3-Year Average

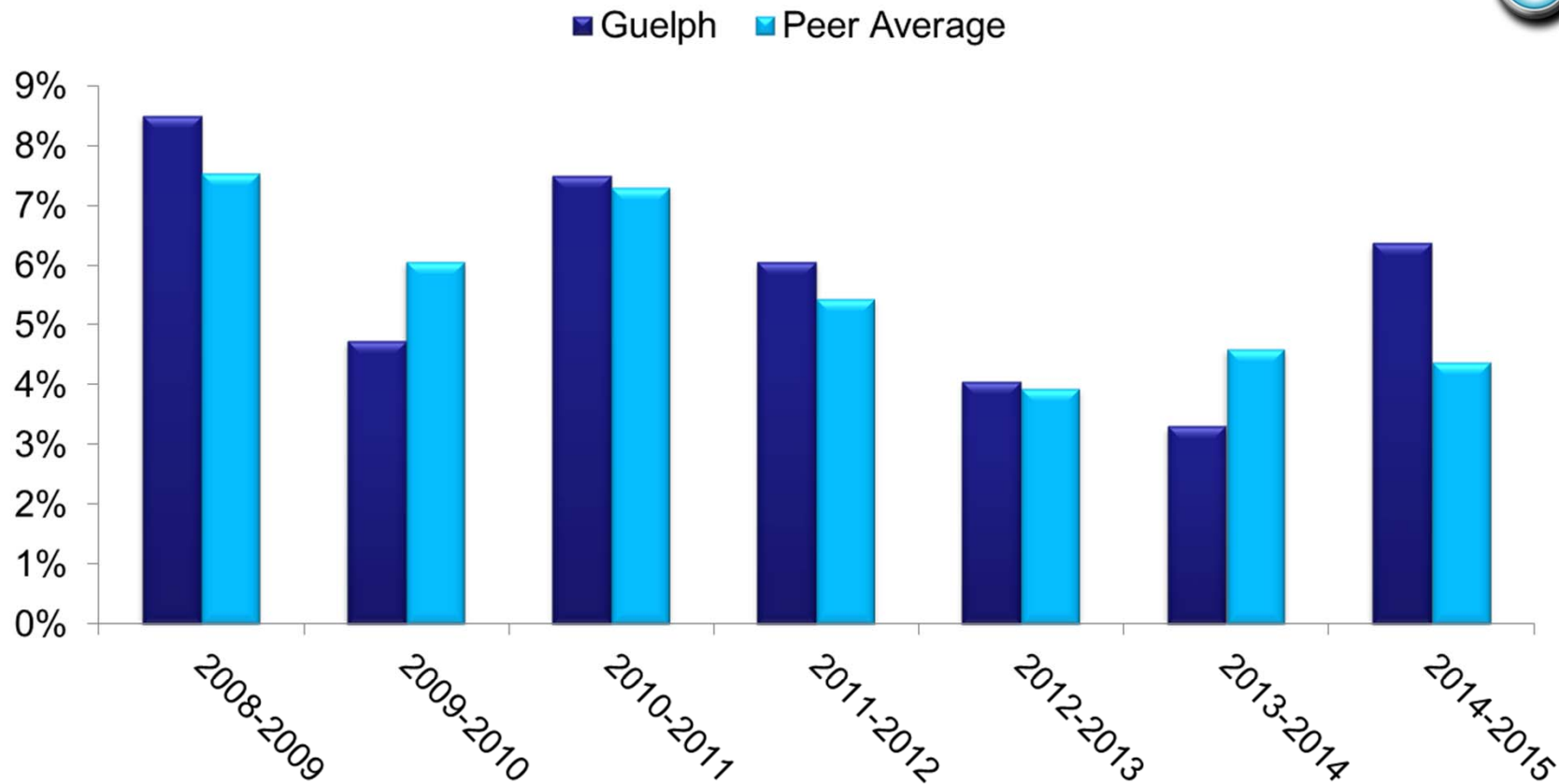


(2011 – 2013)



Average building permit per capita from 2011 – 2013 is above survey average

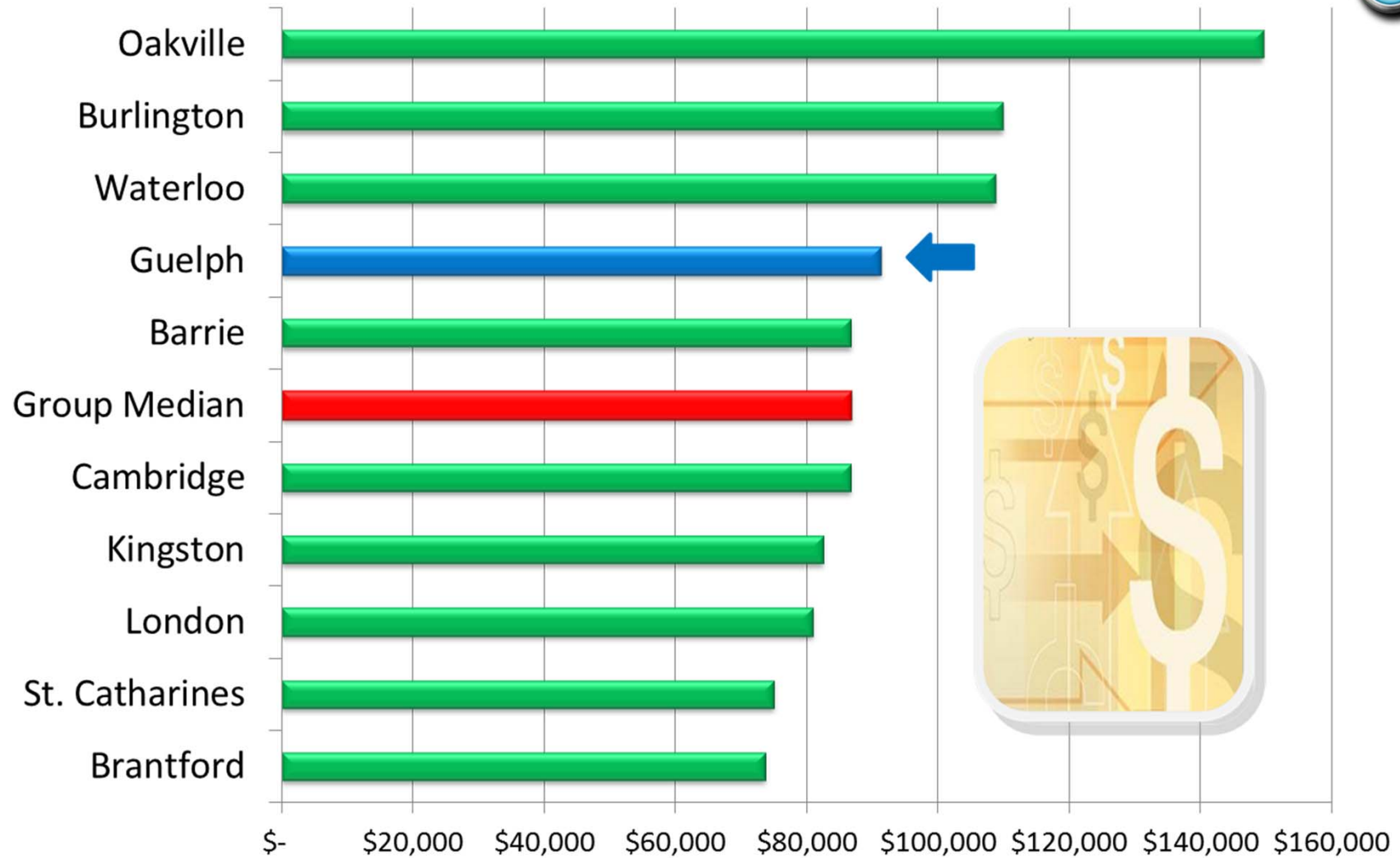
Changes in Assessment



Guelph's assessment change was greater than the peer average in 4 of the last 7 years








Assessment per capita which reflects the richness of the assessment base is higher in the City of Guelph

Gross Household Income



Measure of community's ability to pay

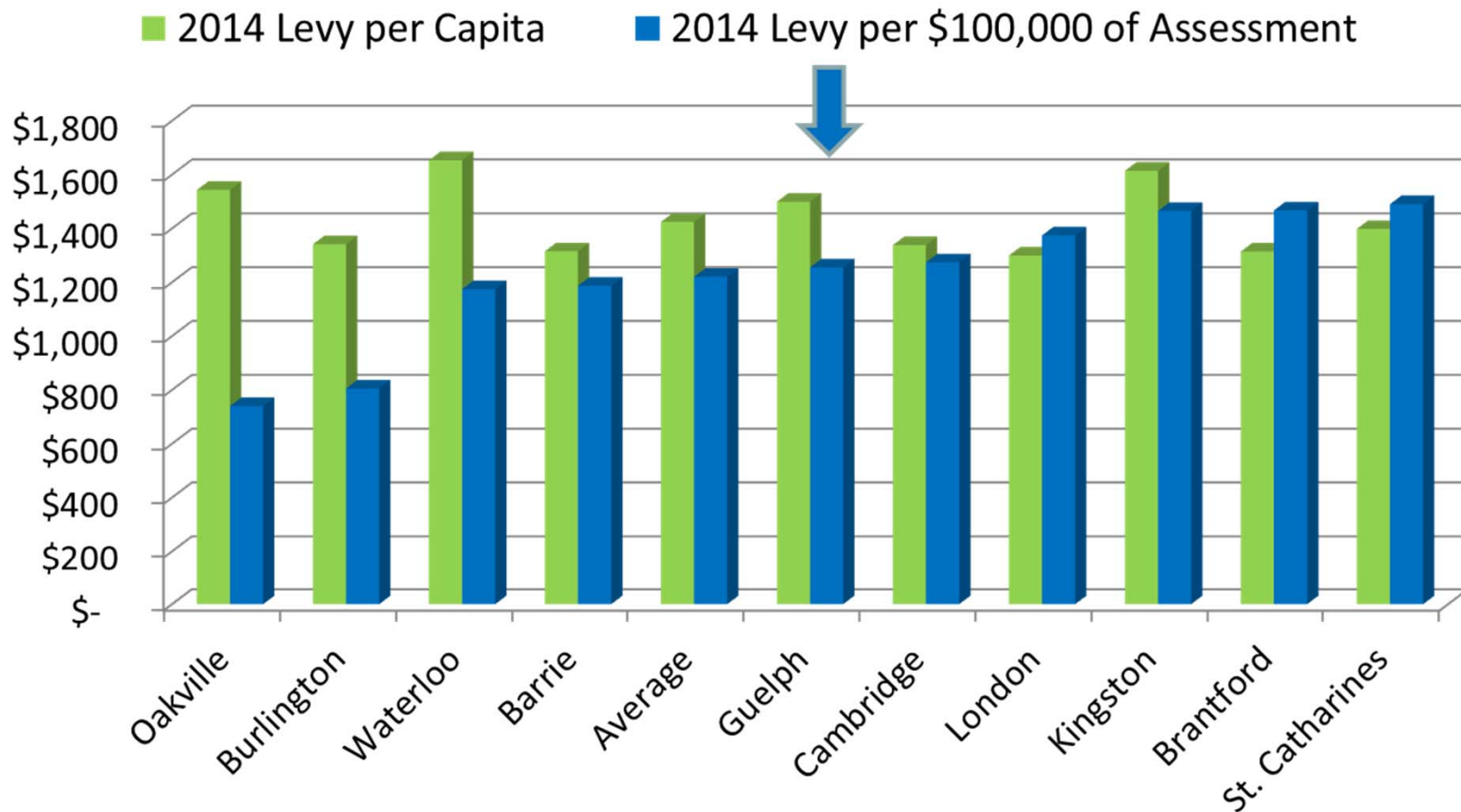
Summary – Growth and Socio-Economic Indicators

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



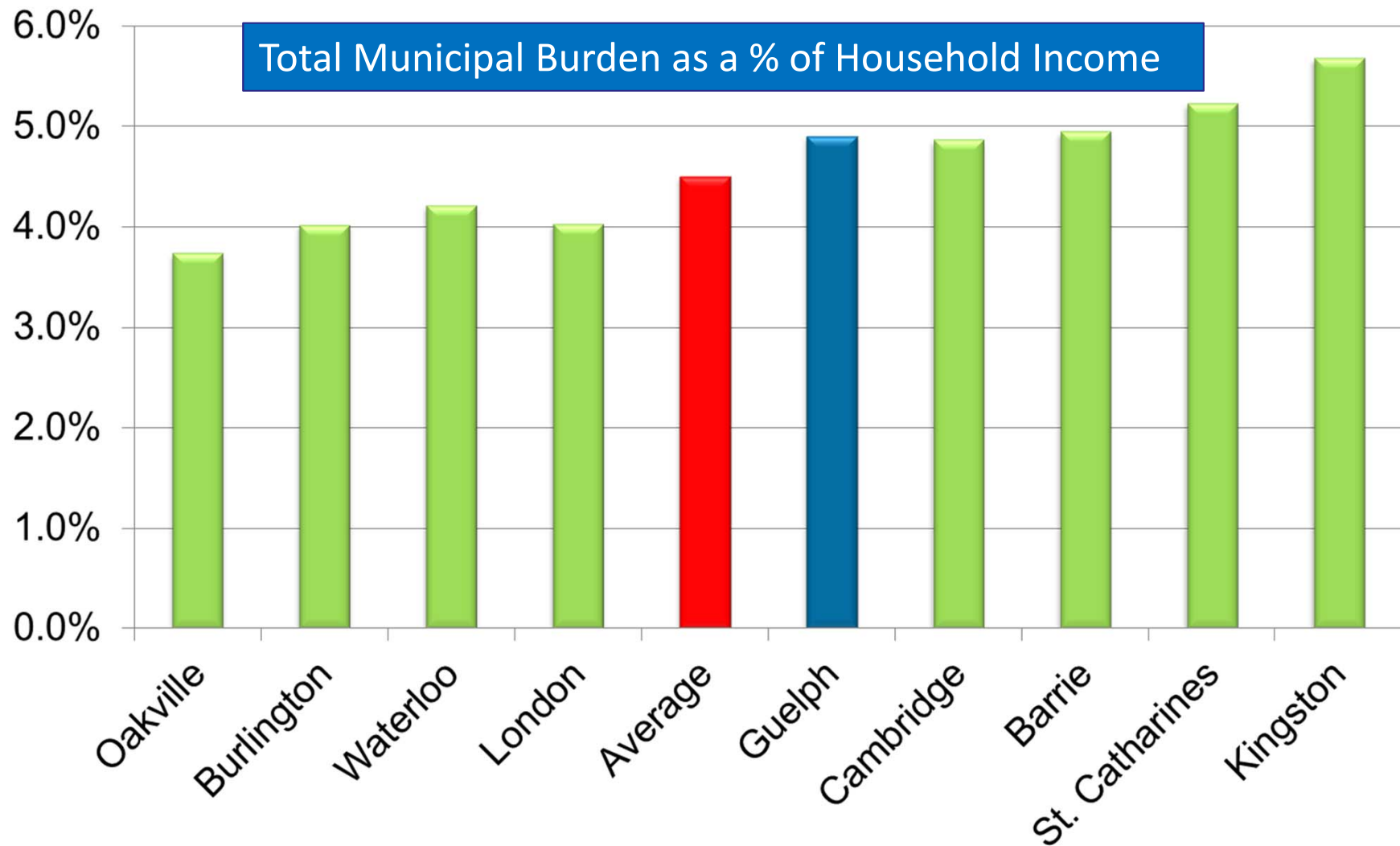
Section 2: Municipal Levy, Property Taxes and Affordability

2014 Levy Analysis



Levy per capita and per \$100,000 of assessment is close to the average

Affordability Analysis



Summary: Levy, Taxes and Affordability

<i>Indicator</i>	<i>Rating</i>
<i>Municipal Levy Per Capita</i>	Neutral
<i>Municipal Levy Per \$100,000 of Weighted Assessment</i>	Neutral
<i>Residential Affordability</i>	Neutral





Section 3: Financial Position

Tax Discretionary Reserves % Taxation



Municipality	2009	2010	2011	2012	2013
Brantford	32%	36%	43%	35%	34%
Barrie	72%	71%	53%	35%	31%
Cambridge	61%	56%	59%	54%	54%
St. Catharines	93%	93%	80%	78%	56%
London	49%	51%	51%	56%	61%
Waterloo	69%	57%	67%	73%	77%
Kingston	66%	69%	73%	74%	76%
Burlington	72%	72%	74%	76%	79%
Oakville	64%	99%	94%	94%	104%
Average	64%	67%	66%	64%	64%
Median	66%	69%	67%	73%	61%
Guelph	35%	52%	49%	42%	41%

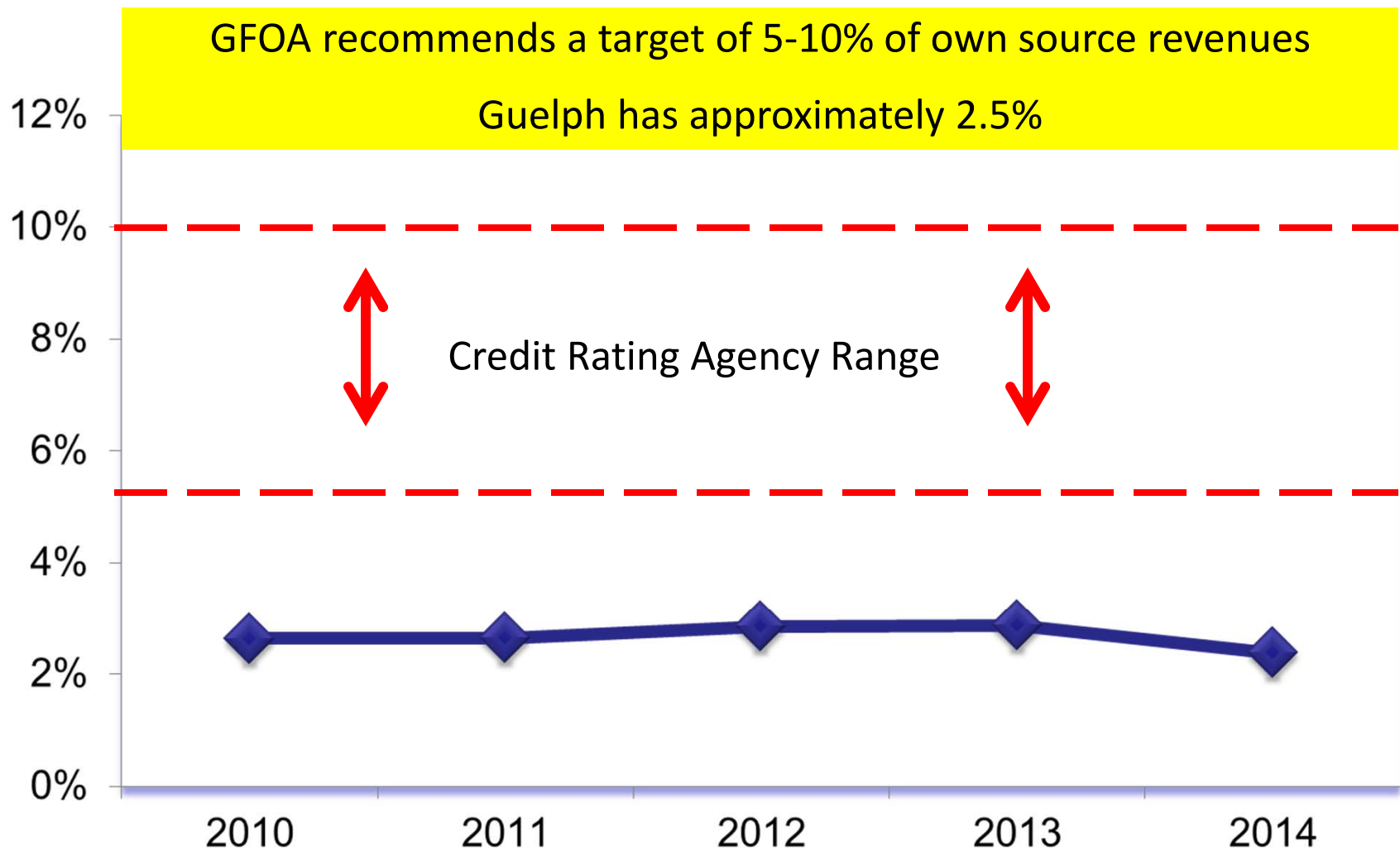
Discretionary Reserves as a % of Taxation is below average and has been trending downward since 2010

Reserves 2010 – 2014 Balances

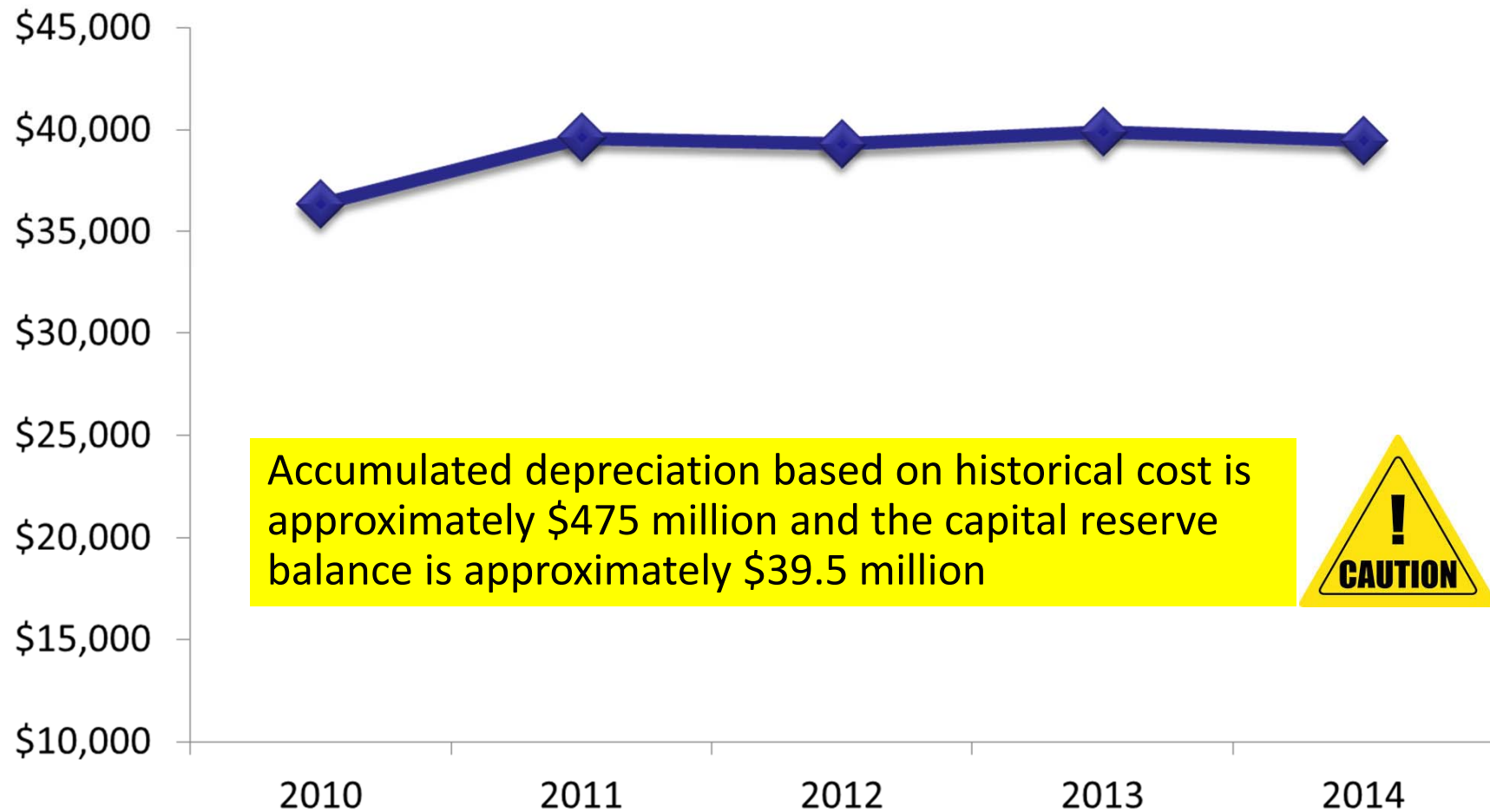
Summary (000's)	2010	2011	2012	2013	2014	5 Year Change
Stabilization	\$ 6,032	\$ 6,166	\$ 6,939	\$ 7,342	\$ 6,486	7.5%
Employee Future Benefits	\$ 17,075	\$ 15,013	\$ 12,275	\$ 11,780	\$ 11,902	-30.3%
Capital & Equipment	\$ 36,313	\$ 39,572	\$ 39,275	\$ 39,894	\$ 39,453	8.6%
Program Related Reserves	\$ 22,031	\$ 22,245	\$ 17,171	\$ 15,442	\$ 13,799	-37.4%
Tax Discretionary Reserves	\$ 81,451	\$ 82,996	\$ 75,660	\$ 74,457	\$ 71,639	-12.0%
Water	\$ 20,424	\$ 27,239	\$ 33,352	\$ 35,694	\$ 31,647	54.9%
Wastewater	\$ 25,989	\$ 31,024	\$ 38,620	\$ 45,990	\$ 38,694	48.9%
Total Water/WW	\$ 46,413	\$ 58,263	\$ 71,971	\$ 81,684	\$ 70,340	51.6%
Obligatory Reserve Funds	\$ 24,271	\$ 25,785	\$ 40,454	\$ 61,627	\$ 75,495	211.0%
Reserves/Reserve Funds Total	\$ 152,135	\$ 167,044	\$ 188,085	\$ 217,767	\$ 217,474	42.9%

Discretionary Reserves have decreased 12% from 2010-2014

Stabilization Reserves as % OSR



Tax Capital Reserve (000s)

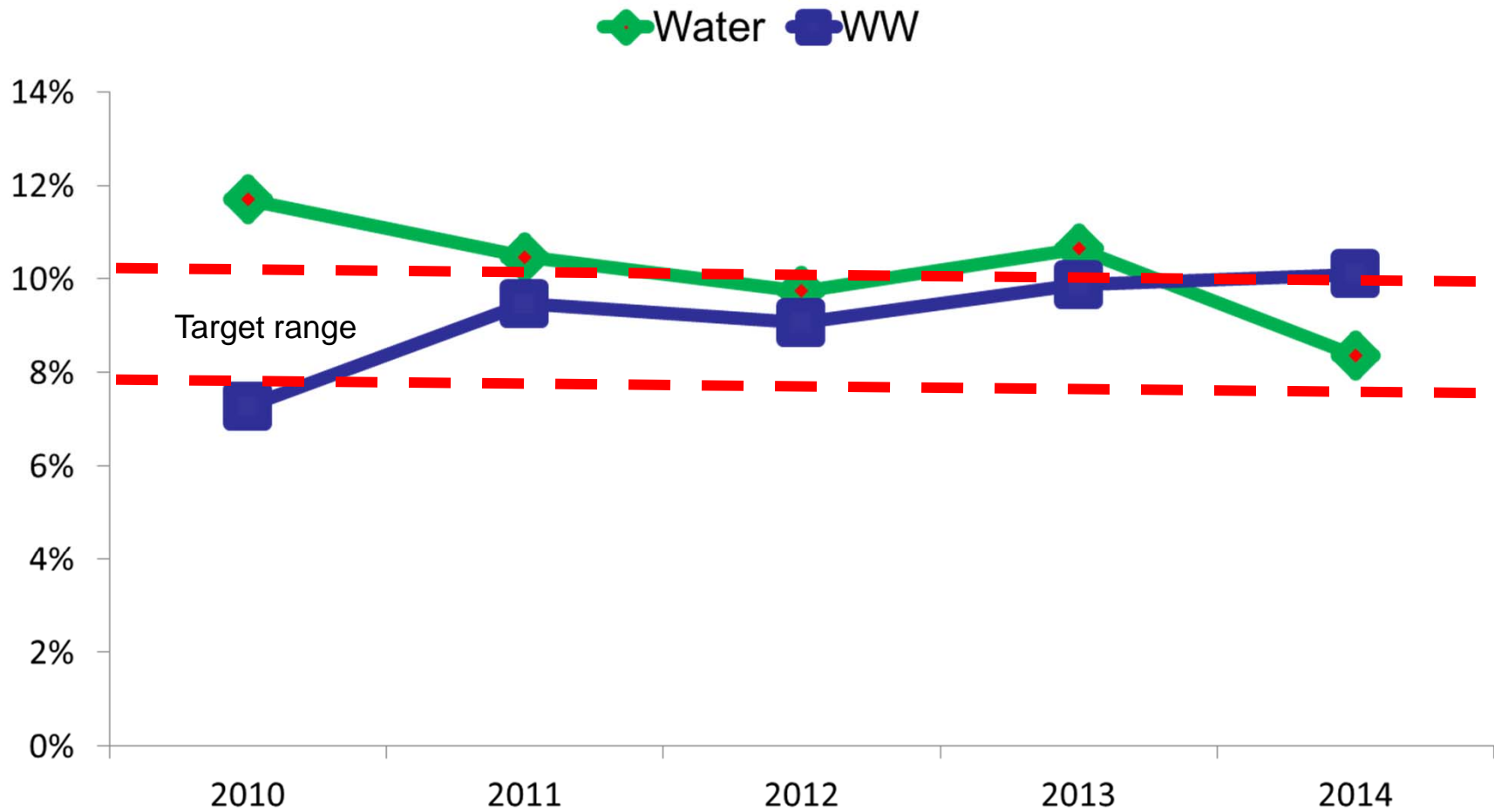


Tax Annual Capital Funding Gap

(000's) Tax Supported Contributions		2015
Capital Funding Available for Projects and Reserves	\$	18,514
Debt Servicing	\$	13,069
Total Contribution to Capital	\$	31,583
<hr/>		
Total Tax Annual Historical Amortization	\$	32,532
Total Tax Annual Replacement Amortization		TBD
<hr/>		
Annual Gap - Historical Amortization	\$	(949)
Annual Gap - Replacement Amortization		TBD

- Source: 2015 Budget

Water/WW Stabilization Reserves as % of OSR



Debt Indicators



Municipality	Tax Debt Charges as % Own Source Revenues	Debt Outstanding per \$100,000 Unweighted Assessment	Debt Outstanding per Capita	Debt Outstanding % of Own Source Revenues	Debt to Reserve Ratio
Average	6.4%	\$ 785	\$ 889	50%	1.3
Median	6.9%	\$ 520	\$ 593	48%	1.1
Guelph	4.6%	\$ 659	\$ 795	33%	0.6

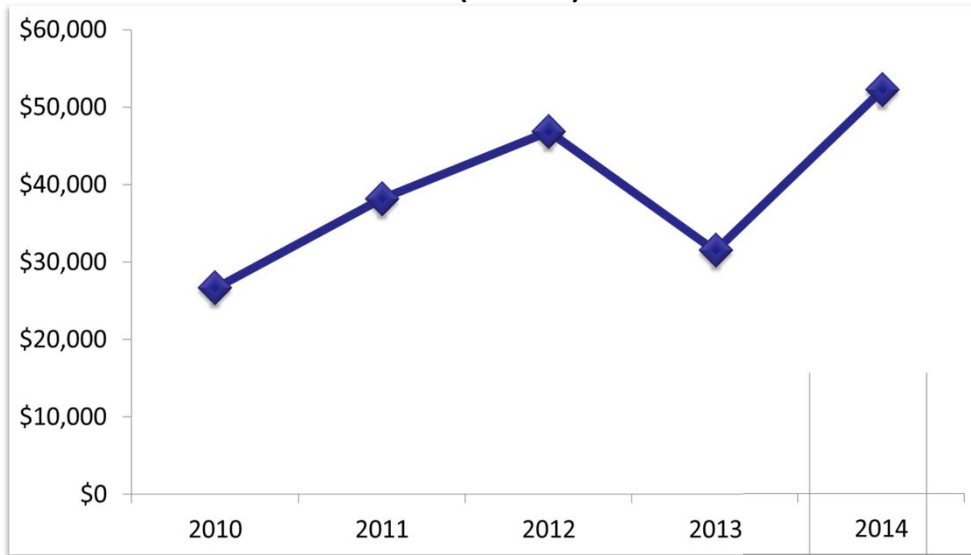
Debt is well below the City's targets and also below the peer municipal average and median



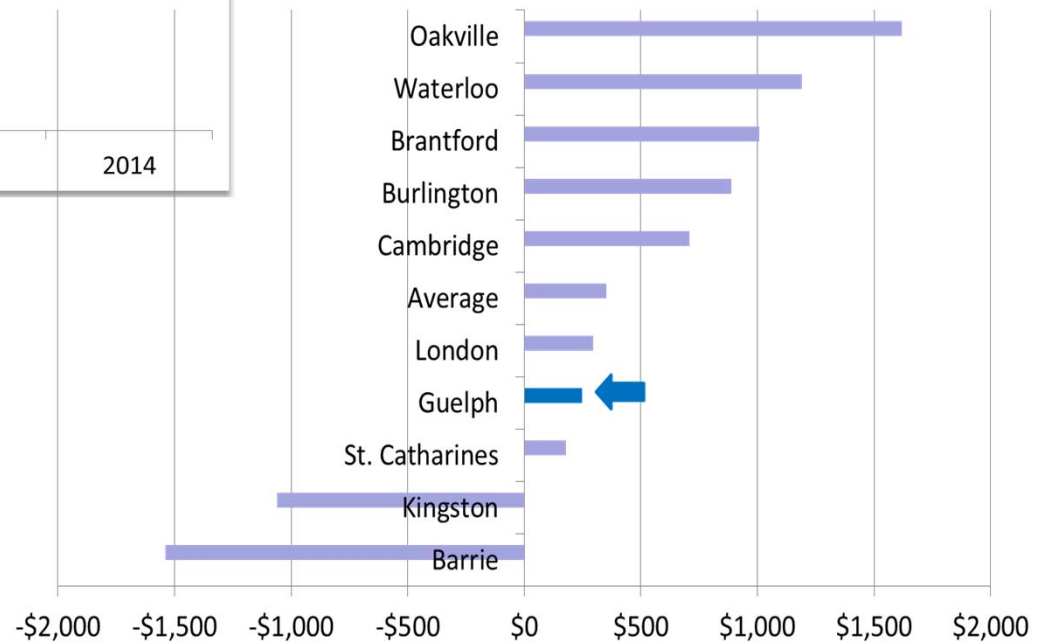
Financial Position



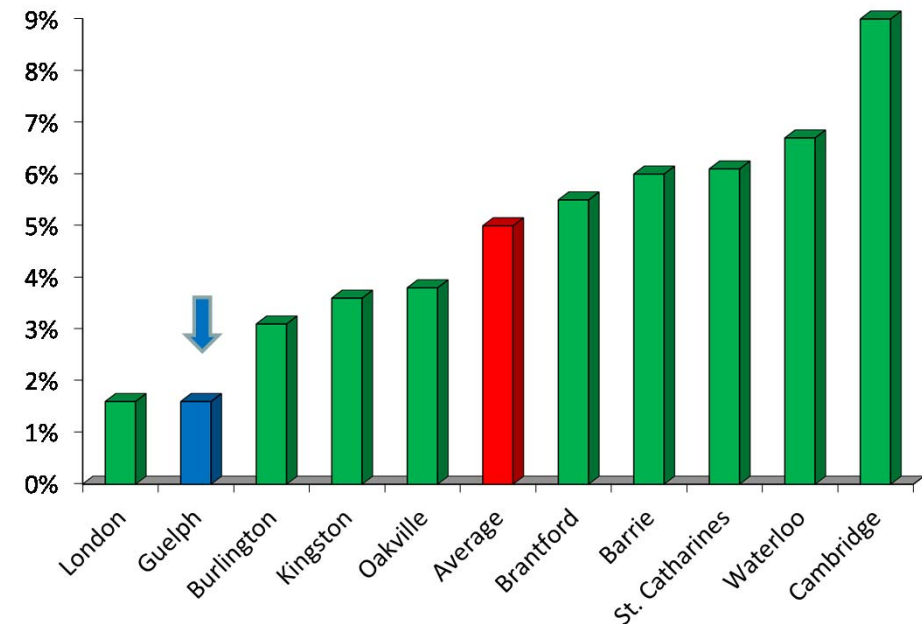
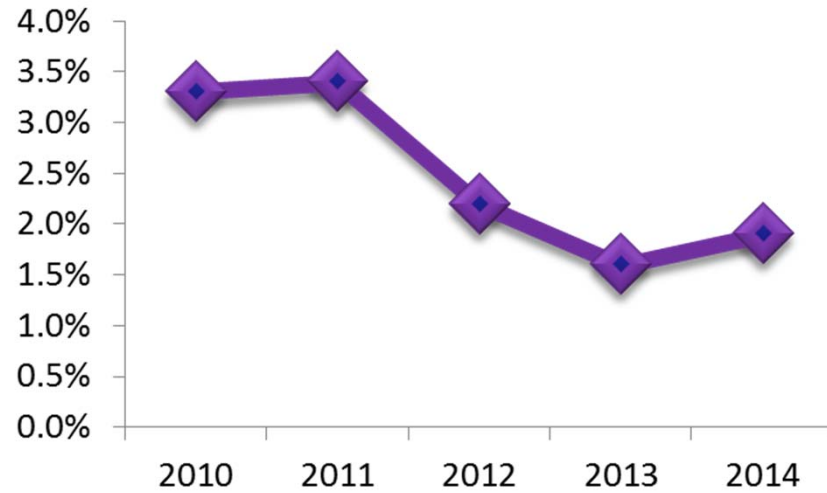
(000's)



Financial Position Per Capita











Taxes Receivable as % of Taxes Levied



Amongst the lowest in the survey of peer municipalities

Summary - Financial Indicators

<i>Indicator</i>	<i>Rating</i>
<i>Discretionary Reserves as a % of Taxation</i>	
<i>Stabilization Reserve Funds</i>	
<i>Employee Future Benefits Reserves</i>	
<i>Capital & Equipment Reserves—Tax Supported</i>	
<i>Water/WW Reserves</i>	
<i>Debt Management</i>	
<i>Financial Position</i>	
<i>Taxes Receivable</i>	

Conclusion



- A number of positive indicators support the City's ongoing ability to pay for services, including:
 - ✓ Good mix of residential and non-residential construction activity
 - ✓ Average municipal levy (per capita)
 - ✓ Low unemployment
 - ✓ High employment
 - ✓ Planned modest population growth
 - ✓ Stable assessment growth and strong assessment base to raise taxes
 - ✓ Household income above peer median

- Challenges the City must plan for in the future:
 - Addressing the Infrastructure gap
 - Building the City's Stabilization Reserves

Financial Flexibility



Flexibility

- Guelph has a number of positive indicators that reflect a reasonable level of financial flexibility including:
 - ✓ Low taxes receivable
 - ✓ Relatively low levels of debt
 - ✓ Positive financial position
 - ✓ Solid water and wastewater reserves

- Challenges that should be considered in a long range financial plan including:
 - Finding the right balance between delivering services demanded by the community in an affordable manner
 - Providing adequate funding for asset renewal needs
 - Consolidating reserves to increase financial flexibility

Vulnerability



Vulnerability

- City owns \$1.8 billion of infrastructure assets based on the historical value
- A commitment to maintain infrastructure is a key strategic goal
- Due to funding constraints, not all asset renewal needs can currently be met
- Asset management plan with funding strategies will gradually address needs
- As the City moves forward, financial sustainability must continue as one of Guelph's key priorities
- Over the next decade, the City is expected to undergo managed growth at the same time that there will be increasing infrastructure renewal costs
- Existing principles and practices governing municipal finance must be monitored and revised, as required, to ensure that the City continues to provide the services expected and valued by citizens without jeopardizing its financial sustainability

Financial Condition Assessment

Next Steps

- A staff report is being prepared for the November 2 Corporate Services Committee Meeting
- It will include the full BMA Financial Condition Assessment Report along with recommendations for implementation



Questions & Answers

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BMA Management Consulting Inc.