The annual financial dashboard provides a quick view of the city’s position on a number of high level financial measures including:

- overall financial position,
- economic growth,
- reserves and assets conditions, and
- debt.

The majority of measures use information from an annual financial information return that all municipalities are required to file with the Province of Ontario. This audited information allows the city to use measures that can be compared with other cities.

Additionally, many of the measures are based on best practices by other municipalities and measures developed by the BMA Management Consulting Municipal Study. Commissioned by municipalities across Ontario, BMA Consulting Inc. publishes an annual municipal study highlighting the demographics, finances, and growth patterns within participating Ontario municipalities.
SUMMARY OF RESULTS

OVERALL FINANCIAL POSITION
The city’s assets (what the city owns) are growing at a faster rate than its liabilities (what the city owes) and the city is able to meet its debt obligations. On the negative side, the annual tax-based operating surplus does not include a provision for annual amortization. If this was included in the reporting to council, the city would be recording a material annual deficit on the tax side, since sufficient funds are currently not set aside in reserves for the replacement and maintenance of existing assets.

ECONOMIC GROWTH
There has been an increase in the non-residential assessment and levy collected by the city over the last three years. Council has a strategic focus to facilitate a positive local business environment that focuses on attraction, expansion and retention. This should be reflected in this ratio over time.

RESERVES AND ASSET CONDITION
Reserves are a critical component of a municipality’s long-term financial plan. The purpose for maintaining reserves is to provide stability to tax rates in the face of variable factors, provide funding for one-time requirements, make provisions for the replacement/acquisition of infrastructure and provide flexibility to manage debt levels to protect the municipality’s financial position.

Reserve levels are increasing, but potentially not at the rate necessary to replace tangible capital assets on a timely basis. This contributes to the infrastructure deficit. Reserve levels on the water/wastewater side rate more favourably.

The Asset Consumption ratio indicates that Tangible Capital Assets (such as buildings, roads, sewer and water pipes etc) are not replaced or maintained to extend their useful life on a timely basis.

Staff provided an updated long-term financial plan to council as part of the 2020−2022 budget release. This assisted council in the 2020−2022 budget deliberations and with the the strategic plan goal of responding to infrastructure needs today and into the future. This ensures the city maintains existing infrastructure, while planning for new growth and development.

DEBT
Our debt to reserves ratio is falling short of the target level. Additionally, both our debt interest as a percentage of “own source revenue”, and debt per capita, are much higher than our provincial comparator groups. The overall trend for tax-funded debt is improving, since the city has shown discipline in minimizing additional debt issues.
The overall financial position of the city is positive with a positive trend.

The city’s financial situation is improving and the city is able to meet its debt obligations. The annual tax-based operating surplus is still low, requiring tight monitoring of financial results. Additionally, the budget does not include a provision for annual amortization. With amortization included in operating results, the city incurs an annual deficit on the tax side. This means that current reserves do not have sufficient funds for the replacement and maintenance of existing assets.

The good news is that the city is running a surplus on the water/wastewater side of operations. However, long-term projections indicate that it is not enough to replace important water-related infrastructure. Innovative programs like the storm water management utility fee and credit program provide the city with dedicated funding. In addition, the long-term asset management plan provides recommendations for long-term funding for the capital budget.

<table>
<thead>
<tr>
<th></th>
<th>2019 RESULTS</th>
<th>2018 RESULTS</th>
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</thead>
<tbody>
<tr>
<td>Financial position per capita</td>
<td>POSITIVE</td>
<td>POSITIVE</td>
</tr>
<tr>
<td>Financial position per capita including TCA</td>
<td>POSITIVE</td>
<td>CAUTION</td>
</tr>
<tr>
<td>Financial position as % of revenues</td>
<td>POSITIVE</td>
<td>POSITIVE</td>
</tr>
<tr>
<td><strong>Operating surplus ratio to own source revenue (includes amortization)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tax-based</td>
<td>NEGATIVE</td>
<td>NEGATIVE</td>
</tr>
<tr>
<td>Enterprise (water, wastewater)</td>
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<td>POSITIVE</td>
</tr>
<tr>
<td><strong>Operating surplus (includes amortization)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
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<tr>
<td>Enterprise (water, wastewater)</td>
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<td>CAUTION</td>
</tr>
<tr>
<td>Tax Receivables Ratio</td>
<td>POSITIVE</td>
<td>POSITIVE</td>
</tr>
<tr>
<td>Liquid assets to total reserves</td>
<td>POSITIVE</td>
<td>POSITIVE</td>
</tr>
</tbody>
</table>

**LEGEND**
- **Positive**: indicates to stay the course
- **Caution**: multi-year trend is deteriorating
- **Negative**: below target for several consecutive years, requires continuation of previous attention or that corrective action is now necessary
**DASHBOARD FACTS**

1. **FINANCIAL POSITION PER CAPITA** represents the total financial assets less liabilities on a per capita basis. A positive balance indicates the city’s ability to cover its debt obligations and that funds have been set aside for future sustainability.

   **TARGET:** Positive trend and Waterloo aims to be above the provincial median capita ratio as reported by the consulting firm, BMA, in the prior year.

   **ACTUAL RESULTS:** The city has been above the provincial median for the last ten years and the city’s ratio has increased every year.

   ![Financial Position per Capita](image1.png)

2. **FINANCIAL POSITION PER CAPITA INCLUDING TCA** represents total assets less liabilities on a per capita basis and it grows as the city accumulates assets that are paid for.

   **TARGET:** A positive trend over several years is the city’s goal.

   **ACTUAL RESULTS:** This ratio improved in 2019 due to new contributed underground, road and sidewalk infrastructure.

   ![Financial Position per Capita incl TCA](image2.png)
3. **NET FINANCIAL ASSETS AS % OF REVENUES** compares the city’s net financial asset position to current revenue. This calculation tells us if the city is growing net financial assets faster than operating revenues.

**TARGET:** Waterloo aims to show a positive trend over several years.

**ACTUAL RESULTS:** The ten-year trend is positive and indicates that the city is growing net financial assets faster than operating revenues.

![Financial Position as a % of Revenues](image)

4. **OPERATING SURPLUS RATIO** provides perspective on how much of the city’s own sources of revenue remain after normal operating expenses (including amortization) that could be used to fund reserves, pay down debt and invest in capital projects. This ratio indicates if the city is setting aside enough money for the long-term. If the ratio is below zero, the city is not setting aside enough money to fund the annual amortization expense, included in this ratio on a historical cost basis. Amortization costs are based on historic cost of assets, and not replacement cost, and do not reflect the true cost of replacing tangible capital assets.

**TARGET:** The ratio should be at least positive, with a target ratio of zero to 5%.

**ACTUAL RESULTS, TAX BASED:** The city’s ratio was significantly below zero for eight out of the last ten years. This indicates that the city is currently not able to cover the cost of annual amortization from its own funds, which is a major contributing factor to the infrastructure deficit. Since municipalities traditionally have not budgeted for amortization but instead budget for capital reserve contributions, this is a common issue.

**ACTUAL RESULTS, WATER/WASTEWATER:** The surplus ratio exceeded the target of 5%, as well as the provincial median for eight of the last ten years with a deterioration for the last couple of
The surplus funds will address capital replacement needs based on current replacement value (versus historic cost used to calculate amortization).

**OPERATING SURPLUS/DEFICIT** provides perspective on how much of the city’s own sources of revenue remain after normal operating expenses (including amortization) that could be used to fund reserves, pay down debt and invest in capital projects. This indicates if the city is setting aside enough money for the long-term. If the measure is below zero, the city is not setting aside enough money to fund the annual amortization expense, included in this measure on a historical cost basis. Amortization costs are based on historic cost of assets, and not replacement cost, and do not reflect the true cost of replacing tangible capital assets.

**TARGET:** The measure should be at least above zero (in a surplus).

**ACTUAL RESULTS, TAX BASED:** The city had an operating deficit in eight out of the last nine years. This indicates that the city is currently not able to cover the cost of annual amortization from its own funds, which is a major contributing factor to the infrastructure deficit. Since municipalities...
traditionally have not budgeted for amortization but instead budget for capital reserve contributions, this is common issue for municipalities.

**ACTUAL RESULTS, WATER/WASTEWATER:** There was an operating surplus for each of the last ten years, with a deterioration for the last couple of years. The surplus funds will address capital replacement needs based on current replacement value (versus historic cost used to calculate amortization).
6. **TAX RECEIVABLES RATIO.** Uncollected property taxes as a percentage of total taxes charged is a strong indication of the strength of the local economy and the ability of the community to pay their annual tax billings.

**TARGET:** The target range is between 2% and 5%.

**ACTUAL RESULTS:** The city has been in the target range in three of the last five years with an improvement in 2019. The city has limited risk in not collecting tax receivables outstanding since tax debt has priority lien on the property.

![Tax receivables ratio](image)

7. **LIQUID ASSETS TO TOTAL RESERVES.** Reserves are a critical component of the city’s long-term sustainability. Reserves should be liquid and available for use when required. This ratio compares cash and investment balances to the balance in all reserves (including reserve funds and obligatory reserves).

**TARGET:** The ratio should be higher than one, which would indicate that reserve balances are available when required.

**ACTUAL RESULTS:** The city has met its target for each of the last ten years, which indicates proper management of cash and investment levels.

![Liquid Assets to Total Reserves](image)
**ECONOMIC GROWTH**

**Waterloo offers a high quality of life, strong tradition of industry, entrepreneurship and is internationally recognized in the fields of research, science, technology and innovation.**

Economic development is one of the city’s six pillars guiding Waterloo’s strategic plan. As the city has reached its boundaries, the city relies on in-fill intensification for much of its assessment growth. The city has experienced steady overall economic growth, however, non-residential growth is slower than residential growth. This is likely an impact of the Light Rail Transit (LRT) project and development of multi residential buildings along the LRT route. However, this trend improved in the last two years. Council had made Economic Development a top priority and staff and Council have increased the focus and resources spent in this area.

<table>
<thead>
<tr>
<th></th>
<th>2019 RESULTS</th>
<th>2018 RESULTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assessment growth of tax base</td>
<td>⬤ POSITIVE</td>
<td>⬤ POSITIVE</td>
</tr>
<tr>
<td>Non-residential portion of tax base (assessment)</td>
<td>⬤ POSITIVE</td>
<td>⬤ POSITIVE</td>
</tr>
<tr>
<td>Non-residential % of taxes (levies) collected</td>
<td>⬤ POSITIVE</td>
<td>⬤ POSITIVE</td>
</tr>
</tbody>
</table>

**LEGEND**

- **Positive**: indicates to stay the course
- **Caution**: multi-year trend is deteriorating
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DASHBOARD FACTS

1. **ASSESSMENT GROWTH** is a measure of the economic health of the municipality, and a source of additional tax revenue that also indicates additional pressures on expenditures (operating and capital).

   **TARGET:** There is no specific target, but the city should monitor the trend over time.

   **ACTUAL RESULTS:** As the city has reached its boundaries, assessment growth has slowed from single detached homes in subdivisions and is now reliant on in-filling projects. There was a large increase in assessment growth in 2017 from large multi residential buildings and staff’s proactive management of assessment, with 2019 growth coming in above the 5 year rolling average.

![Assessment Growth Graph](image)

2. **NON-RESIDENTIAL PORTION OF TAX BASE (ASSESSMENT)** shows the composition of unweighted assessment over time. It indicates what percentage of assessment comes from the commercial and industrial component, which should grow proportionately over time.

   **TARGET:** The commercial and industrial component should grow proportionately over time.

   **ACTUAL RESULTS:** This ratio has improved since 2017, reversing a deteriorating trend, as the growth in the commercial and industrial tax base exceeded growth in the residential and multi-residential tax base.

![Non Residential portion of Assessment Graph](image)
3. **NON-RESIDENTIAL PERCENTAGE OF TAXES (LEVIES) COLLECTED** shows the composition of levies collected over time. It indicates what percentage of levies comes from the commercial and industrial component and is an indicator of economic growth.

**TARGET:** The commercial and industrial component should grow proportionately over time.

**ACTUAL RESULTS:** This ratio improved since 2017, reversing a deteriorating trend, as the growth in the commercial and industrial tax base exceeded growth in the residential and multi-residential tax base.

Council has made economic development a top priority and staff and council have increased the focus and resources spent in this area.
RESERVE LEVELS/ASSETS

Reserves are a critical component of a municipality’s long-term financial plan.

Reserve funds provide stability to tax rates in the face of variable factors, provide funding for one-time expenses, make provisions for the replacement and/or acquisition of infrastructure and provide flexibility to manage debt levels to protect the municipality’s financial position.

Reserve levels decreased in 2017 due to funding large infrastructure projects. While the long term trend has been positive for the tax base, reserves may not be sufficient to replace tangible capital assets on a timely basis. This contributes to the infrastructure deficit. Reserve levels on the water/wastewater side rate more favourably. However, the asset consumption ratio is deteriorating for both, indicating again, that assets are not replaced or maintained to extend their useful life on a timely basis. The long-term asset management plan provides recommendations for long-term funding for the capital budget.

<table>
<thead>
<tr>
<th>Reserves and Reserve Funds</th>
<th>2019 RESULTS</th>
<th>2018 RESULTS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Tax-based reserves and reserve funds</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating reserves ratio to revenues</td>
<td>POSITIVE</td>
<td>POSITIVE</td>
</tr>
<tr>
<td>Discretionary reserves as a ratio of revenue</td>
<td>CAUTION</td>
<td>CAUTION</td>
</tr>
<tr>
<td>Capital reserve contributions as a ratio to capital assets value</td>
<td>POSITIVE</td>
<td>POSITIVE</td>
</tr>
<tr>
<td>Capital reserve contributions as % of amortization</td>
<td>POSITIVE</td>
<td>POSITIVE</td>
</tr>
<tr>
<td>Asset Consumption</td>
<td>NEGATIVE</td>
<td>NEGATIVE</td>
</tr>
<tr>
<td><strong>Enterprise reserve and reserve funds</strong></td>
<td></td>
<td></td>
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<tr>
<td>Capital reserve contribution as a ratio to capital asset value</td>
<td>POSITIVE</td>
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<td>Capital reserve contribution as % of amortization</td>
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<td>Asset consumption</td>
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**Legend**
- **Positive:** indicates to stay the course
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DASHBOARD FACTS

1. OPERATING RESERVES RATIO TO REVENUES (TAX BASED) is an indicator that analyzes the total tax-based reserves by focusing specifically on the stabilization and contingency reserves compared to revenues.

**TARGET:** The benchmark is 10-15%, which would allow the city some flexibility to have contingency funds for unforeseen circumstances. The City reserve policy is that any excess funds be transferred to the Capital Infrastructure Reinvestment Reserve.

**ACTUAL RESULTS:** The city has met or exceeded this benchmark in each of the previous ten years.

2. RESERVES AS A RATIO OF REVENUE (TAX BASED) Discretionary reserves provide sources of funding in the face of variable and uncontrollable factors and allow municipalities to set aside funds for future capital requirements.

**TARGET:** The goal is to be above the provincial median.

**ACTUAL RESULTS:** The city has been below the provincial median for the last four years. The decrease in this ratio is due to investments in capital assets.
3. **CAPITAL RESERVE CONTRIBUTIONS AS A RATIO TO CAPITAL ASSET** value is a ratio that provides insight on the level of reserve funding for future capital purposes compared to the gross book value (historic cost) of capital assets. Cities need to set aside sufficient funds to replace assets as required and to spread out the cost over many years in order to prevent sudden increases in taxes. The city also requires contingency funds for unforeseen expenses.

**TARGET:** The target should be to set aside annually in capital reserves between 2-3% of the historic gross book value.

**ACTUAL RESULTS:** The city has met that goal for water and wastewater. The ratio for tax-funded assets has been improving. (Around 80% of internal capital contributions and government grants are used to fund rehabilitation projects. Therefore, the ratio is likely somewhat overstated.) The cumulative shortfall over the years impacts the city’s infrastructure deficit.

(An accounting change in 2019 now allows us to track the reserve contributions for water/wastewater more accurately, this resulted in a drop in the ratio.)

4. **CAPITAL RESERVE CONTRIBUTIONS AS % OF AMORTIZATION** provides insight on the level of reserve funding for future capital purposes compared to the total amortization in the current year. Cities need to set aside sufficient funds to replace assets as required and to spread out the cost over many years in order to prevent sudden increases in taxes. The city also requires contingency funds for unforeseen expenses.

**TARGET:** The target should be to set aside at least as much as the annual amortization amount in contributions to capital reserves. Ideally, the amount set should be higher than that, since amortization is based on historic cost and assets need to be replaced at current cost (and the city has a lot of long lived assets such as underground pipes)

**ACTUAL RESULTS:** On the water and wastewater side, the city has been able to achieve this goal, however, on the tax rate side, the city’s contributions to capital reserves fell significantly short.
of the annual amortization amount for the last ten years, with the ratio improving over time and now meeting target. (Around 80% of internal capital contributions and government grants are used to fund rehabilitation projects. Therefore, the ratio is likely somewhat overstated.) The cumulative shortfall over the years impacts the city’s infrastructure deficit. (An accounting change in 2019 now allows us to track the reserve contributions for water/wastewater more accurately, this resulted in a drop in the ratio.)

5. **ASSET CONSUMPTION** shows the write-down value of tangible capital assets to their historical cost (amortization as a % of net book value). This ratio seeks to highlight the aged condition of assets and potential asset replacement needs.

**Target:** This ratio should stay consistent or improve over time, which would mean that new assets are created and/or assets are replaced at a quicker pace than existing assets are amortizing.

**Actual Results:** Asset consumption for the tax base is around the provincial median in 2019. The ratio for water/wastewater is slightly better than our comparator group. Additionally, our ratio has been deteriorating for both the tax base and water/wastewater, which means that the city is not replacing or creating assets at a quick enough pace. This is a reflection of our growing infrastructure deficit.
There are several ratios to assess the level of debt and the financial impact on the city.

Our debt to reserves ratio is above the target level and our debt interest as a percentage of “own source revenue” is much higher than our provincial comparator groups. The city ranks well for water/wastewater debt compared to the provincial median. The overall trend for tax-funded debt is improving since the city has shown discipline in minimizing additional debt issues, but it needs to stay the course.

The city plans to continue fiscal discipline. As a result, the 2020 approved ten-year capital budget includes no new tax-funded debt.

<table>
<thead>
<tr>
<th>Debt to total reserves</th>
<th>2019 RESULTS</th>
<th>2018 RESULTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax-based</td>
<td>CAUTION</td>
<td>CAUTION</td>
</tr>
<tr>
<td>Enterprise (water, wastewater)</td>
<td>POSITIVE</td>
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</tr>
<tr>
<td>Debt per capita</td>
<td>NEGATIVE</td>
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<table>
<thead>
<tr>
<th>Debt interest as a ratio of revenues</th>
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**LEGEND**

- **Positive**: indicates to stay the course
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DASHBOARD FACTS

1. DEBT TO TOTAL RESERVES provides a measure for financial prudence by comparing total debt to the total reserve balances. Debt funded by obligatory reserves (such as development-charges funded debt) and obligatory reserve balances are excluded from this calculation.

   **TARGET:** The ratio should be less than one, which means that debt outstanding, should not exceed reserve balances.

   **ACTUAL RESULTS:** The ratio deteriorated since new debt was issued in 2017 and 2018 that will be funded through the storm water rate (which is included under tax based debt in order to be comparable to other municipalities). The city still has material balance in the debt associated with RIM Park, but also has a balance in a designated reserve that is associated with a portion of the RIM Park debt. Additionally, the annual debt repayment is factored into our base budget. There is no water/wastewater debt outstanding.

2. DEBT OUTSTANDING PER CAPITA shows total tax funded debt per capita and is a useful trending tool.

   **TARGET:** The trend over time should be decreasing as the RIM Park debt is paid off and as the population grows. New debt should not be issued at the same rate as the RIM Park debt that is paid off and additionally should not exceed the rate of population growth. Over the long term the city should not materially exceed its provincial comparator group.

   **ACTUAL RESULTS:** This ratio has been improving since 2009. However, due to the material RIM Park debt, the city well exceeds the provincial average of municipalities of a population
of greater than 50,000. This indicates that the city needs to stay the course in minimizing new debt issues.

3. **DEBT INTEREST AS A RATIO OF REVENUE** indicates the extent to which the city’s own source revenues are committed to debt charges and again is a useful tool when comparing to other municipalities.

**TARGET:** The city should compare favourably to the provincial median.

**ACTUAL RESULTS TAX BASED:** The city’s ten-year trend is improving since the city has been diligent to minimize issuing new debt, but due to material long-term debt that the city carries at a high interest rate, it continues to materially exceed the provincial median.

**ACTUAL RESULTS WATER/WASTEWATER:** There currently is no debt outstanding.

The 2020 approved ten-year capital budget includes no new tax funded debt.