



Waterloo's Long Term Financial Plan Model

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Waterloo's LTFP – Journey So Far

1. Council's Sustainability Actions to Date
2. Asset Management Plan
 - *Recommended LTFP development*
3. AMP & LTFP Public Engagement
4. LTFP
 - *Development of a model*
 - *Reserve Consolidation*
 - *LTFP – Consultant Scenario*
 - *LTFP – Staff Scenario*





Council's Sustainability Actions to Date

1. Capital Infrastructure Reinvestment Reserve Fund (2008)
2. Assessment Growth Policy (2009)
3. Stormwater Enterprise (user fees) (2010)
4. Sustainability a Priority in Council's Strategic Plan (2015)
5. Parking Enterprise Financial Model (user fees) (2017)
6. Comprehensive Asset Management Plan (2016)
7. Reserve Consolidation (2018)





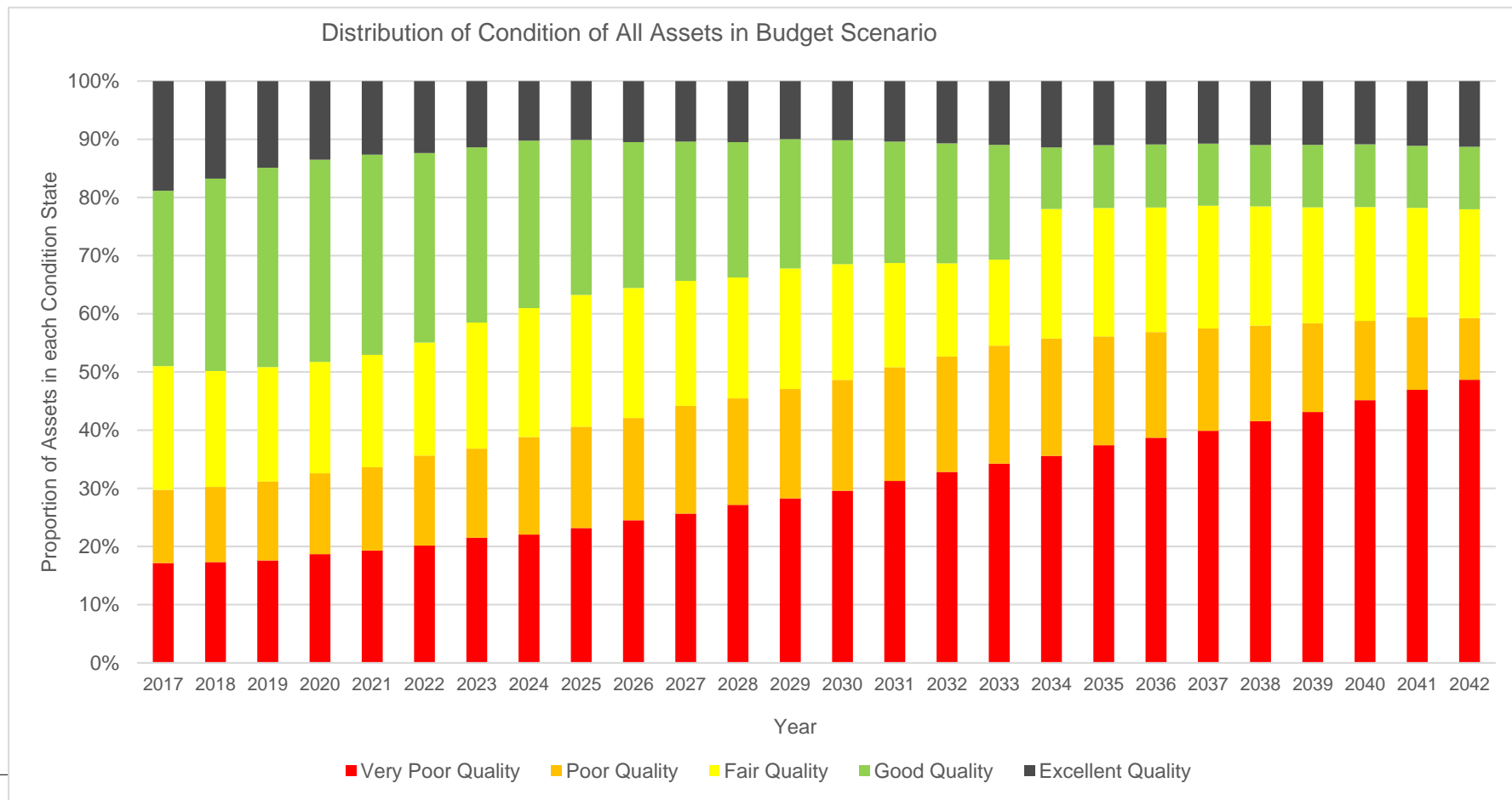
Comprehensive Asset Management Plan

1. Asset management assessment
2. Development of a custom Asset Management System
3. Professionally Managed
4. First Comprehensive Asset Management Plan





Comprehensive Asset Management Plan





Operating Impacts of New Assets



1. Line by Line Review of the Operating Budget
2. Percentage of the operating budget spent on each asset class
3. Professional Managed
4. Consistent Methodology
5. Decision to approve capital projects concurrently with operating costs



How Many Municipalities have a Long Term Financial Plan?

1. Yes
2. No
3. Not sure



Is Your Long Term Financial Plan a Master Plan Document or Continually Updated?

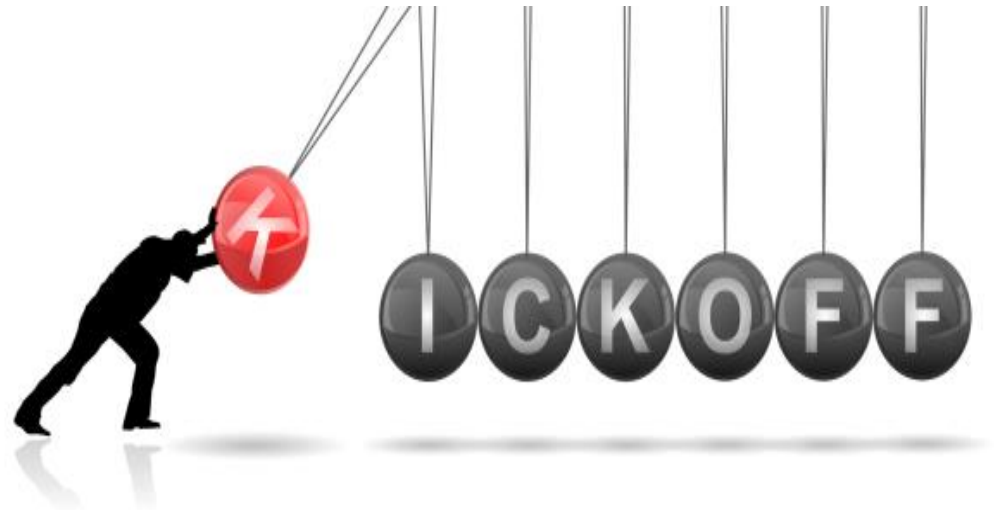
1. Master Plan Type Document
 - sits on the shelf
2. Continually Updated
 - updated as decisions are made or with the budget process
3. Not sure

Long Term Financial Plan – Our **NEEDS**



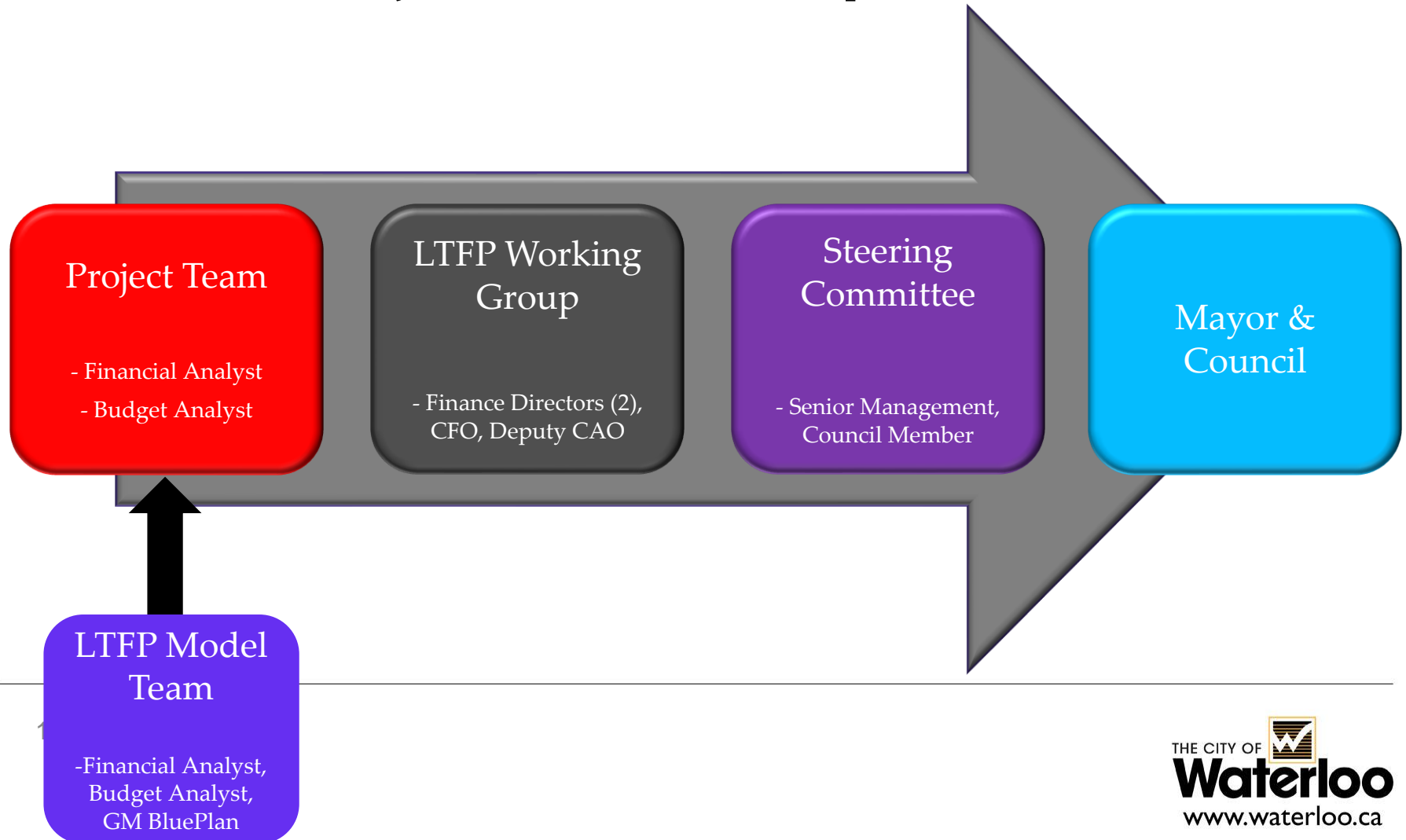
Long Term Financial Plan – Our **NEEDS**

1. Comprehensive
 - Tax base and rate funded enterprises
 - Operating and capital budgets
2. Interaction with existing
3. Financial model
4. Created collaboratively
5. Managed in-house



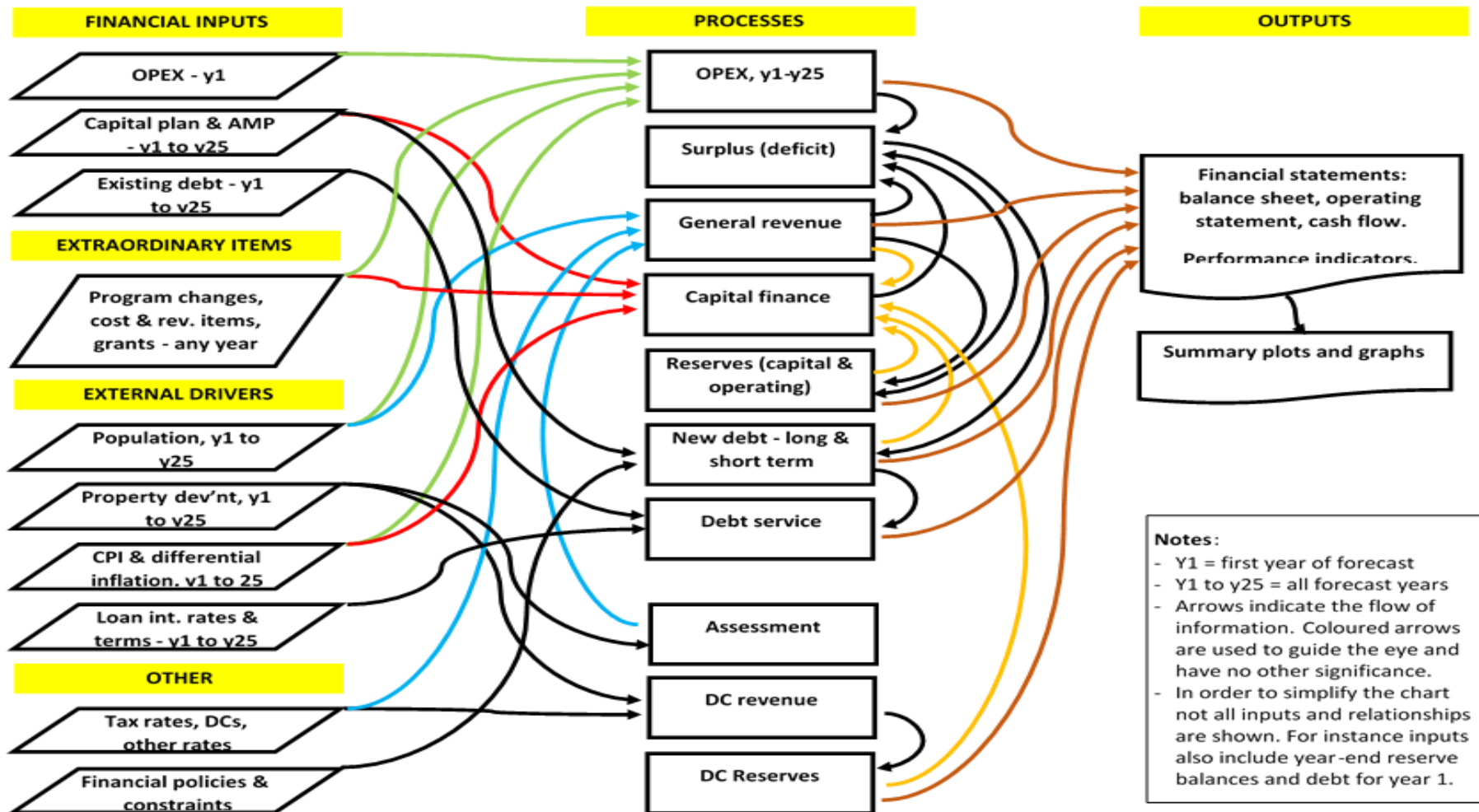


LTFP – Project Team & Sponsors



LTFP - Connections

LTFP MODEL FLOW CHART



LTFP - Assumptions

1. Infrastructure Funding Changes
2. Reserves – Consolidation & Policies
3. Operating Budget Revenues & Expenditures
4. Property Tax Levy
5. Enterprise (User Fees) Financial Models

Factors Determining long-term
financial Requirements



LTFP – Model

1. “Made in Waterloo” living tool to support other processes
 - Budget, DC By-Law, AMP
2. Comprehensive
 - Tax base and enterprises (user fee funded)
 - Operating and capital budgets
3. Encompasses a 25 year planning horizon
4. Ability to modify levers

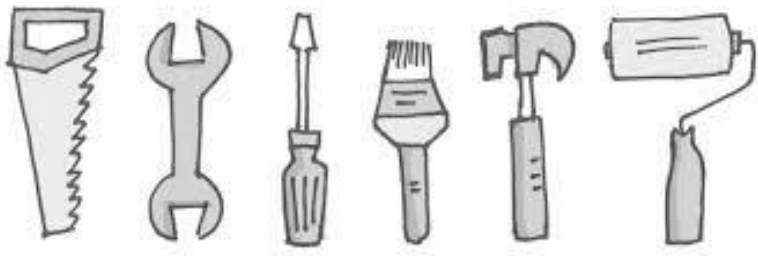




LTFP – Model Levers

1. Critical to have the ability to change levers
2. Lever examples include
 - Capital indexing
 - Preventative maintenance activities
 - Salaries & benefits
 - Revenues
3. Ability to estimate and include the operating impact of capital

What are Reserves?

- Reserves are tools
 - Do we have the right tools for what we need to do?
- 
- Provide for the replacement / rehabilitation of existing City assets
 - Provide for new assets
 - Provide for future liabilities
 - Provide flexibility to manage debt levels
 - Provide contingency funding for one time, unforeseeable events
 - Provide tax stability and contribute to the provision of services



A Different Approach





Reserve Consolidation Benefits

Short Term

- Provides greater funding flexibility to respond to changing needs and minimizes target requirements
- Provides for the separation of growth and rehabilitation at the funding source
- Pools the risk of uncertain expenditures

Long Term

- Improves the ability to report the positive actions undertaken by Council to address the infrastructure deficit
- Provides a more holistic approach to City Wide need prioritization
- Simplifies the tracking, analysis and administration



Financial Control Policies

I. FC-013 Use of Budgeted Assessment Growth

Previous:

- 20% to Capital Reserve Fund (CRF)
- 20% to Capital Infrastructure Reinvestment Reserve Fund (CIRRF)
- 60% to Operating

NEW:

- 10% to CRF (New)
- 30% to CIRRF (Rehab/Replace)
- 60% to Operating





Financial Control Policies

2. FC-003 Allocation of Surplus

Previous:

- 50% to Tax Rate Stabilization Reserve (TRS)
- 25% to Economic Development Reserve (ECDEV)
- 25% to Capital Infrastructure Reinvestment Reserve Fund (CIRRF)

NEW:

- 50% to TRS
 - 50% to CIRRF (Rehab/Replace)
-

Reserve Consolidation – Impact to

1. Clear distinction of funding available for growth projects versus rehabilitation
2. Proactive, forward looking allocation of rehabilitation / replacement funding
3. Utilizes asset management plan to determine funding allocated to various asset classes
4. Asset management priorities, by asset class, are professionally managed to determine the capital budget





LTFP – What We Considered and Included

1. New Services / Increased Levels of Service
2. Operating Impacts of Capital
3. Staff Resources
4. Operating and Capital Rebalancing
5. Increased Capital Rehabilitation Activities



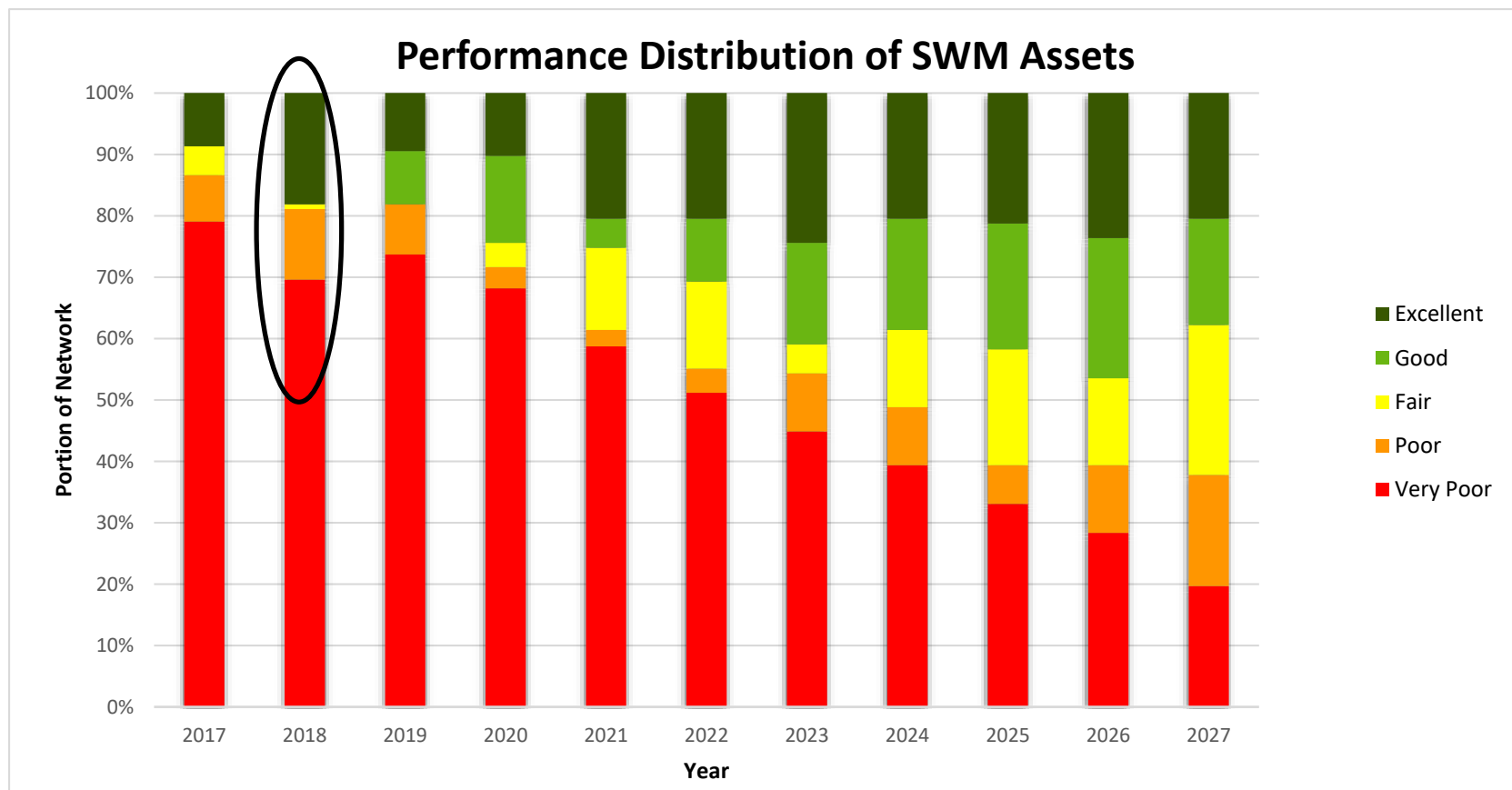
Funding Opportunities

1. User Fees
2. General Property Tax Levy
3. Grants



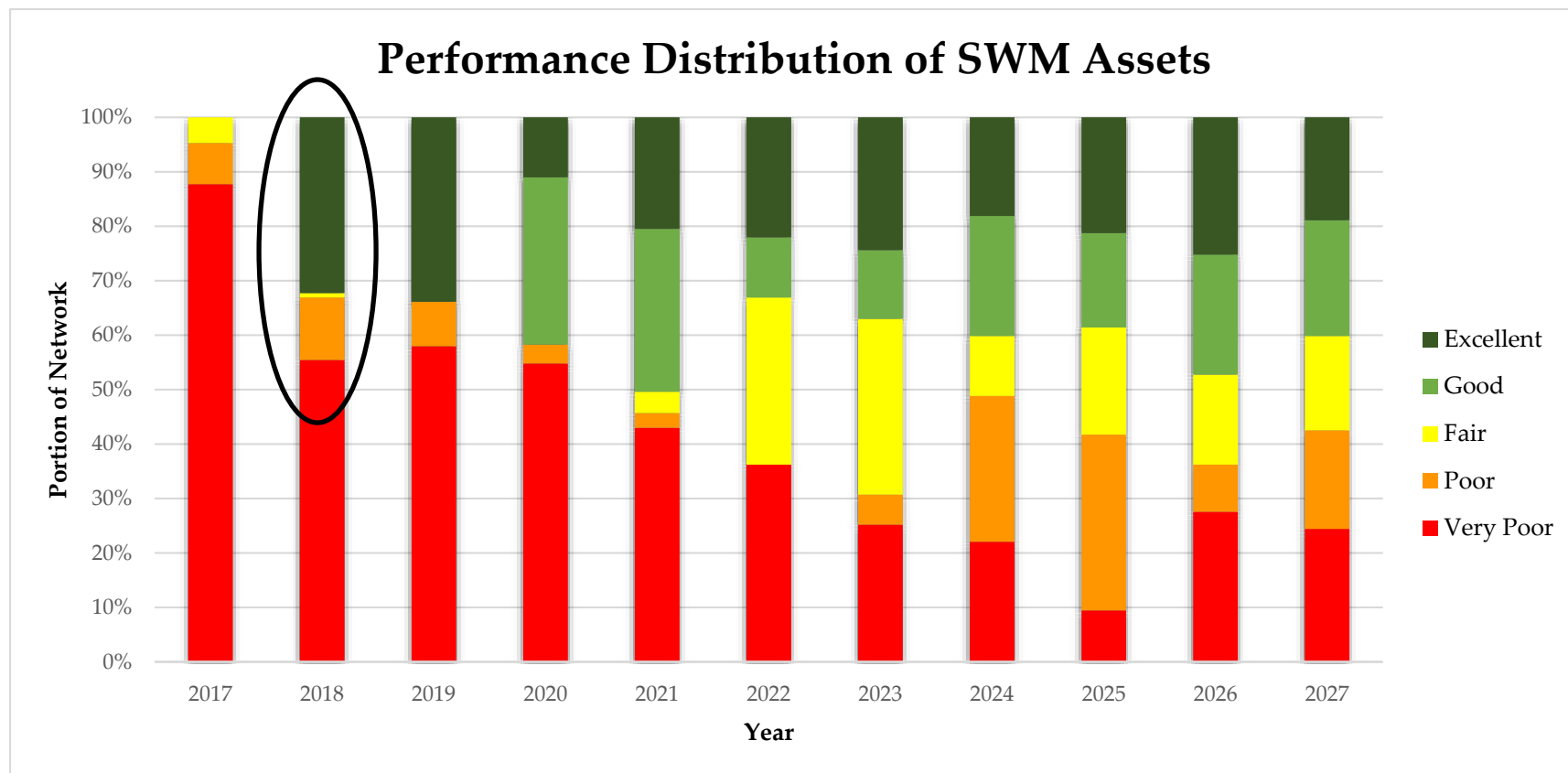


SWM Asset Performance – 2016 AMP





SWM Asset Performance – Additional Funding





Funding Opportunities cont.

- 5. Debt
- 6. Expiring Debt Charges
- 7. Infrastructure Levy

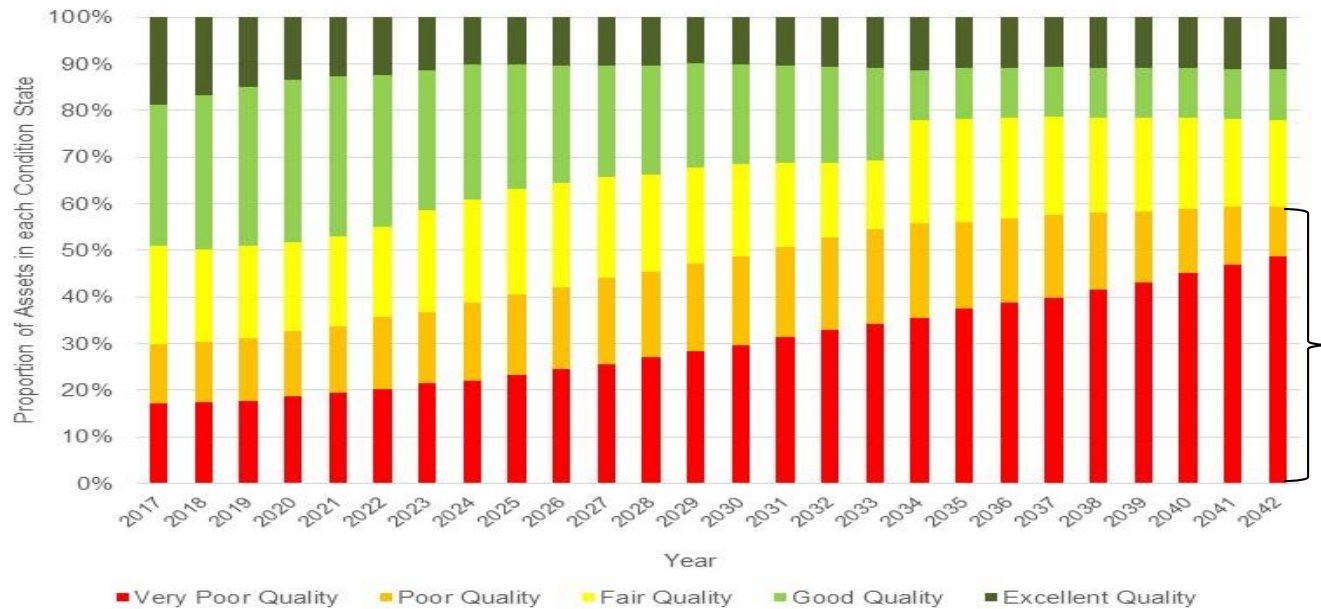




Do you have an Infrastructure Levy?

1. Yes
2. No
3. Not sure

Distribution of Condition of All Assets in Budget Scenario



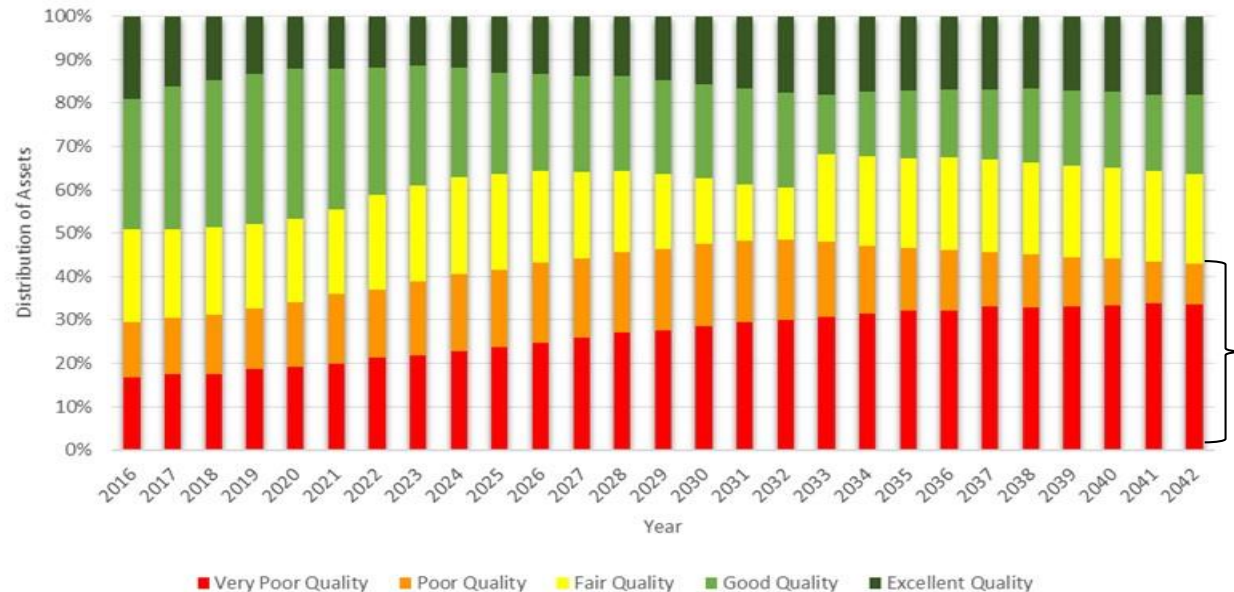
Current

– annual infrastructure gap of \$20-\$23M

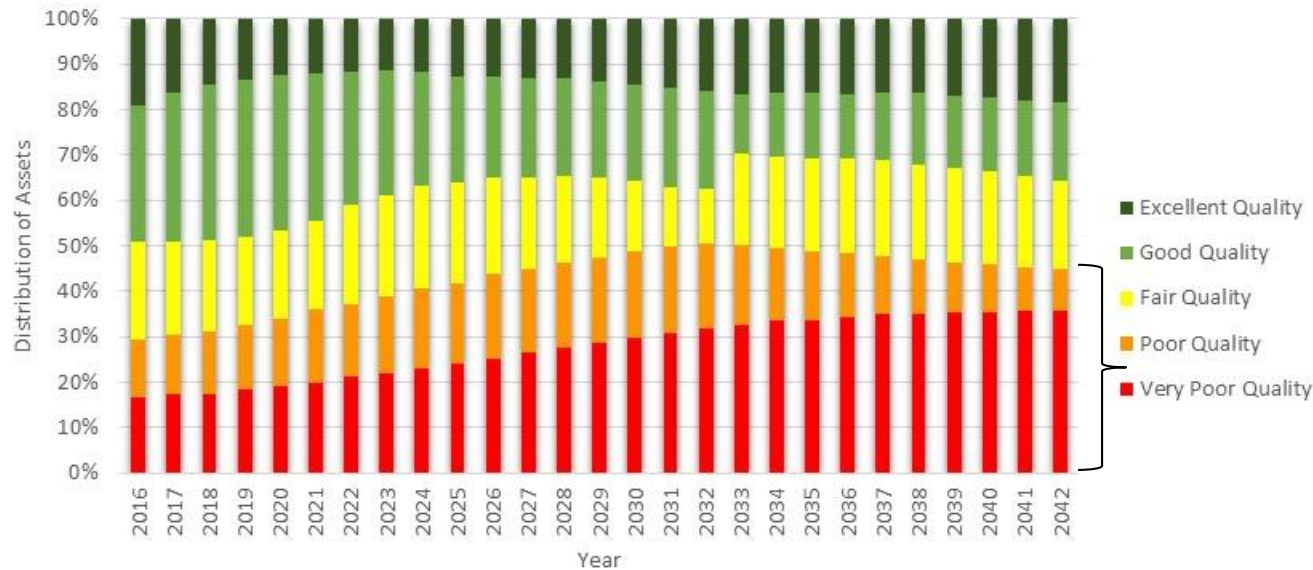
1.5% Infrastructure Levy Proposed

– required annually for 11 years and anticipated to improve asset performance by 20%

Annual Distribution of Assets



Annual Distribution of Assets



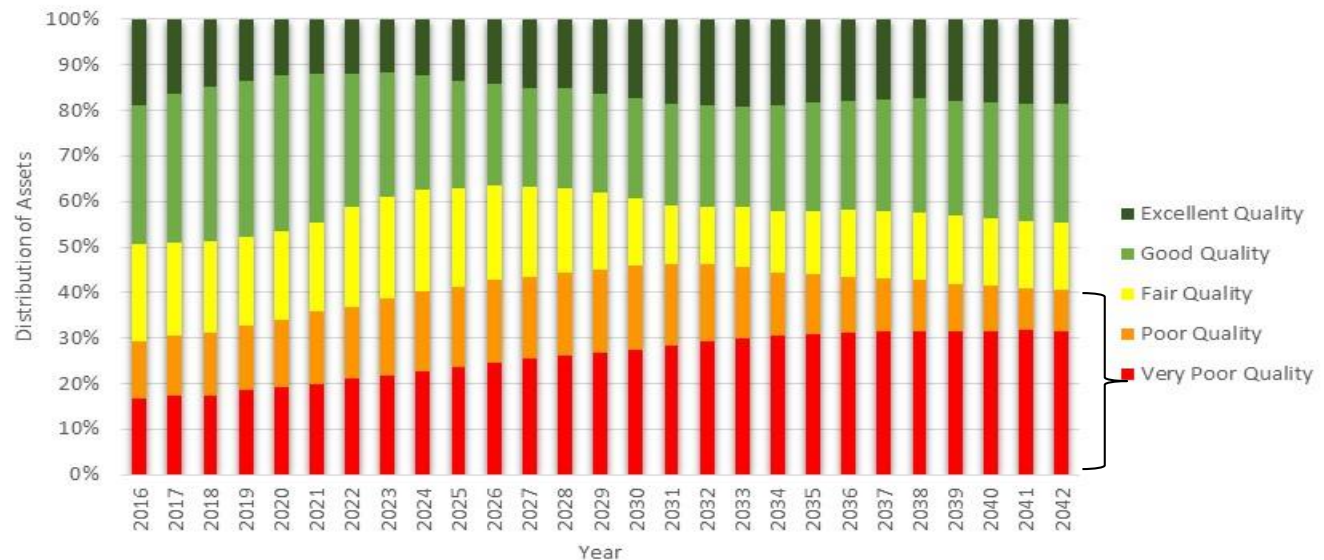
1% Levy

– required annually for 15 years to meet annual infrastructure needs

2% Levy

– required annually for 9 years to meet annual infrastructure needs

Annual Distribution of Assets





Lessons Learned

1. A solid Asset Management Plan is key for supporting a Long Term Financial Plan
2. Consider having the Chair of Council Finance Committee on the Steering Committee
3. Staff involvement is critical
4. Consider your audience
5. Table AFTER an Ice storm!
 - Damage to infrastructure is fresh in councils mind





Summary

1. New in 2018

- Consolidated reserves
- Distinct reserves for growth versus rehab
- Assessment growth allocation policy update
- Direction to incorporate LTFP funding opportunities (e.g. levy, debt) into the 2020-2022 budget process

2. FUTURE Council Approval

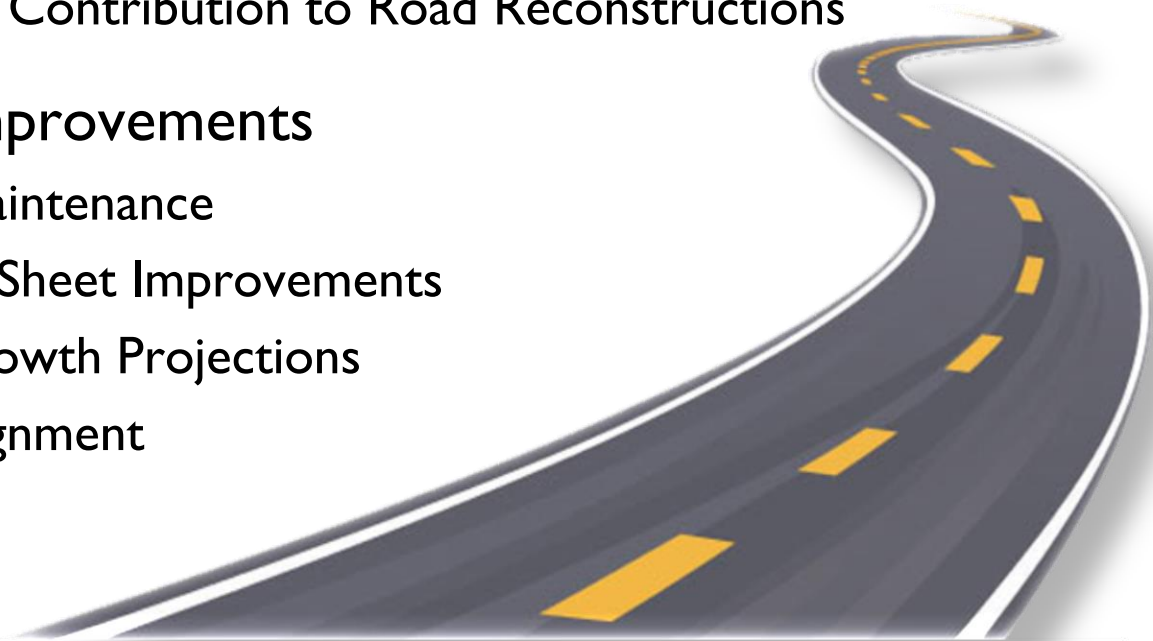
- Strategic implementation of identified funding opportunities (e.g. levy, debt, general tax levy)





Journey Forward

- I. Investigate Additional Funding Tools
 - Capital Overhead
 - Water Services Contribution to Road Reconstructions
2. Internal Process Improvements
 - Preventative Maintenance
 - Capital Project Sheet Improvements
 - Assessment Growth Projections
 - DC By-Law Alignment



Collaborate: We're Better Together

Long Term Financial Plan – Staff Scenario

<https://www.waterloo.ca/en/contentresources/resour ces/government/CORP2018-011-Long-Term-Financial-Plan---Staff-Scenario.pdf>

Asset Management Plan

<https://www.waterloo.ca/en/contentresources/resour ces/government/IPPV2016-099-Corporate-Asset-Management-Plan-Final.pdf>





Key Takeaway

Dedicate staff resources to participate in the creation of the model and **USE** your model





Long Term Financial Plan / Model

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