

BMA Condition Assessment and Long-term Financial Framework

Long-term Financial Framework

Agenda

- Overview of BMA Consulting's Financial Condition Assessment
 - SWOT Analysis (Strengths/Weaknesses/Opportunities/Threats)
- Strategic Recommendation
 - Long-term Financial Framework overview
 - Policy focus outline
 - Debt Policy review and recommendations

Financial Condition Assessment

BMA Report

- The City engaged BMA Consulting to provide an updated Financial Condition Assessment
- BMA determined that overall the City's financial condition has improved and overall is performing well
- Through the report staff identified four key challenges:
 - Aging infrastructure
 - Population growth
 - Aging population
 - Changing legislation

Financial Condition Assessment

Internal: Strengths and Weaknesses

	Strength	Weakness
Financial Position	Assets less liabilities is strong and improving	Significant infrastructure backlog requiring additional funding
Debt Level	Credit rating AA+ with a stable outlook	Requirement for increased capital expenditure to be debt funded
Reserves and Reserve Funds	Rate supported funds are meeting or exceeding targets	Tax supported funds are below targets
Tax Rates	Levy per \$100,000 of assessment lower than average	Levy per capita and non-residential rates are slightly above average

Financial Condition Assessment

External: Opportunities and Threats

	Opportunities	Threats
Strong Growth	Intensification, efficient use of space, improved access to public transit, reduced carbon footprint	Capital and operating costs of servicing growth
Provincial and Federal Governments	Grant opportunities for infrastructure renewal and enhancement Partnership opportunities to address future challenges	Uncertainty in ongoing annual funding and long-term level of funding Changes in legislation impacting revenue and operations
Aging and Changing Demographics	Potential for adjustments in current services due to changing demands	New and different services required by growing segment of population

Long-term Financial Framework

Policy Framework

- To effectively manage these challenges, staff are proposing to develop a long-term financial framework (LTFF) that will guide policies and decision-making that supports the goals of the City's Strategic Plan
- The LTFF will be built on these measures, with all policies to clearly articulate how they support the pillars.

Sustainability	Vulnerability	Flexibility
The ability to maintain services over an extended period of time	The level of resiliency to mitigate unexpected negative events	The ability to adapt to changing opportunities

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Policy Framework

- Policies will provide guidance in developing operational plans for all departments and activities across the organization
- The framework will not be specific to any one business or activity, but will provide guidance on establishing relevant outcomes and measurements for any plan
- Use of these policies will provide Council with the confidence and insight to ensure they are making evidence-based decisions that provide the best value for residents and businesses

Long-term Financial Framework

Policy Framework

- Current challenges
 - Aging infrastructure
 - Sufficiency of Reserve and Reserves Funds
 - Managing the cost of growth
 - Changing service and program demands (aging and growing population)
 - Impacts from changes in revenue assumptions
- 2020 Policy Focus
 - Debt Management Policy – update
 - Multi-year Budget Policy - new
 - Revenue Policy – new
 - Growth Cost Management Policy - new

Long-term Financial Framework

Work plan

Policy	Last or Planned update	Sustainability	Vulnerability	Flexibility
General Reserve and Reserve Fund	2017	Achieving target balances	Dependable inflows	Appropriate and allowable uses, support the Strategic Plan priorities
Procurement	2018	Focus on full cost of purchasing	Proper internal controls and guidelines	Innovative options for new ideas
Debt Management	2020	Target % of revenue	Maximum % leveraged	Prescribed purposes and types
Revenue	2020 (planned)	Cost recovery targets and reliability	Expanded sources	Relative to peers
Multi-year Budget	2020 (planned)	Robust guidelines	Identification of risk factors	Options for adjustment
Capital Plan	2021 (planned)	Funded, structured and current	Linkage to Asset Management principles	Opportunities to adjust
Asset Management and Service Level	2020/21 (planned)	Corporate mandate and implementation	Data driven and supported	Innovative and responsive
Growth	2021 (planned)	to be determined	to be determined	to be determined
100RE	2020 (planned)	to be determined	to be determined	to be determined
Internal Controls	2022 (planned)	to be determined	to be determined	to be determined

Debt Management Policy

Overview

- The current policy is almost 10 years old
- Reviewed to ensure it was appropriate within the current economic conditions and financial challenges facing the City
- And to ensure it is aligned with the Strategic Plan
- And meets the requirements of the LTFF
- Project included
 - Internal consultation
 - Municipal survey
 - Academic research
 - Legislation review

Debt Management Policy

Purpose of a debt policy

- Establish criteria for issuing debt
- Indicates strong financial management
- Ensures continuity and consistency in financial decisions when there is a change in administration or Council
- Provides guidelines for the amount, process, and type of debt the City will assume
- Establishes metrics for evaluating City's overall debt position

Debt Management Policy

Revisions

- Capital project eligibility, the new policy allows for debt to be issued to fund infrastructure renewal projects, which were excluded in the old policy
- Increase in threshold of eligible funding amount from \$500,000 to \$5,000,000
- Increase in useful life threshold from 10 to 20 years
- Removal of specific Development Charge (DC) related debt ratio, replaced with requirement to assess sustainability of DC cash flows
- Replacement of Direct Debt to Reserve Ratio with Debt-servicing to Discretionary Reserve Ratio
- Increased focus on Internal Borrowing, including requirements for use and reporting