City of Waterloo Financial Dashboard

		Result for 2016	Change from 2015	Result for 2015	On BMA Study?
A.	**Overall Financial Position**				
1	Financial Position per Capita	Positive	improving	Positive	Yes
2	Financial Position per Capita incl Capital Assets	Positive	improving	Positive	No
3	Net Financial Assets as a ratio of revenue	Positive	improving	Positive	No
4	**Operating Surplus Ratio (incl Amortization)**				
	Tax based	Negative	improving	Negative	Up to 2014
	Enterprise (Water,Wastewater)	Positive	improving	Positive	Up to 2014
5	**Operating Surplus (incl Amortization)**				
	Tax based	Negative	improving	Negative	No
	Enterprise (Water,Wastewater)	Positive	improving	Positive	No
6	Tax Receivables Ratio	Positive	improving	Positive	Yes
7	Liquid Assets to Total Reserves	Positive	improving	Positive	No
B	**Economic Growth**				
8	Assessment Growth of Tax Base	Positive	improving	Positive	Yes
9	Non residential portion of tax base (assessment)	Caution	deteriorating	Positive	No
10	Non residential % of taxes collected	Caution	deteriorating	Positive	No
C	**Reserve Levels/Assets**				
	Tax based Reserves and Reserve Funds				
11	Operating Reserves ratio to revenues	Positive	deteriorating	Positive	Yes
12	Discretionary Reserves as a ratio of revenues	Caution	deteriorating	Positive	Yes
13 a	Capital Reserve Contribution as a ratio to Capital Assets	Positive	improving	Positive	No
14 a	Capital Reserve Contributions as % of Amortization	Negative	improving	Negative	No
15 a	Asset Consumption	Caution	deteriorating	Caution	Yes
	Enterprise Reserve and Reserve Funds (WWW)				
13 b	Capital Reserve Contribution as a ratio to Capital Assets	Positive	improving	Positive	No
14 b	Capital Reserve Contributions as % of Amortization	Positive	improving	Positive	No
15 b	Asset Consumption	Negative	deteriorating	Negative	Yes
D	**Debt**				
16	**Debt to Total Reserves**				
	Tax based	Caution	deteriorating	Positive	Yes, modified
	Enterprise (Water,Wastewater)	Positive	improving	Positive	Yes
17	Debt per Capita	Negative	improving	Negative	No
18	**Debt Interest as a ratio of revenues**				
	Tax based	Negative	improving	Negative	Yes
	Enterprise (Water,Wastewater)	Positive	no change	Positive	Yes
	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				

Executive Summary

Finance Staff developed high-level financial measures that allow CMT, Council and the public to determine how we rate on a number of high-level financial measures. This is the fourth year for this initiative. These measures are:

- Overall financial position including operating surplus, receivables and liquidity
- Economic Growth
- Reserves and Assets condition
- Debt

The majority of the measures use information from the annual Financial Information Return (FIR) that each municipality has to file with the province. This allows for the use of measures that enable comparisons between the City of Waterloo and other municipalities.

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 Business Consulting Inc., publishes an annual Municipal Study highlighting the demographics, finances, and growth patterns within participating Ontario Municipalities. This study uses the information from the annual Financial Information Return to develop comparative measures for municipalities.

The goal is for the City of Waterloo to highlight some key measures and to publish this information annually on our website. Additionally we will refer to these measures, as appropriate, during the budget process and when doing our annual reporting of our Financial Statements and results to Council.

Attached is a detailed listing of measures showing what is being measured and why, targets for each measure and actual results for the period of 2009 to 2016.

Appendix A provides explanation of terminology and how each measure is calculated.

Appendix B provides explanations of the traditional fund accounting approach used by municipalities and how Tangible Capital Assets and Amortization are accounted for.

Summary of results:

Overall Financial Position

- The City's financial position is improving, the city is able to meet is debt obligations.
- The annual tax-based operating surplus is 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 is incurring an annual deficit on the tax side. This means that sufficient funds are currently not set aside in reserves for the replacement and maintenance of existing assets.

Corrective Action: Long-term Asset Management plan and Long-term Financial Plan will provide recommendations for long term funding for the Capital Budget.

Economic Growth

- The city has experienced steady overall economic growth
- Non-residential growth is slower than residential growth

Corrective Action: Economic Development Strategies are focusing on non-residential growth

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 declining as Asset Management Plan priorities are funded.
- More investment in reserves are needed to fund aging assets

Corrective Action: Long-term Asset Management plan that will further define those needs.

Debt

- Positive trend in per capita debt
- Increase in 2014 due to development charge funded debt issue
- Overall debt has decreased by $6.6 million over ten years to $63.5 million

Corrective Action: To continue fiscal discipline, the 2016 approved ten year capital budget includes no new tax funded debt.

Detailed listing of measures

A. Overall Financial Position:

The overall financial position of the City is positive with the exception of the annual tax-based operating surplus, which is 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 is incurring an annual deficit on the tax side. This means that sufficient funds are currently not set aside in reserves for the replacement and maintenance of existing assets.

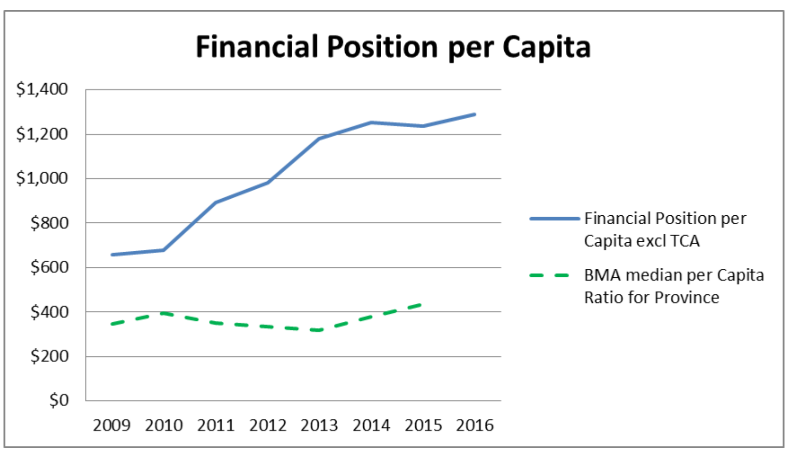
On the Water/Wastewater side, the City is running an annual accounting surplus, including the cost of amortization (which is at historic cost). However, amortization at historic cost for long living assets does not account for the current replacement value of those assets. Long-term projections by staff show that still not enough funds are set aside for the future replacement of assets.

1. Financial Position per Capita

This shows total Financial Assets less Liabilities on a per capita basis. It grows as we accumulate assets that are paid for. A positive balance indicates the City's ability to cover its debt obligations and that funds have been set aside for future sustainability (for example through reserves). A positive trend is the goal. This calculation does not include Tangible Capital Assets (TCA).

Target: Positive Trend over several years and 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 eight years and the City's ratio has increased every year.

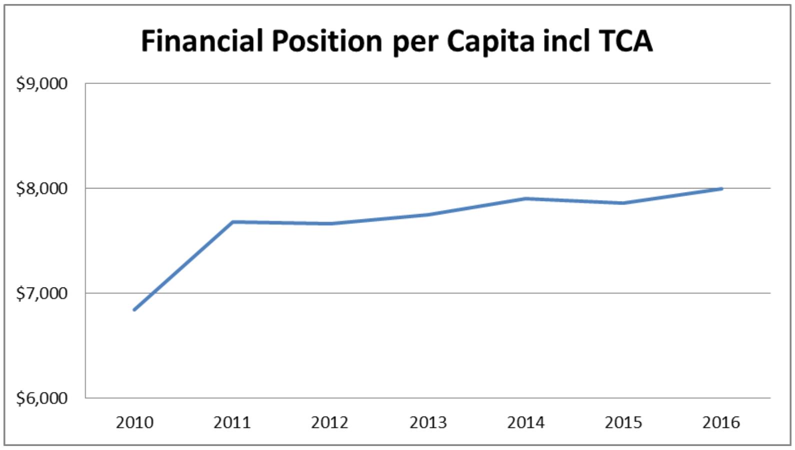


2. Financial Position per Capita including Capital Assets

Shows total Assets less Liabilities on a per capita basis and shows the overall financial position per capita. It grows as we accumulate assets that are paid for. A positive trend is the goal. This calculation includes Tangible Capital Assets (TCAs).

Target: Positive Trend over several years.

Actual results: There is a positive trend in the City's ratio over the last six years.

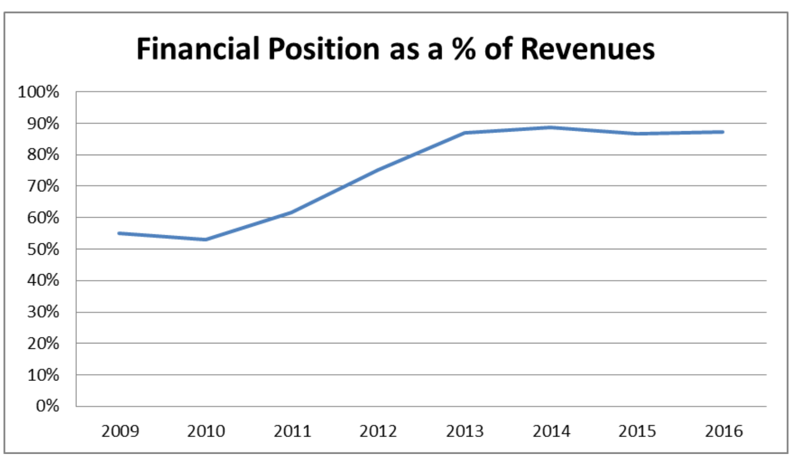


3. Net Financial Assets as ratio of revenues

This indicator compares the net financial asset position (cash, investments and receivable less liabilities) to current own source revenue and provides an additional level of understanding. It indicates if the City is growing net financial assets at least at the same pace as operating revenues.

Target: should show positive trend over several years

Actual Results: The eight year trend is positive and indicates that the City is growing net financial assets faster than operating revenues. However, this trend has levelled off over the last years.



4. *Operating Surplus Ratio:*

This ratio provides perspective on how much of the City's own source of revenue remain after normal operating expenses (including amortization). These funds could be used to fund reserves, pay down debt and invest in capital projects. It indicates if the City is setting aside enough money for the long-term. The definition of own source revenue is per the provincial FIR definition in order to permit comparability with other municipalities. (see Appendix A)

Target: The ratio should be at least in the range of zero to 5%.

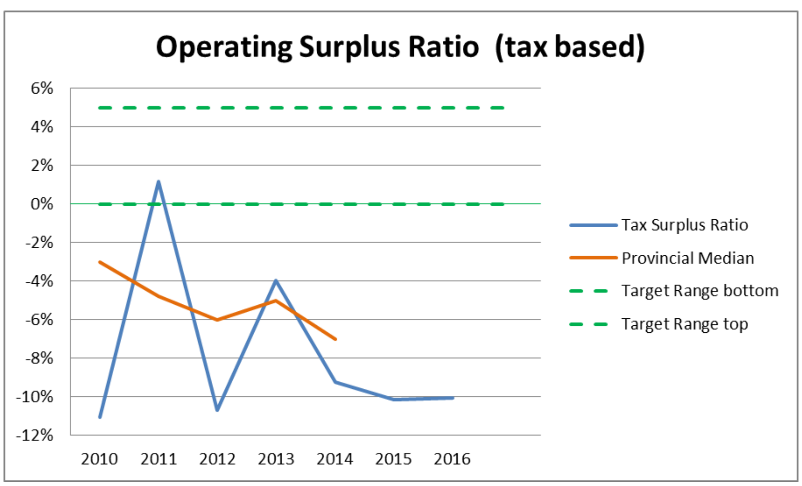
Actual Results Tax Based:

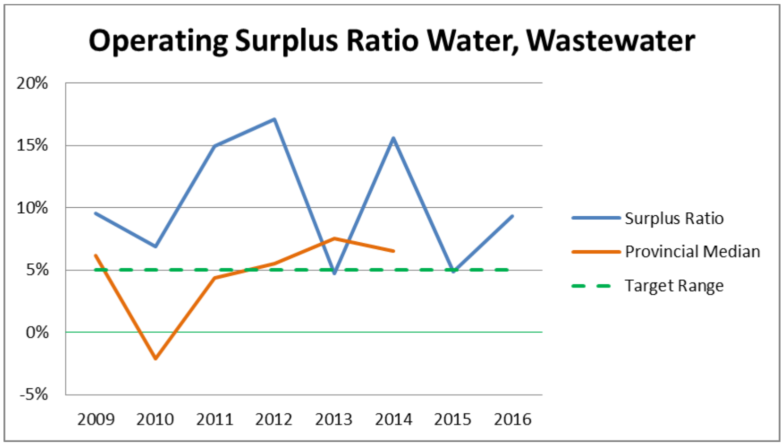
The City's ratio was significantly below zero for six out of the last seven years. Like all municipalities, the City does not budget for amortization but budgets for Capital Reserve contributions instead. As a result, revenues are below expenses (including amortization) for operations. This indicates 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 budgeted for Capital Reserve contributions, this is a common issue as indicated per the provincial median in the chart below.

Corrective Action: Staff is currently working on a long-term Asset Management plan that will provide recommendations for long term funding for the Capital Budget.

Actual Results Water/Wastewater:

The surplus ratio exceeded or met the target of 5%, as well as the provincial median for each of the last seven years. In 2015 there was significant investment in maintenance of existing assets that was not capitalized. The surplus funds will address capital replacement needs based on current replacement value (vs. historic cost used to calculate amortization).





5. Operating Surplus/Deficit

This measure provides perspective on how much of the City's own source of revenue remain after normal operating expenses (including amortization). These funds could be used to fund reserves, pay down debt and invest in capital projects. It indicates if the City is setting aside enough money for the long-term. The definition of own source revenue is per the provincial FIR definition in order to permit comparability with other municipalities. (see Appendix A)

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

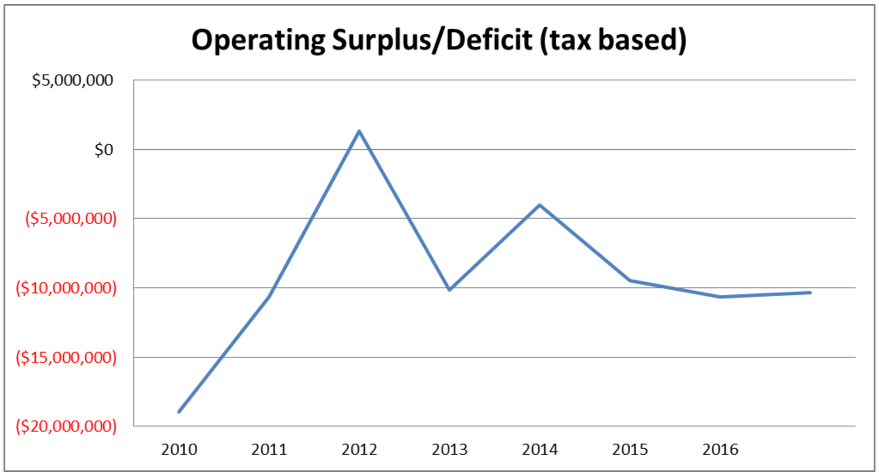
Actual Results Tax Based:

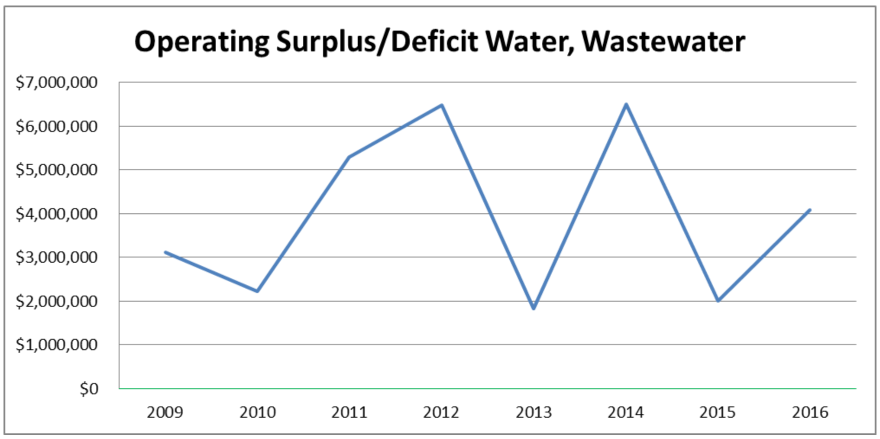
The City's had an operating deficit in six out of the last seven years. Like all municipalities, the City does not budget for amortization but budgets for Capital Reserve contributions instead. As a result, revenues are below expenses (including amortization) for operations. This indicates that the City 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 budgeted for Capital Reserve contributions, this is a common issue.

Corrective Action: Staff is currently working on a long-term Asset Management plan that will provide recommendations for long term funding for the Capital Budget.

Actual Results Water/Wastewater:

There was an operating surplus for each of the last seven years. In 2015 there was significant investment in maintenance of existing assets that was not capitalized. The surplus funds will address capital replacement needs based on current replacement value (vs. historic cost used to calculate amortization).





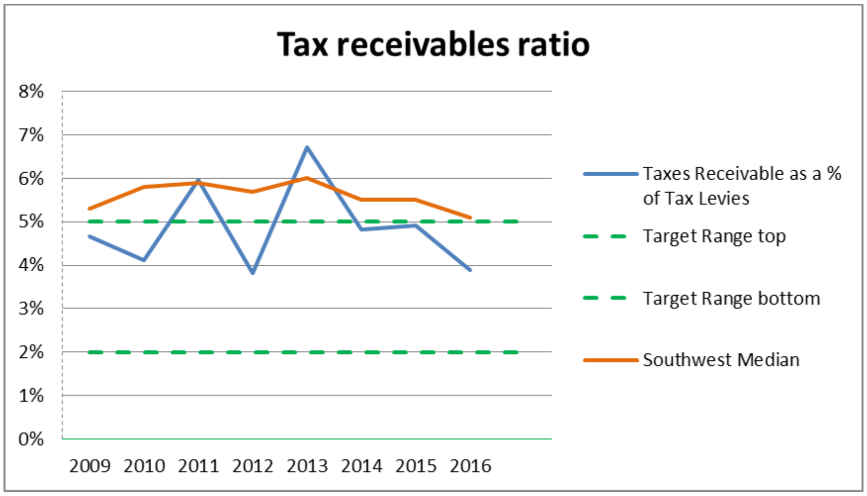
6. Tax Receivables Ratio

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. Additionally, it can reflect the effectiveness in processes relating to tax collection.

Target: The Target range is between 2% and 5%.

Actuals: The City's ratio was in target range in the last three years as the City has taken proactive steps. Billing policy changed in 2016 to reduce the due dates for supplementary billing. In both 2011 and 2013 there was a late, large Supplementary tax run. As a result, most of those taxes were still outstanding at the end of the year, since the due date was in the following year.

While any deterioration is an indicator of economic conditions, the City has limited risk in not collecting on the Receivables outstanding since tax debt has priority lien on the property.

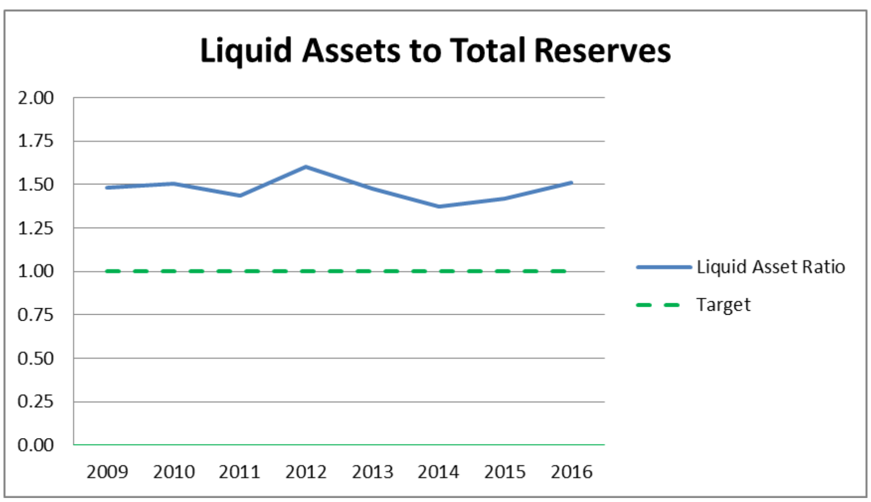


7. Liquid Assets to Total Reserves

Reserves are a critical component of the City's long-term sustainability; amounts should be set aside in reserves that are liquid and available for use when required. This ratio compares cash and investment balances to the balance in all 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 eight years, which indicates proper management of cash and investment levels.



B. Economic Development/Growth

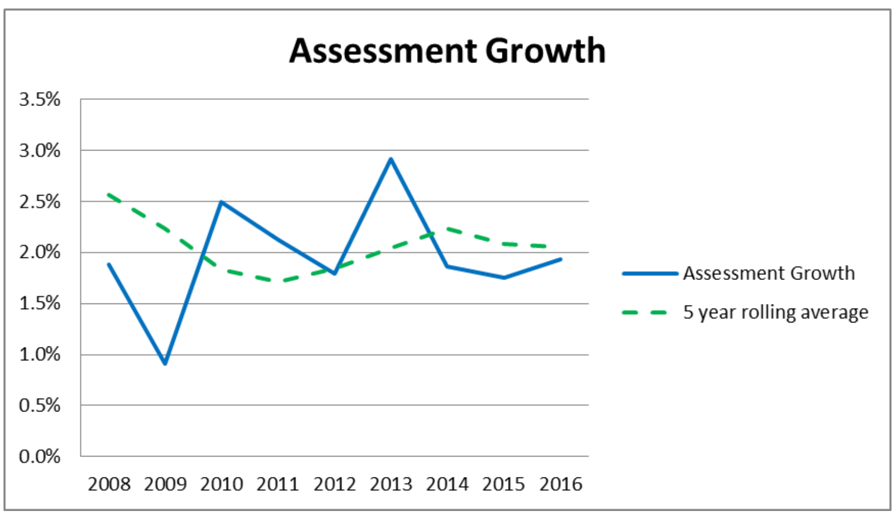
Economic Development is one of the main priorities for the City. As the City has reached its boundaries, assessment growth has slowed and the City is now reliant on in-filling projects for most of its assessment growth. There has been an overall increase in the non-residential assessment and levy collected by the City over the last eight years. This trend had deteriorated in the last four years as the residential and multi residential growth outpaced the industrial and commercial growth in the tax base. This is likely an impact of the LRT project and the development of multi residential buildings along the LRT route.

8. Assessment Growth of Tax Base

Assessment Growth is a measure of the economic health of the municipality, a source of additional tax revenue that also indicates additional pressures on expenditures (operating and capital). Assessment growth only includes new assessment, not an increase in assessed value of existing properties.

Target: There is no specific target, but the City should be monitoring the trend over time. The 5 year rolling average is shown as a reference point since there can be large fluctuations on an annual basis.

Actuals: As the City has reached its boundaries, assessment growth has slowed and is now reliant on in-filling projects for most of its assessment growth. 2014 and 2015 were negatively impacted by tax class changes for properties previously taxable, but now exempt.



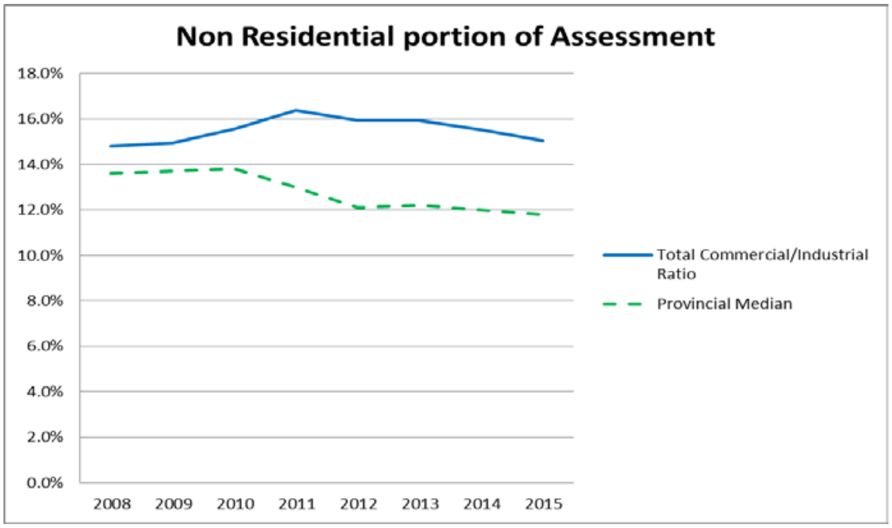
9. Non Residential portion of tax base (assessment)

This indicates what percentage of assessment comes from the commercial and industrial component. This is an indicator of economic growth and the success of the economic development push by Council.

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

Actuals**:** This ratio has deteriorated for the last four years, as the residential and multi-residential tax base exceeded the growth in the commercial and industrial tax base. Additionally, there were successful appeals for a number of properties in the commercial category that negatively impacted this measure. The 2015 data is the last year available, as 2016 taxes are collected based on the 2015 year-end tax base.

Corrective Action: Council has made Economic Development a top priority and staff and Council have increased the focus and resources spent in this area. The City of Waterloo offers a range of incentives to attract business and growth.



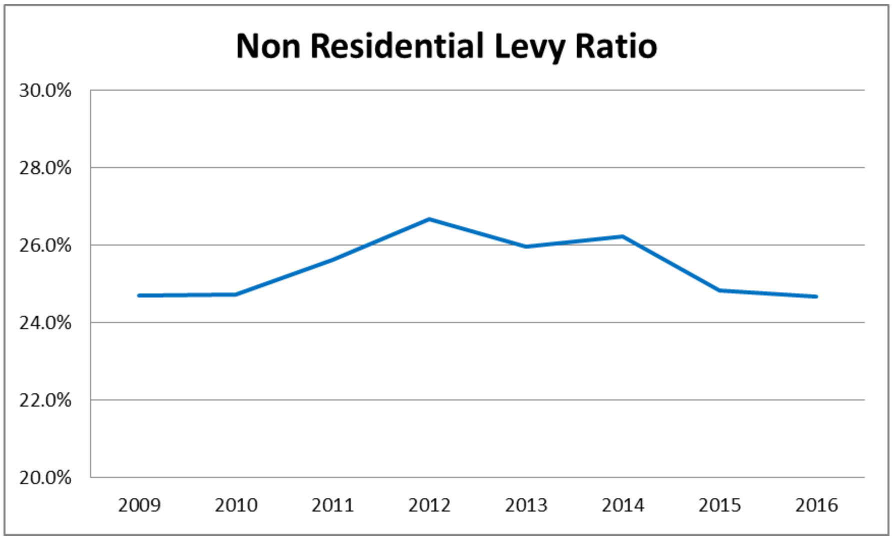
10. Non Residential portion of Taxes (Levies) collected

This indicates what percentage of levies comes from the commercial and industrial component. This is an indicator of economic growth and the success of the economic development push by Council.

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

Actuals: There has been a decrease in this ratio, since the growth in the residential and multi-residential tax base exceeded the growth in the commercial and industrial tax base that year. Additionally, in 2016 there were successful appeals for a number of properties in the commercial category that negatively impacted this measure.

Council has made Economic Development a top priority and staff and Council have increased the focus and resources spent in this area.



C. Reserve Levels/Assets

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 decreased in 2016 due to funding of large infrastructure projects and the creation of the Industrial Land Reserve. While the longer term trend has been positive, reserves potentially are not sufficient on the tax based side to replace Tangible Capital Assets on a timely basis. This is contributing 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.

Staff is currently working on a long-term Asset Management plan that will provide recommendation for long term funding for the Capital Budget, which includes Reserve Levels.

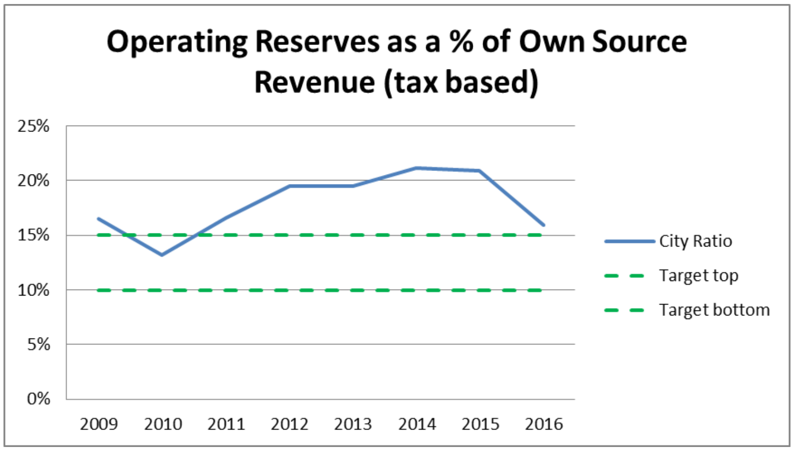
11. Operating Reserves ratio to revenues (tax based)

This indicator analyzes the total tax based reserves by focusing specifically on the stabilization and contingency reserves compared to own revenues.

Target: The benchmark is 10-15%, which would allow the City some flexibility to have contingency funds if unforeseen circumstances were to arise. Standard & Poor considers a ratio above 15% as very strong.

Actuals: The City has met or exceeded this benchmark in each of the previous six years. The drop in 2016 was due to investments in infrastructure projects.

Staff monitor reserves and reserve policies annually and provide a detailed report to Council.

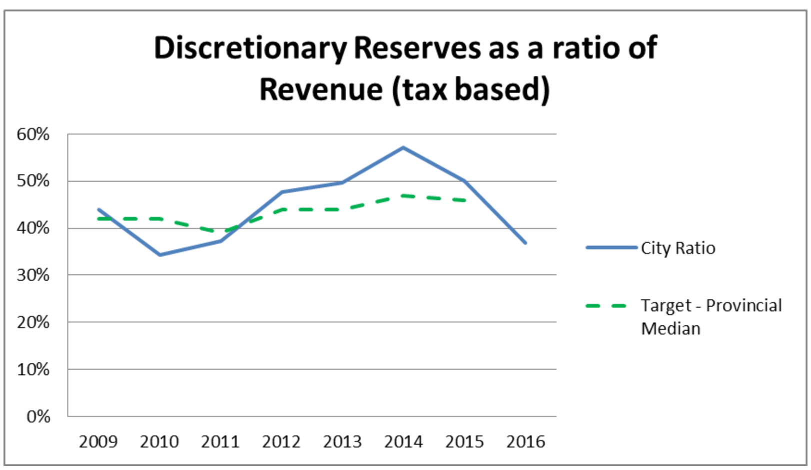


12. Reserves as a ratio of Revenue (tax based)

Reserves are a critical component of a municipality's long-term financial plan. They provide sources of funding in the face of variable and uncontrollable factors and allow municipalities to set aside funds for future capital requirements. This measure includes Reserves and Discretionary Reserves set up and controlled by Council and municipal by-laws and does not include Obligatory Reserves such as Development Charge Reserves.

Target: To be above the provincial median

Actuals: The City exceeded the provincial median in the last four out of eight years. The decrease since 2015 is due to material investments in Capital Assets and the creation of the Industrial Land Reserve (which will be funded from future land sales)



13. Capital Reserve Contributions as a ratio to Capital Asset Value

This ratio provides insight on the level of reserve funding for future capital purposes compared to the gross book value (historic cost) of capital assets. The city should be setting aside enough money to replace assets as required to spread out the cost over many years and prevent sudden increases in taxes. The city also requires contingency funds for unforeseen expenses.

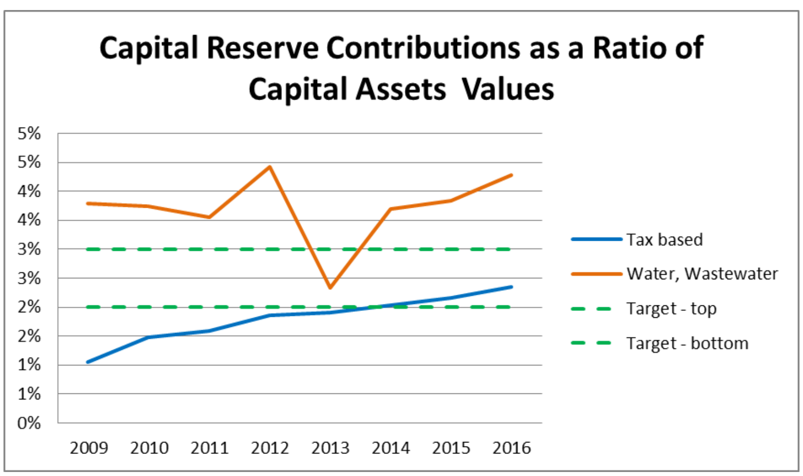
Target**:** The Target should be to set aside annually in Capital Reserves between 2-3% of the historic gross book value. This target is based on best practices.

Actual: The City has met that goal for Water and Wastewater for seven of the last eight years. The ratio for tax- funded assets has been improving. The cumulative shortfall over the years has contributed to the material infrastructure deficit.

Corrective Action: Staff is currently working on a long-term Asset Management plan that will provide recommendation for long term funding for the Capital Budget.

Finance Comments: The City currently does not differentiate between Capital funds set aside to replace or maintain existing assets versus creating new assets. Staff will be working to fine tune this measure. Effective 2015 the Capital budget now indicates if a Project is growth, rehabilitation or split between growth and rehabilitation. In the 2016 – 2025 Capital Budget, only around 60% of internal Capital Reserve contributions and government grants are used to fund rehabilitation projects.

The target for water/wastewater will be reviewed as we gain more information. Water/wastewater assets are very long lived assets. Capital reserve contributions compared to historic cost is only one of the measures required to determine funding needed for maintenance and replacement of those assets. Additionally, the City currently does not differentiate between operating and capital reserves for water/wastewater. Therefore, capital reserve contributions in the chart below include funding for both new and rehabilitation projects.



14. Capital Reserve Contributions as % of Amortization

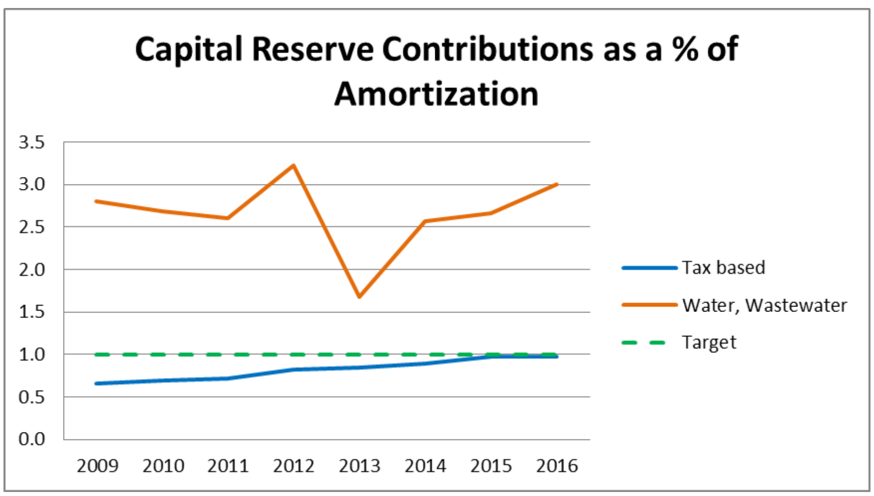
This ratio compares reserve funding for future capital purposes compared to the total amortization in the current year. The city also requires contingency funds for unforeseen expenses.

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.

Actual: On the Water and Wastewater Side, the City has been able to achieve this goal. On the tax rate side; the City's current contributions to Capital reserves fell significantly short of the annual amortization amount in four of the past eight years, with the ratio improving over time. The cumulative shortfall over the years has contributed to the material infrastructure deficit.

Corrective Action: Staff is currently working on a long-term Asset Management plan that will provide recommendation for long term funding for the Capital Budget.

Finance Comments: The target for water/wastewater will be reviewed as we gain more information. Water/wastewater assets are very long lived assets. As a result, amortization based on historic cost is only one of the measures required to determine funding needed for maintenance and replacement of those assets. Additionally, the City currently does not differentiate between operating and capital reserves for water/wastewater. In the 2016 – 2025 Capital Budget, only around 60% of internal Capital Reserve contributions and government grants are used to fund rehabilitation projects. Therefore, capital reserve contributions in the chart below include funding for both new and rehabilitation projects.



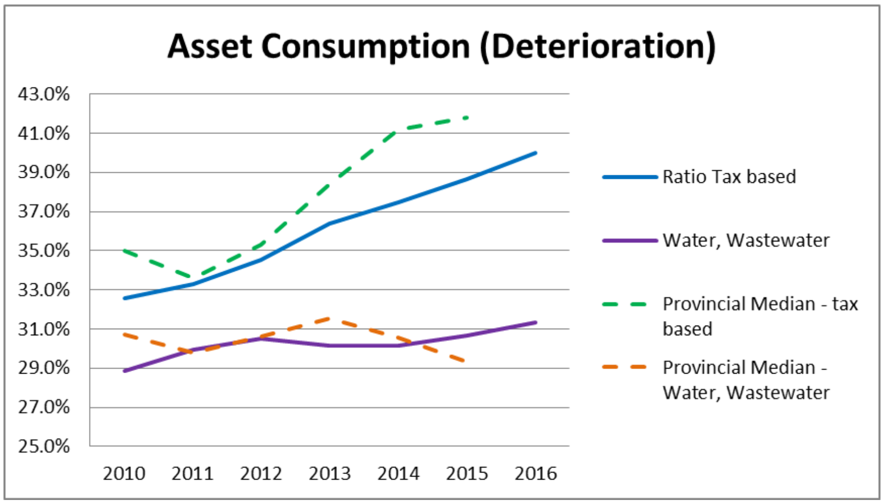
15. Asset Consumption

This shows the write down value of tangible capital assets to their historical cost (accumulated amortization as a % of gross book value). This ratio seeks to highlight the aged condition of assets and potential asset replacement needs. The higher the ratio, the more depreciated the asset.

Target: This ratio should stay consistent or decrease over time, which would mean that assets are replaced and/or new linear assets (such as roads or waste water and water mains) are created at a quicker pace than existing assets are amortizing.

Actuals: Asset consumption for water/wastewater is above the provincial median, which means we are worse than our comparator group and for the tax base, our ratio is below the median, which means we rate better than our comparator group. However, our ratio is 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.

Corrective Action: Staff is currently working on a long-term Asset Management plan that will provide recommendations for long term funding for the Capital Budget.



D. Debt:

There are several ratios to assess the level of debt and the financial impact on the city. Our overall position for tax based debt requires attention. The City still has material debt associated with RIM Park. However, the City also has a balance in a designated reserve that is associated with a portion of the RIM Park debt. The City currently has no water/wastewater debt. The City has shown discipline in minimizing additional debt issues, but it needs to stay the course. Therefore, the 2016 approved ten year capital budget includes no new tax funded debt.

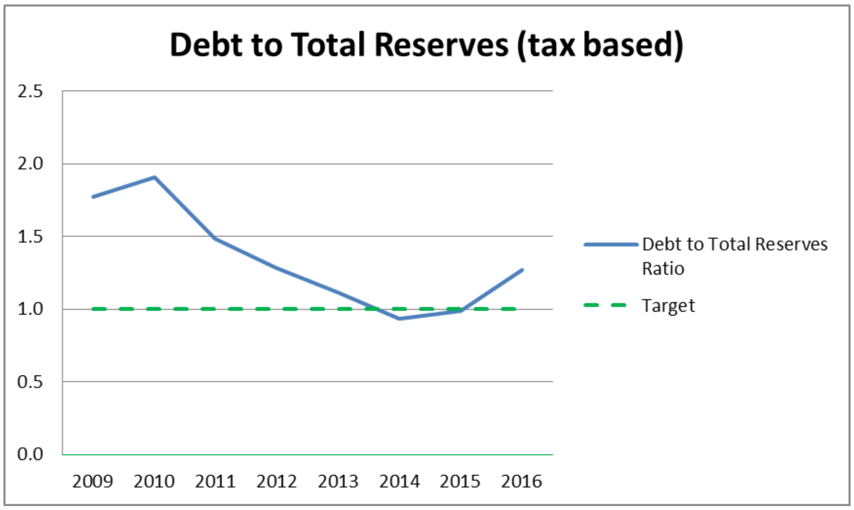
16. Debt to Total Reserves

This indicator provides a measure for financial prudence by comparing total debt to the total reserve balances. Debt funded by obligatory reserves (such as DC funded debt) and obligatory reserve balances are excluded from this calculation.

Target: The ratio should be less than 1, which means that debt outstanding should not exceed reserve balances.

Actual results: While debt decreased in 2016, there was a larger decrease in reserves, resulting in a deterioration of the ratio. However, the general trend has been improving since 2009. Since 2009, the City has made material improvements since debt has declined and reserve balances have increased. On the Water/Wastewater side there is no debt outstanding since 2014.

Corrective Action: The City plans to continue fiscal discipline, as a result, the 2016 approved ten year capital budget includes no new tax funded debt. There is a planned debt issue in 2017 that will be funded through parking user rates and storm water rates.



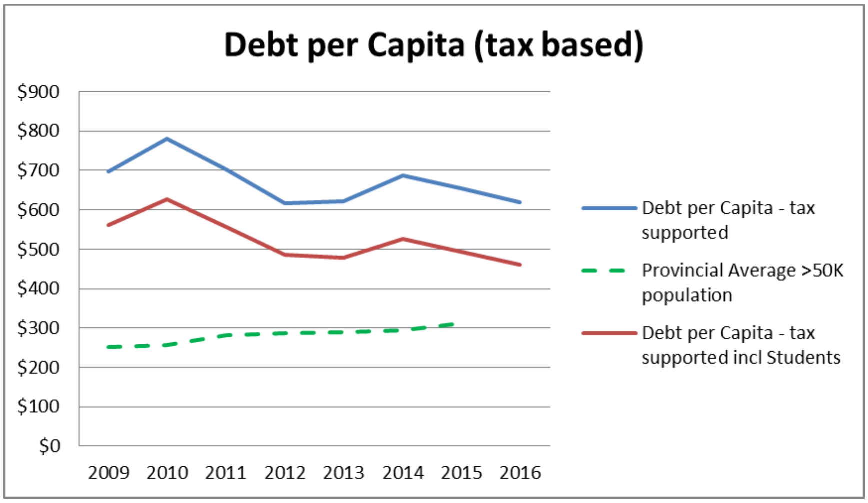
17. Debt Outstanding per Capita

This shows total tax and development charge funded debt per Capita and is a useful trending tool.

Target: The trend over time should be decreasing as RIM park debt is paid off and as the population grows. New debt should not be issued at the same rate as the 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: There was an increase in the ratio in 2014 due to new development charge funded debt that was issued. This reversed the five-year trend of debt per capita decreasing, due to the City minimizing new debt being issued. However, due to the material RIM Park debt, the City 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.

Corrective Action: The 2016 approved ten- year capital budget includes no new tax funded debt.



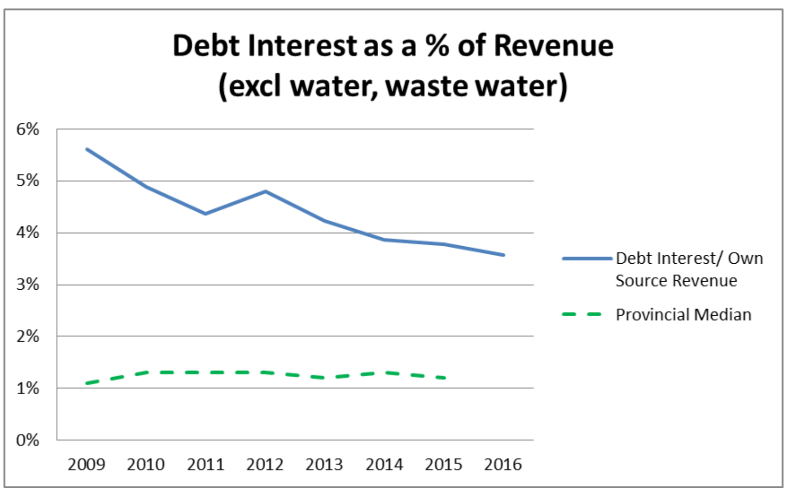
18. Debt interest as a ratio of revenues

This ratio indicates the extent to which the City's revenues are committed to debt charges and again is a useful tool when comparing to other municipalities.

<u>Target</u>: The City should compare favourably to the provincial median.

<u>Actuals</u> : The City's seven 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. There currently is no water/waste water debt outstanding.

<u>Corrective Action</u>: The 2016 approved ten-year capital budget includes no new tax funded debt.



Appendix A – Terminology and Calculations

General:

Tax based measures:

The dashboard uses "tax based" measures. The BMA study separates City Finances into Water/Wastewater and tax based (all other City operations). The City of Waterloo utilizes an enterprise model for areas such as Cemeteries, Building Standards, Parking, Storm Water Management and Rental Housing. In order to maintain consistency and comparability, these have been included in the "tax based" measures in the dashboard. The combined budget for these is about 10% of City expenses (excluding Water and Wastewater).

Population for per Capita:

The BMA Study uses the Population per Statistics Canada census and estimates for other years. For 2011 this was 98,780 per the last census. Staff does not agree that students should be excluded from this calculation, since they make up a material portion of our population. Our population including students as reported on the 2015 FIR was 135,596. However, in order to be consistent and comparable we have used the population used by the BMA study for this dashboard.

Own Source Revenues for Operating:

We have used the definition used by BMA: Total Revenues with the following deducted: Revenues for Tangible Capital Assets (TCAs) from Province, Federal, other municipalities, Development Charges, Gas Tax Revenue, Increase in Waterloo North Hydro Equity, donated TCAs. However, it currently leaves in one-time funding for Capital Projects from third parties such as developers (which is currently not reported separately on the FIR), which can cause material fluctuations in some years. This is also used by the province as a basis to calculate the annual debt repayment limit.

Water and Wastewater Reserves:

The City has historically been including the balance in these Reserves as Accumulated Surplus on the FIR. However, analysis has shown that other municipalities show these on the Reserve Schedule on the FIR. For better comparison, we have therefore treated balances as Reserves. As a result, there are some differences between the numbers shown in the BMA Study and the numbers used to calculate some of the measures for the dashboard. Staff is looking into changing our reporting on the FIR for these Reserves in future years to make it consistent with other municipalities.

Tangible Capital Assets:

Long-term assets that have physical substance such as buildings, roads, water and wastewater pipes etc. The City's net asset value after amortization was $677 million in 2015.

Comparator Group:

Where available, the provincial median as calculated by BMA Consulting Group was used. The BMA Study uses FIR data and has about one hundred municipalities participating.

Calculations:

1. Financial Position per Capita:

Calculated: Accumulated surplus per Financial Statements. It includes all Assets (but excludes Tangible Capital Assets (TCA)) such as Reserves, Waterloo North Hydro Equity and deducts all liabilities including Obligatory Reserves (such as Development Charge Reserves) and Employee Future Benefit Obligations.

2. Financial Position per Capita including Capital Assets:

Calculated: Accumulated surplus per Financial Statements. It includes all Assets (what the city owns) such as Tangible Capital Assets, Reserves, and Waterloo North Hydro Equity and deducts all liabilities (what the city owes) including Obligatory Reserves (such as Development Charge Reserves) and Employee Future Benefit Obligations.

3. Net Financial Assets as ratio of revenues:

Calculated: Financial Assets as per Financial Position per Capita divided by Own Source Revenue.

4. Operating Surplus Ratio

Calculated: Operating Revenues (Own Source revenues, adding back funding from federal, provincial and other municipalities for operating) less Operating Expenses = Operating Surplus or Deficit. This is divided by Own Source Revenue to arrive at a percentage.

Note: Currently there is no spot on the FIR to identify one time revenues from third parties for Capital projects; as a result, they are included in Revenues, resulting in distortions, since the matching expenses are not included in the calculation. Staff has provided feedback on this issue to ministry staff. This measure was discontinued by BMA in 2015; we will review this measure on a go forward basis.

5. Operating Surplus

Calculated: Operating Revenues (Own Source revenues, adding back funding from federal, provincial and other municipalities for operating) less Operating Expenses = Operating Surplus or Deficit.

6. Tax Receivables ratio

Calculated: Tax Receivables divided by total taxes (levies) for the year

7. Liquid Assets to Total Reserves

Calculated: Cash and Equivalents plus investments divided by Total Reserves

8. Assessment Growth of Tax Base

Calculated: This is the annual increase in the assessment base due to new construction. It does not reflect increases in assessed value of properties already on the tax base. Increases in market value assessments will not result in any new tax revenue overall but a redistribution of the current tax burden.

9. Non-residential portion of Tax Base (Assessment)

Calculated: Commercial and Industrial Assessment as a ratio of total assessment.

10. Non-residential portion of taxes collected

Calculated: Commercial and Industrial levies as a ratio of total levies

11. Operating Reserves as a percentage of Revenues

Calculated: Discretionary Operating Reserves divided by Own Source Revenue. Operating Reserves are those used to balance potential fluctuations in operating expenses and revenues such as the Tax Rate Stabilization Reserve or the Winter Control Reserve

12. Reserves to Own Source Revenues

Calculated: Total Reserves and Discretionary Reserves divided by Own Source Revenue. This does not include Obligatory Reserves such as Development Charges Reserves.

13. Capital Reserve Contributions as a ratio to Capital Asset Value

Calculated: Capital Reserve contributions divided by Gross Book Value for Tangible Capital Assets (historic cost).

14. Capital Reserve Contributions as a percentage of Amortization

Calculated: Capital Reserve contributions divided by Amortization

15. Asset Consumption

Calculated: Accumulated Amortization divided by Gross Book Value of Tangible Capital Assets (at historic cost). Per BMA calculation, this includes Land, which does not get amortized; therefore the ratio understates the percentage of Assets amortized.

16. Debt to Total Reserves

Calculated: For the tax based ratio: Tax Debt outstanding divided by Discretionary Reserve. This does not include Obligatory Reserves such as those for Development Charges, Building Permits and Gas Tax. This calculation is modified from the annual BMA Study. BMA includes debt funded by Development Charges, since there currently is no break down on the FIR to allow it to pull out DC funded debt. However, since Obligatory Reserves (including DC reserves) are not included in the calculation, the debt funded from those Reserves has also been excluded from our calculation.

For the Water/Wastewater (WWW) Ratio: WWW funded debt divided by WWW Reserves

17. Debt per Capita

Calculated: Total debt excluding Water/Wastewater debt divided by Population

18. a) Tax Debt Interest as a ratio of Revenues

Calculated: Tax debt interest (including DC funded debt) divided by Own Source Revenue

b) Water/Wastewater Interest as a percentage of Own Source Revenues

Calculated: Water/Wastewater debt interest divided by Water/Wastewater Own Source Revenue

Appendix B – Tangible Capital Assets and Amortization

The annual Financial Statements and Financial Information Return for the province (FIR) are prepared in compliance with Public Sector Accounting Board (PSAB) requirements.

Municipalities were historically expensing Tangible Capital Assets at the time of acquisition and did not account for amortization in their budgets or actual reporting. The Public Standards Accounting Board (PSAB) changed those standards in 2009. PSAB 3150 requires that local governments capitalize assets at historic cost and amortize these assets over their estimated useful life. This change has materially transformed the way municipalities report their financial information.

At this time municipalities still prepare their annual budgets to determine the tax levy on a traditional fund accounting approach. This approach expenses contributions to Reserves and Reserve funds, but does not include amortization expenses. If amortization expenses exceed annual reserve contributions, an operating surplus according to traditional fund accounting can get transformed into an operating deficit. Additionally, the annual FIR also treats some revenue items differently from how they are reported under the traditional fund accounting approach.

As a result, while the City has reported an annual operating surplus to Council each year (based on the fund accounting approach), the City has an operating deficit in six out of the last seven years when using the FIR information.

Ideally, the majority of capital additions in a year should be of the reinvestment or replacement type to maintain infrastructure quality. The City will be striving to increase the gap between capital additions and amortization in future years through reinvestment to ensure that infrastructure quality does not decline. Further analysis of this endeavor will occur through the future budget cycles and calendar years.