City of Mississauga

Agenda

MISSISSAUGA

Budget Committee

Date
2016/06/15

Time
1:00 PM
(Please note that the meeting will **not** begin prior to 1:00 PM and is subject to the completion of the General Committee meeting.)

Location
Civic Centre, Council Chamber,
300 City Centre Drive, Mississauga, Ontario, L5B 3C1 Ontario

Members

Mayor Bonnie Crombie	**(Chair)**
Councillor Jim Tovey	Ward 1
Councillor Karen Ras	Ward 2
Councillor Chris Fonseca	Ward 3
Councillor John Kovac	Ward 4
Councillor Carolyn Parrish	Ward 5
Councillor Ron Starr	Ward 6
Councillor Nando Iannicca	Ward 7
Councillor Matt Mahoney	Ward 8
Councillor Pat Saito	Ward 9
Councillor Sue McFadden	Ward 10
Councillor George Carlson	Ward 11

Contact
Sacha Smith, Legislative Coordinator, Legislative Services
905-615-3200 ext. 4516
Email sacha.smith@mississauga.ca

Find it Online

http://www.mississauga.ca/portal/cityhall/budgetcommittee

BUDGET COMMITTEE INDEX – JUNE 15, 2016

1. **CALL TO ORDER**

2. **APPROVAL OF AGENDA**

3. **DECLARATION OF CONFLICT OF INTEREST**

4. **DEPUTATIONS**

4.1. Jeff Jackson, Director, Finance with respect to Mississauga's Long Range Financial Plan

4.2. Jeff Jackson, Director, Finance with respect to the 2017-2020 Business Plan and 2017 Budget Outlook.

5. **PUBLIC QUESTION PERIOD** - 15 Minute Limit
(Persons who wish to address the Budget Committee about a matter on the Agenda. Persons addressing the Budget Committee with a question should limit preamble to a maximum of two statements sufficient to establish the context for the question. Leave must be granted by the Committee to deal with any matter not on the Agenda.)

6. **MATTERS TO BE CONSIDERED**

6.1. Long Range Financial Plan

6.2. Reserve & Reserve Fund Management

6.3. City of Mississauga 311 Citizen Contact Centre December Holiday Closure

7. **CLOSED SESSION** - Nil

8. **ADJOURNMENT**

City of Mississauga

Long Range Financial Plan

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Background

- City's first comprehensive Long Range Financial Plan (LRFP)
- Includes:
  - Summary of the City's key challenges
  - Financial condition assessment
  - "Snapshot" of City's anticipated financial position over the next ten years

Long Range Financial Plan (LRFP) Objectives

- Ensure current range and level of services can be maintained
- Identify the City's capacity to grow
- Ensure the City is maintaining a strong cash position in its reserves and reserve funds for unforeseen or unusual circumstances

Long Range Financial Plan (LRFP) Principles

Sustainability	*Flexibility*	*Vulnerability*
Whether a government is living within its means Sustainability is the ability to provide and maintain existing programs without resorting to unplanned increases in rates or cuts in service.	***Whether a government can meet rising commitments by expanding its revenues or increasing its debt*** Flexibility is the degree to which a municipality can issue debt or generate revenues without affecting its credit rating.	***The extent to which a government relies on money it cannot control*** Vulnerability is focused on minimizing the level of risk that could impact its ability to meet financial obligations and commitments including the delivery of services.

Connections to Other City Plans

- Strategic Plan
- Business Plan and Budget
- Capital Priority Setting
- Asset Management
- Reserves and Reserve Funds Management
- Debt Management
- Planning Documents

Key Challenges

- Economic impacts
- Aging infrastructure – addressing the infrastructure gap
- Affordability of tax increases
- Varied financial support from senior levels of government
- Climate change, emergency situations and dealing with the unknown

Recap of Work Done to Date
First steps: working with BMA

- Financial condition assessment prepared
- Financial sustainability principles / strategies identified
  - Including detailed reserve review and recommended targets
- Initial financial model developed
- Presented to Budget Committee June 10, 2015

Financial Condition Assessment

Growth/Socio Economic Indicators	Rating
Population Growth	✓
Population Density	✓
Demographics	⚠ CAUTION
Unemployment Rate	⚠ CAUTION
Employment Rate	⚠ CAUTION
Employment Growth	✓
Commercial & Industrial Vacancy Rates	✓
Construction Activity	✓
Household Income	✓
Citizen Satisfaction	✓

Levy, Property Taxes and Affordability Indicators	Rating
Assessment Composition	✓
Richness of the Assessment Base	✓
Assessment Growth	⚠ CAUTION
Municipal Levy Per Capita	✓
Municipal Levy Per $100,000 of Weighted Assessment	✓
Levy Trends	⚠ CAUTION
Property Taxes on an Executive House	✓
Residential Affordability	⚠ CAUTION
Non-Residential Tax Ratios	✓
Non-Residential Property Taxes Per Square Foot	⚠ CAUTION

The LRFP Model

- BMA provided initial model
- Work has continued to achieve:
  - Increased flexibility of model
  - Integration of existing debt and other city models
  - Development of reports
  - Scenario capabilities
- Improvements are ongoing (e.g. continually updating data to reflect current state)

Variable Sensitivities in LRFP Model

- Model is flexible
- Reports show impacts of changes in:
  – Inflation
  – Interest rates
  – Growth rates
  – Assessment growth
  – Economic adjustments
  – Large project challenges

LRFP Model Results

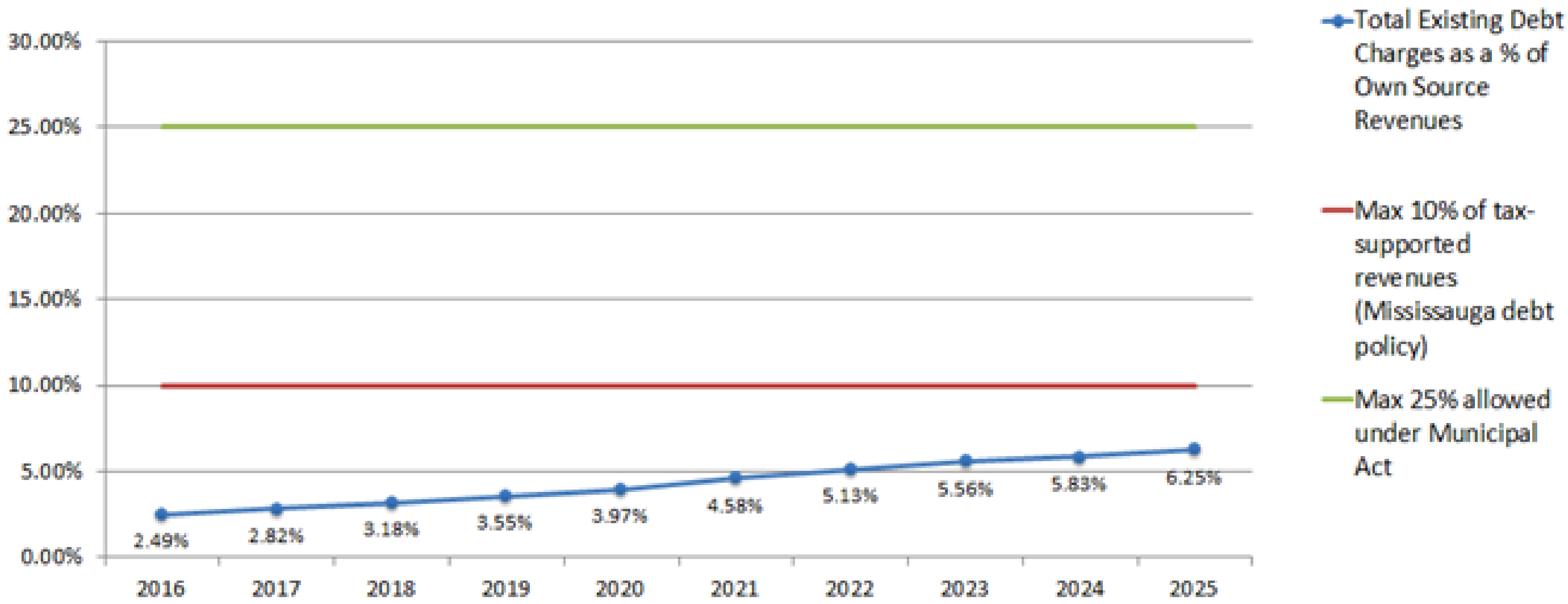
- Nimble model that provides:
  - Assumptions
  - Long-range debt analysis
  - Tax levy change estimate
  - Reserve analysis and targets
  - Analysis of capital program
  - Financial trends

Assumptions

- Status quo level of service
- No changes in revenues
- No changes in support from senior levels of government
- Historical pace of increase for other costs
- No significant new projects
- Continued infrastructure levy

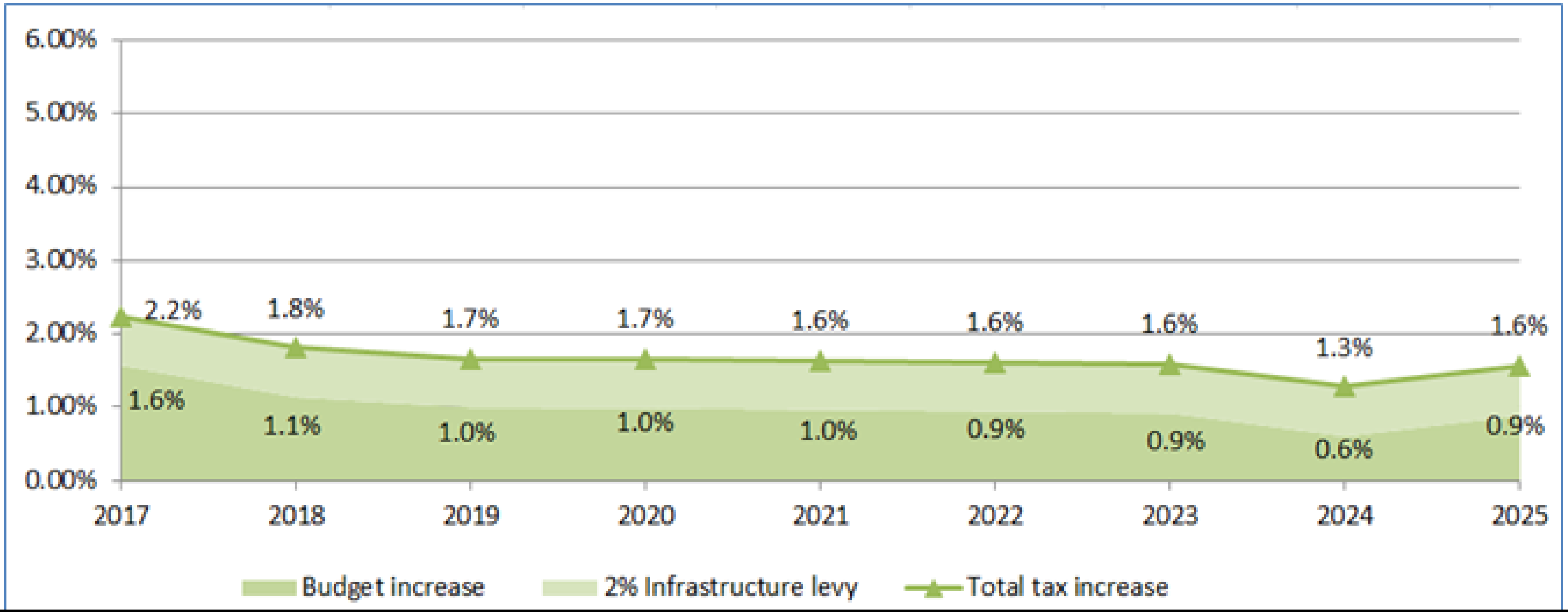
Long-Range Debt Analysis: Debt Charge Repayment Forecast

- Well within debt repayment limit



Tax Levy Change Estimate

- Relatively stable over the next 10 years



Relative anticipated changes in Mississauga portion only; not to be considered a forecast

Long Range Financial Plan (LRFP) Summary

- Confirmed current range and level of services can be maintained
- Ability to grow dependent on additional revenue sources
- Strong cash position will be maintained

Long Range Financial Plan – Next Steps

- Further work on long term financial sustainability
- Asset management review to inform plan
- Strategies for funding future community-building projects as they are identified

City of Mississauga

Reserve & Reserve Fund Management

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Background

- Maintaining sufficient Reserves and Reserve Funds is a critical component of the City's LRFP
- Assists with long-term financial sustainability and financial planning
- Accumulates funds for future needs
- Provides stability in times of unexpected shifts in revenues and expenditures

Recap of Work Done to Date
First steps: working with BMA

- Reviewed larger reserves, and large categories of reserves as part of financial condition assessment
- Recommended targets for some reserves & reserve funds

City Staff Expanded Review

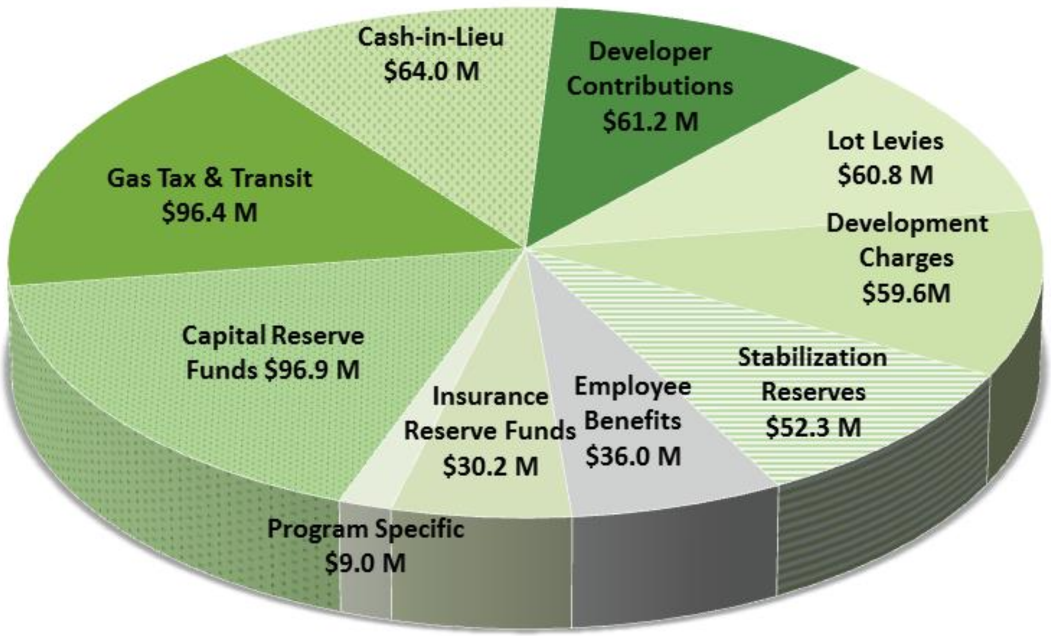
- Reviewed all 142 reserves and reserve funds (those reviewed by BMA, plus program-specific reserves)

- First thorough review since 2000
- Secondment of staff for greater depth of review
- New Financial Strategies structure provides ability to focus on in-depth analysis

Review Process

- Detailed review of existing files, analysis of expenditures
- Research/discussion with departments
- Benchmarking with municipalities
- Consultation with departments and legal
- Ensured alignment with financial statements
- Detailed review of targets

Reserves and Reserve Funds
Total $566.3 million @ December 31, 2015



- Stabilization
- Insurance
- Employee Benefits
- Program Specific
- Capital
- Gas Tax
- Lot Levies
- Development Charges
- Developer's Contributions
- Cash in Lieu

Findings

- Too many reserves
- Reserve by-law needs to be updated
- Reserves not used consistently
- Purpose of some reserves already achieved, and can now be closed
- 100% documentation not always available due to age of records

Solutions: Reserve Reorganization

- Close reserves with zero or very low balances or little activity
- Consolidate reserves/reserve funds where have more than one for similar purposes
- Establish formal policies and targets on specific reserve and reserve funds

Solutions: Reserve Targets

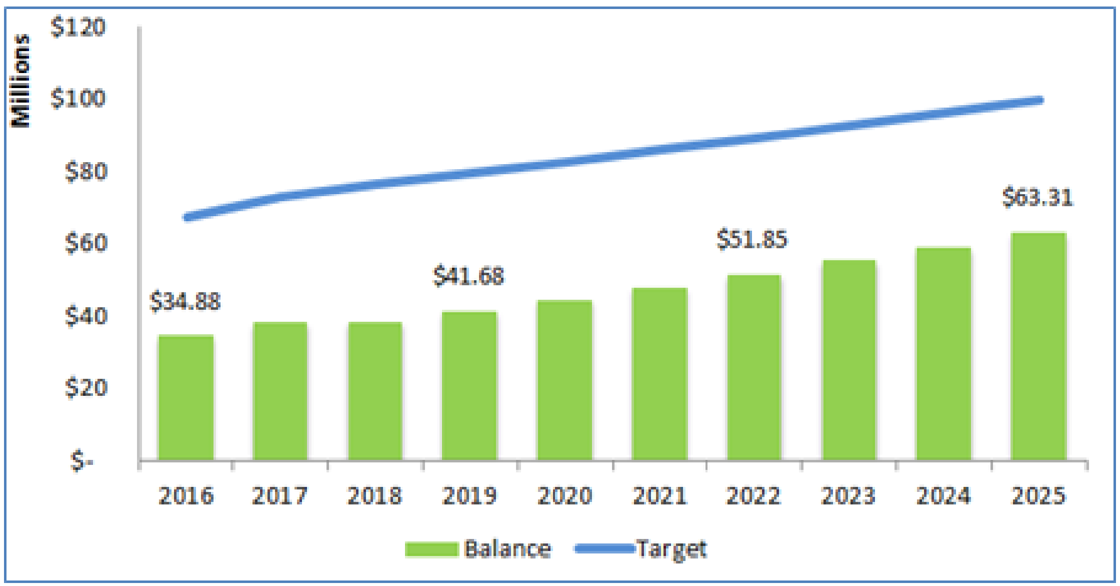
- Confirmed and validated recommendations from BMA
- Targets established for reserves and reserve funds, where feasible
- Goal: Ensure healthy reserve balances without undue hardship on operating budget
- Targets will be reviewed on a regular basis

Three Significant Reserves with Targets

- General Contingency Reserve
- Tax Capital Reserve Fund
- Employee Benefits Reserve Fund

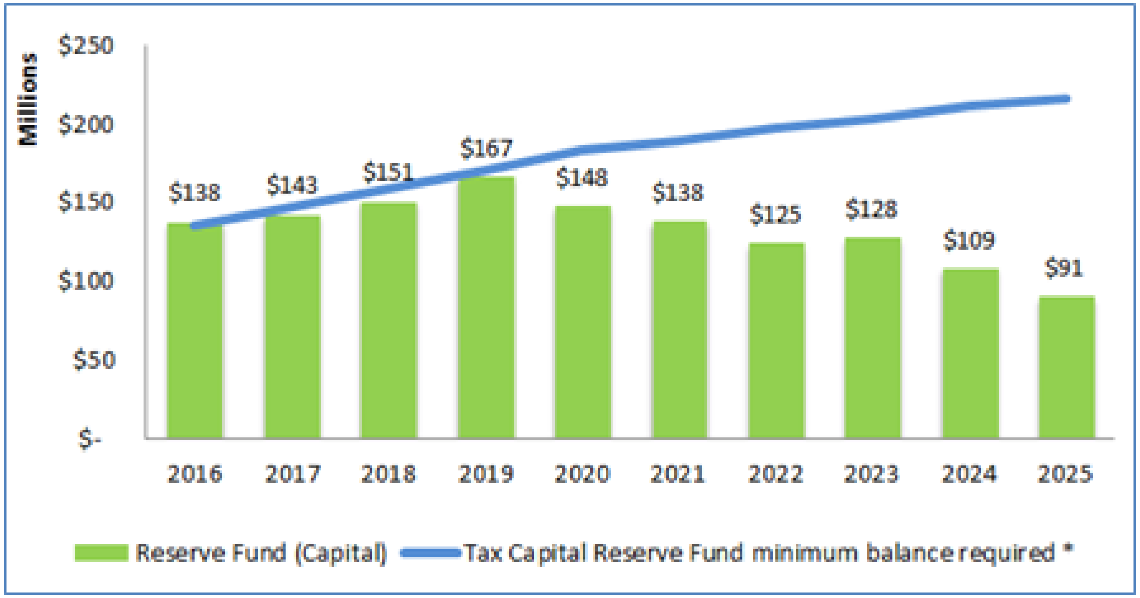
General Contingency Reserve

- Target established at 10% of City's own-source revenues (best practice recommended by GFOA)



Tax Capital Reserve Fund

- Source of funding for capital projects
- Target is one year's worth of tax-supported capital expenditure



Employee Benefits Reserve Fund

- Target currently equal to actuarial valuation
- Thorough review planned to confirm what portion should be funded

Strategies for Funding Reserve Gaps

- Gradually increase annual contributions to reserves and reserve funds
- Continue Council-approved 2% Capital Infrastructure and Debt Repayment Levy

- Restrict use of Stabilization Reserves to extraordinary, one-time or unforeseen events
- Implementation of stormwater charge
- Consider use of any surpluses

Reserves: Next Steps

- July by-law to confirm closures and transfers
- Staff will return in the Fall with updated policies, procedures and guidelines
- Regular review of targets and balances
- Ongoing monitoring

Maintaining the City’s Good Financial Health

- Ongoing long range planning
- Continue to provide for contingencies and future liabilities
- Prudent asset management funding strategies
- Strategic use of debt
- Maximizing additional revenue sources

In Summary

- In a stronger position to advise Council now on financial decisions
- City’s reserves remain healthy
- More work required on funding strategies
- Need to understand the cost of ambitious community building projects
- Pursue partnerships with other levels of government

Recognitions – Strong Financial Management

GFOA Distinguished Budget Presentation Award

STANDARD & POOR'S

OVATION Award of Excellence

IABC International Association of Business Communicators

GFOA Certificate of Achievement for Excellence in Financial Reporting


City of Mississauga
Long Range
Financial Plan
MISSISSAUGA

Questions

MISSISSAUGA

2017 – 2020 Business Plan & 2017 Budget Outlook

Overview Presentation to the Budget Committee

June 15, 2016

Presentation Outline

- Economic Outlook
- Federal/Provincial Initiatives
- Advancing our Strategic Plan
- 2017 Highlights
- Budget Engagement
- Next Steps

Economic Outlook

- GDP is projected to grow by **1.7%** in 2016 and by **2.3%** in 2017.
- Consumer Price Index - core inflation for 2016 is projected to be within the range of **1%** to **3%**.
- Construction Price Index – As of Feb 2016, the Bank of Canada reported a **1.8%** change from 2015.
- The City's average borrowing rate for new debt-financed Capital projects is forecasted to be **2.60%** for 2016, and **3.25%** for 2017.

Federal/Provincial Initiatives

The City of Mississauga is working with other levels of government to optimize investments and value for its citizens. For the 2017 year the following initiatives could impact the City operations and services:

- **Changes to the Municipal Act** – potential broadening scope of eligible city investments
- **New infrastructure funding** – as part of the 2016 Federal Budget to grow the Canadian economy

Advancing our Strategic Plan

Move	MiWay Expansion will add 45,000 Service Hours in 2017 which will improve the customer experience	New systems and signals will keep traffic moving	Sidewalk repairs and management of trail network will benefit cyclists and pedestrians
Connect	$450,000 in new 2017 initiatives will support local artists and year -round tourism	Enhanced WiFi and investment in library material will keep residents connected	
Belong	New technology will be used to better engage citizens	Senior citizens and youth will benefit from affordable transit initiatives	

Advancing our Strategic Plan

Green
- New fire stations and retrofits will be designed to LEED standards
- More transit routes and buses will result in fewer cars and less emissions
- Various city initiatives will save energy, reduce paper, and manage waste

Prosper
- Investment in the Creative industry (e.g., television, film, live music) will spur economic growth
- Automation of building permit applications will avoid delays and reduce review time by 31%

2017 Budget Request Highlights ($M)

- $2.3 MiWay Service Growth
- $2.0 Mississauga Transitway Maintenance & Operations
- $0.6 Legal Services pressures
- $0.5 Sidewalk Improvements
- $0.4 Grant Support to Culture Groups
- $0.3 Square One Seniors Centre
- $0.3 Library Collections Strategy

Overview and Impact of Diesel Prices

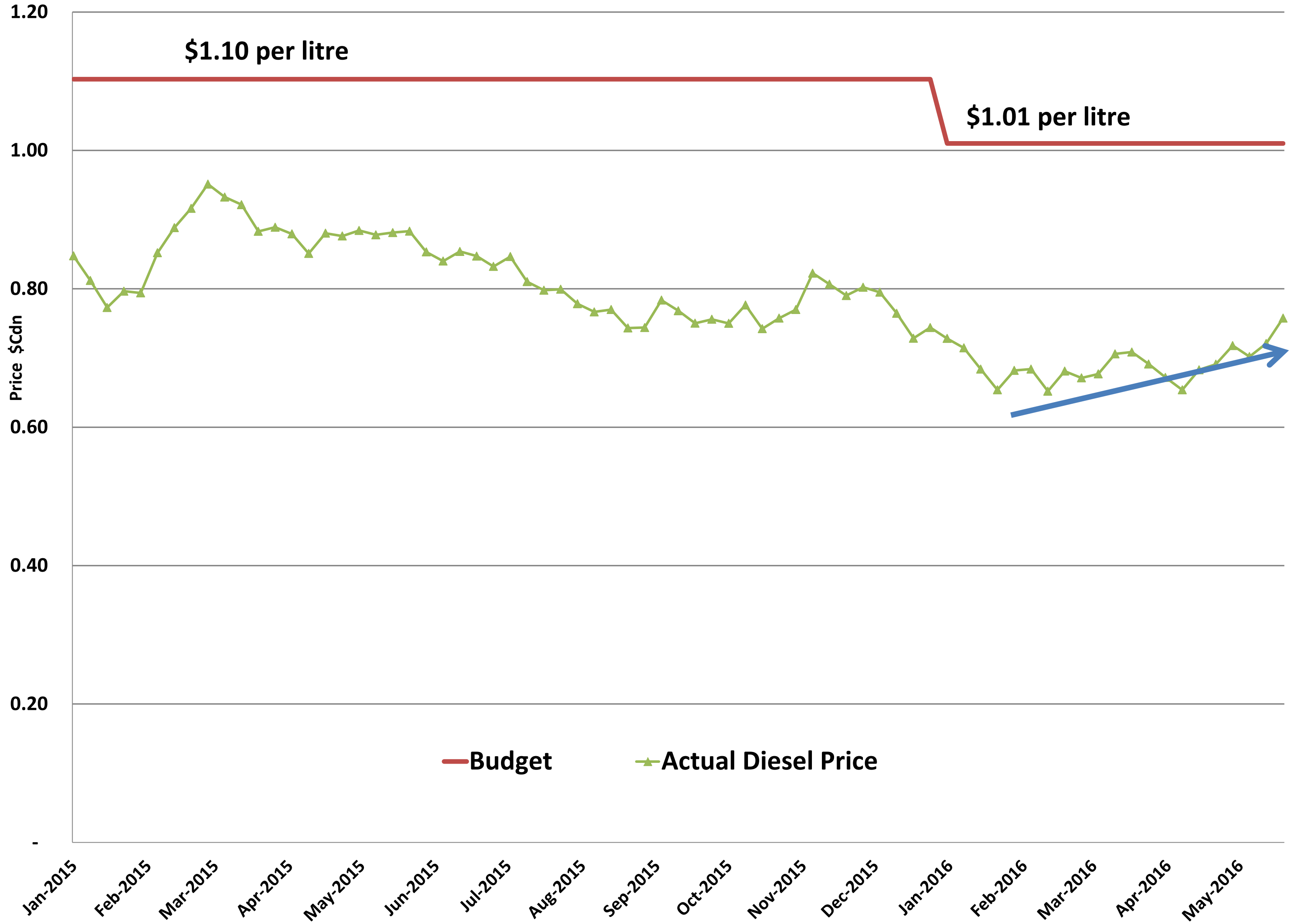
In 2016 Diesel Assumptions set to $1.01/litre, a reduction of 9 cents from the prior year, resulted in $1.8M savings

- $1.0 Million transferred to commodity reserve

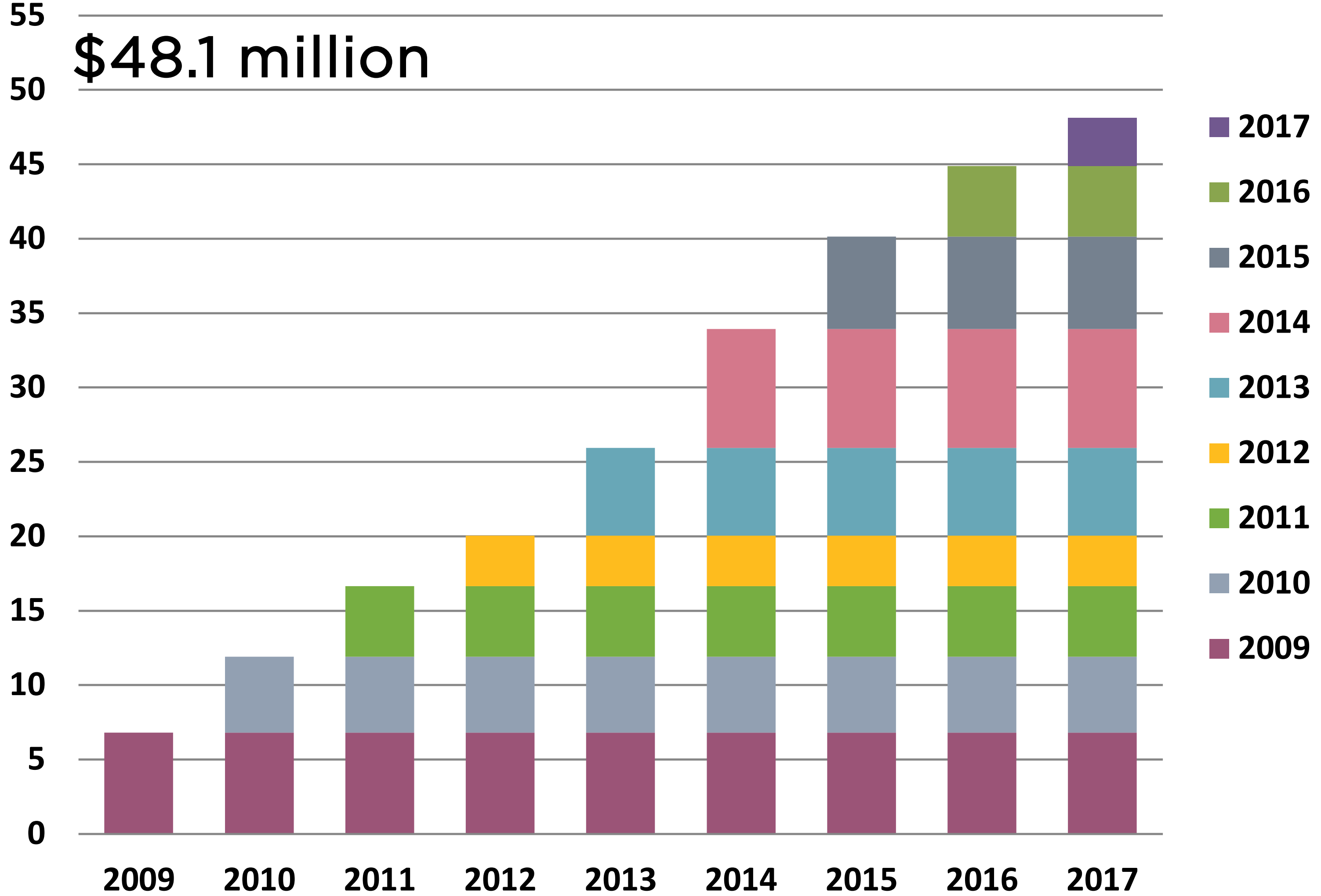
- $0.8 Million budget reduction

Diesel Commodity Reserve balance is currently $6.1 Million

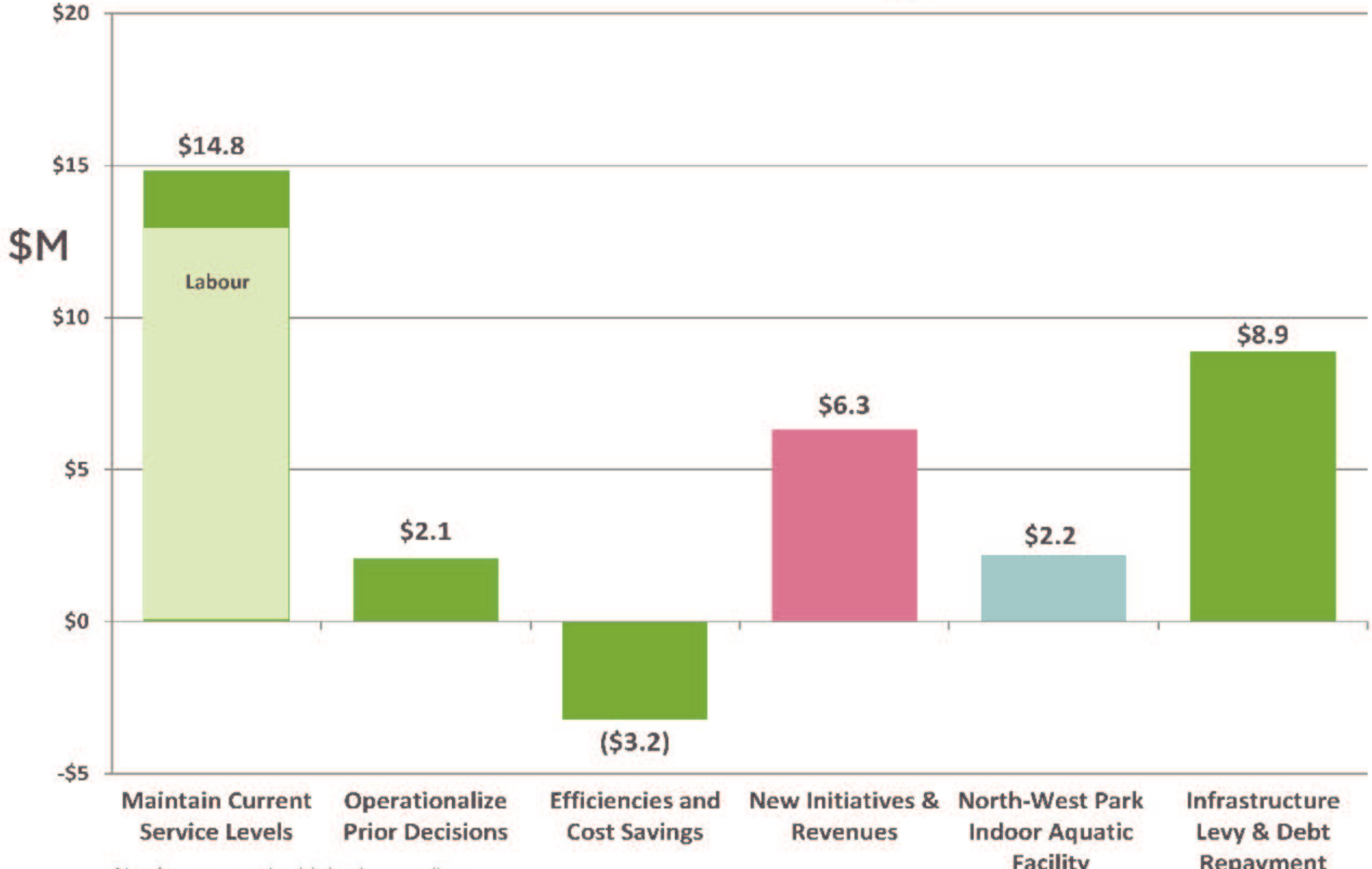
2017 Plan to Manage Fluctuating Diesel Prices



Efficiencies and Cost Savings 2009-2017



2017 Operating Budget Summary
$31.2 million net change over 2016



Numbers may not add due to rounding

Proposed 2017-2020 Operating Budget – Tax Rate Impact

Description	2017 ($M)	Tax Rate Impact	2018 ($M)	2019 ($M)	2020 ($M)
Prior Year Budget	**$435.3**		**$466.5**	**$493.0**	**$518.7**
Changes to Maintain Current Service Levels	$14.8	3.4%	$10.5	$11.4	$12.6
Changes to Efficiencies and Cost Savings	($3.2)	(0.7%)	($2.7)	($2.7)	($2.7)
Changes to Operationalize Prior Decisions	$2.1	0.5%	$0.4	$0.0	$0.0
Normal Operations	**$13.8**	**3.2%**	**$8.1**	**$8.7**	**$9.9**
New Initiatives	$6.3	1.5%	$9.3	$7.8	$5.7
Proposed Budget Excluding Special Purpose Levies	**$455.4**	**4.6%**	**$483.9**	**$509.5**	**$534.3**
Special Purpose Levies					
Capital Infrastructure and Debt Repayment Levy	$8.9	2.0%	$9.1	$9.2	$9.4
North-West Park Indoor Aquatic Facility	$2.2	0.5%	$0.0	$0.0	$0.0
Proposed Budget with Special Purpose Levies	**$466.5**	**7.2%**	**$493.0**	**$518.7**	**$543.7**
Assessment Growth		(0.5%)	(0.25%)	(0.25%)	(0.25%)
Proposed Budget and Year Over Year % Change	**$466.5**	**6.7%**	**5.4%**	**5.0%**	**4.6%**
Impact on Total Residential Tax Bill		**2.2%**	**1.8%**	**1.7%**	**1.5%**
Impact on Total Commercial Tax Bill		**1.3%**	**1.1%**	**1.0%**	**0.9%**

2017 Proposed Tax Bill Impact City and Region

Impact on Residential Tax Bill

Description	City	Region (Target)	Education	Total
Required to Fund Ongoing Operations	1.6%	0.5%	0.0%	2.0%
Capital Infrastructure and Debt Repayment Levy	0.7%	0.4%	0.0%	1.1%
Total	**2.2%**	**0.9%**	**0.0%**	**3.1%**

Impact on Commercial/Industrial Tax Bill

Description	City	Region (Target)	Education	Total
Required to Fund Ongoing Operations	0.9%	0.3%	0.0%	1.2%
Capital Infrastructure and Debt Repayment Levy	0.4%	0.3%	0.0%	0.7%
Total	**1.3%**	**0.6%**	**0.0%**	**1.9%**

Numbers may not add due to rounding

Budget Engagement

Overall Goals

- Provide timely and relevant information to residents/taxpayers/media about the 2017 Business Plan and budget.
- Provide and promote opportunities for Council and staff to engage with residents and receive input and feedback.

Budget Engagement

Building on Success

2016 communication and engagement activities successful

- more than 32,000 residents directly engaged in the process
- Budget messages reached more than 4.5 million

Highlights

- social media reached more than 90,000 (Twitter and Facebook)
- Tele-Town Halls more than 19,000 participants
- Budget website more than 10,000 unique views
- Budget Allocator tool more than 1,700 participants
- Service area videos 390 unique views
- School outreach, more than 270 students

Budget Engagement

Council Survey Highlights

Overall Satisfaction

- Based on response rate of 67% (8 of 12)
- 100% satisfaction (very satisfied + satisfied) with overall communications and engagement (2016 cycle)

Engagement Activities

- Tele-Town Halls (100% satisfaction)
  - Support to continue (70% in favour, 30% not in favour)
- Budget allocator tool (100% satisfaction)
  - Opportunity for greater detail on services and options
- Video series (100% satisfaction)
  - Opportunity to showcase through libraries, considerations for language barriers
- School Outreach (100% satisfaction)
  - Support to continue (100%)

Budget Engagement 2017

Preliminary Overview Engagement Planning

- Preliminary Overview
- Engagement preparations
  - Website + Budget Allocator Tool
  - Service area videos
  - Tele-town Halls
  - School Outreach

June to September

Citizen Engagement

- Conduct engagement outreach □ encourage discussion and obtain public feedback
  - Website with new videos
  - Launch online Budget Allocator
  - Tele-town Halls
  - School Outreach

September, October

Budget Deliberations Approval

- Share engagement results
- Publish 2016 business plan and budget book
- Inform public regarding Budget Committee meetings, process and discussions
- Advise on Council approval □ final decision and outcomes

November, December

Planning
Preparations for engagement

Consult and Involve
Community outreach and education

Approval
Final decision and outcomes

Next Steps for Budget Committee and Council

2017 Budget Overview & Long Range Financial Plan	Fees and Charges	Business Plans and Budgets	Storm-water Charge	Budget Approval
June 15	October 5	Nov. 28-30 &	Dec. 6,7, 12	Dec. 14 by **Council**

Planning
Preliminary overview + preparations for engagement

Engagement
Community outreach and education

Approval
Final decision and outcomes

City staff Capital Prioritization
July – August

City of Mississauga
Corporate Report

MISSISSAUGA

Date: 2016/05/27 To: Chair and Members of Budget Committee From: Gary Kent, Commissioner of Corporate Services and Chief Financial Officer	Originator's files:
	Meeting date: 2016/06/15

Subject
Long Range Financial Plan

Recommendation
That the report dated May 27, 2016 entitled "Long Range Financial Plan" from the Commissioner of Corporate Services and Chief Financial Officer be received, for information.

Report Highlights
- The current financial situation of the City reflects a strong financial position with sound practices, affordable debt, prudent fiscal practices and a AAA credit rating as awarded by Standard & Poor's Credit Rating Agency.
- The City of Mississauga faces future financial challenges. Therefore a Long Range Financial Plan ("LRFP") has been developed to ensure the City is prepared to deal with these challenges. Appendix 1 provides a copy of the City's LRFP.

Background
On June 10, 2015 an update on Mississauga's Long Range Financial Plan ("LRFP") was presented to the City's Budget Committee. The presentation focused on the city's current financial condition as well as the building blocks and assumptions that would be used to develop the plan.

The City of Mississauga's Long-Range Financial Plan (Appendix 1) is the first comprehensive long-range financial planning document developed by the City and transcends the annual budget. The document provides a summary of the key challenges being faced by the municipality, a financial condition assessment for the City, and a snapshot of the City's anticipated financial position over the next ten years.

The key objectives of the City's LRFP are to:

- Ensure the current range and level of service provision can be maintained
- Identify the City's capacity to grow, and
- Ensure the City is maintaining a strong cash position in its reserves and reserve funds to sustain funding during unforeseen or unusual circumstances.

It is critical now, more than ever, to ensure the City has a Long Range Financial Plan that will ensure the City is positioned to deal with unforeseen events that may result in significant financial pressures. While it is not possible to predict the future, ensuring the appropriate tools and financial strategies are in place will position the City for sound fiscal decision-making.

Present Status

The current financial situation of the City reflects a strong financial position with sound practices, affordable debt, prudent fiscal practices and a AAA credit rating as awarded by Standard & Poor's Credit Rating Agency. BMA Management Consulting Inc. ("BMA") was retained by the City of Mississauga to undertake a Financial Condition Assessment of the City. The City's existing financial health has many strong elements.

Growth/Socio-Economic Indicators	Rating
Population Growth	✓
Population Density	✓
Demographics	! CAUTION
Unemployment Rate	! CAUTION
Employment Rate	! CAUTION
Employment Growth	✓
Commercial & Industrial Vacancy Rates	✓
Construction Activity	✓
Household Income	✓
Citizen Satisfaction	✓

Levy, Property Taxes and Affordability Indicators	Rating
Assessment Composition	✓
Richness of the Assessment Base	✓
Assessment Growth	! CAUTION
Municipal Levy Per Capita	✓
Municipal Levy Per $100,000 of Weighted Assessment	✓
Levy Trends	! CAUTION
Property Taxes on an Executive House	✓
Residential Affordability	! CAUTION
Non-Residential Tax Ratios	✓
Non-Residential Property Taxes Per Square Foot	! CAUTION

Comments

Notwithstanding these significant and strong attributes, the City of Mississauga faces future financial challenges. The City is armed with insufficient and inflexible revenue-raising tools, so the City's ability to replace aging infrastructure and fund other long-term or major expenditures can only be accomplished through reliance on funding from senior levels of government, the use of existing reserves, issuance of new debt, or increases to the tax levy and user fees.

There are many initiatives currently being undertaken across the City. The City's Strategic Plan, Business Plan and Budget, capital priority setting, asset management, debt management, and reserve and reserve fund management all could significantly impact the City's long-range financial planning.

The City's long-range planning balances the principles of sustainability, flexibility and minimizing risk. These principles are addressed through a variety of recommended financial strategies, including:

- ensuring adequate funding for planned expenditures
- planning for future liabilities and providing for contingencies
- strategic use of debt, and
- maximizing non-tax revenues to support growth.

A LRFP model has been developed to provide an indication of the City's future operating, capital, debt and reserves and reserve fund requirements given current conditions. The strength of the model lies in its ability to identify implications of future strategies and initiatives as they are proposed, and to confirm the impacts of these strategies and determine affordability and impacts on the City's financial position.

The LRFP provides estimates of our operating and capital requirements over the next ten years. The estimates are founded on a series of assumptions based on current service levels and economic factors. The model indicates that the City will continue to be in a financially stable position over the next ten years. The City's debt position is anticipated to remain well within Mississauga's debt policy. Although not all reserves and reserve funds are estimated to achieve target within the next 10 years, given the absolute value of the reserve balances, the City's overall reserve and reserve funds are considered healthy. The City's operating budget increases are anticipated to be relatively stable over the next 10 years.

It must be noted, however, that various large-scale projects which have been identified in the City's Master Plans and during Council deliberations are not yet included in the current capital budget. In addition to the City's focus on transit, many of our Master Plans have identified the potential for growth and improvement that will come with some cost. Furthermore, issues such as climate change, affordable housing and other emerging topics are anticipated to have additional impacts on the City's businesses. These have the potential of creating significant pressure on future expenditure levels.

The LRFP will be used as a reference point for discussion when making decisions on future proposals and projects. The LRFP model developed for the City of Mississauga is a tool that will assist Council members, the Leadership Team and staff involved in major corporate planning initiatives in identifying and assessing the financial implications of major future decisions.

Financial Impact

The long range financial plan has no direct financial impact. Rather, the LRFP is a tool that will assist Council members, the Leadership Team, and staff involved in major corporate planning initiatives in identifying and assessing the financial implication of major future financial decisions.

Conclusion

This is the City of Mississauga's first comprehensive LRFP. It has been developed to ensure that the City remains financially strong. It will help identify opportunities and challenges that will influence the City's future. Ensuring the appropriate financial strategies and revenue tools are in place will assist as decisions need to be made.

The LRFP indicates that the City will continue to be in a financially stable position over the next ten years, based on current knowledge. This is in part due to Council's implementation of the 2% Capital Infrastructure and Debt Repayment Levy, as it has begun to close the infrastructure gap identified in the capital program. It must be noted, however, that tax increases, the infrastructure levy, and reliance on funding from senior levels of government make this possible. Furthermore, various large-scale projects which have been identified in the City's master plans and during Council deliberations are not yet included in the current capital budget. In addition to the City's focus on transit, many of our Master Plans have identified the potential for growth and improvement that will come with some cost. Furthermore, issues such as climate change, affordable housing, and other emerging topics are anticipated to have additional impacts on the City's businesses. These have the potential of creating significant pressure on future expenditure levels. Future iterations of the LRFP will address these and other, yet unidentified, challenges and opportunities.

The work represented in this report reaffirms to both Council and its residents that the City is accountable and transparent and will continue to provide quality services while keeping taxes and user fees affordable.

Attachments

Appendix 1 – Long Range Financial Plan

G. Kent.

Gary Kent, Commissioner of Corporate Services and Chief Financial Officer

Prepared by: Carolyn Paton, Manager Strategic Financial Intiatives

City of Mississauga

Long Range Financial Plan

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Executive Summary

Introduction

The City of Mississauga's Long-Range Financial Plan (LRFP) is the first comprehensive long-range financial planning document developed by the City. The document provides a summary of the key challenges being faced by the municipality, a financial condition assessment for the City, and a snapshot of the City's anticipated financial position over the next ten years.

The key objectives of the City's LRFP are to:

- Ensure the current range and level of service provision can be maintained
- Identify the City's capacity to grow, and
- Ensure the City is maintaining a strong cash position in its reserves and reserve funds to sustain funding during unforeseen or unusual circumstances.

STANDARD &POOR'S

Mississauga's finances earned a 12th consecutive AAA credit rating from Standard & Poor's Rating Service (S&P) in September of 2015. S&P called the City's diversified economy very strong, and said its exceptional liquidity and very low debt burden were other key factors in its assessment. S&P added that Mississauga's competitive tax rates, proximity to major markets and extensive transportation network have enhanced its economy and help attract and retain investment.

These strong financial characteristics provide the City with financial resilience in dealing with future financial challenges and will help form the foundation for the future. This will ensure the continuation of high quality services for residents.

Notwithstanding these significant and strong attributes, the City of Mississauga faces future financial challenges. The City does not have sufficient and flexible revenue generating tools, so the City's ability to replace aging infrastructure and fund other long-term or major expenditures can only be accomplished through reliance on funding from senior levels of government, the use of existing reserves, issuance of new debt, or increases to the tax levy. Also, other large-scale projects and initiatives, some which are still not fully scoped, could have significant pressure on future expenditure levels. Future iterations of the LRFP will address these and other, yet unidentified challenges and opportunities. Furthermore, the guiding financial sustainability principles as outlined below will aid in the implementation of all future plans.

Financial Sustainability Principles

Sustainability

Whether a government is living within its means.

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

Flexibility

Whether a government can meet rising commitments by expanding its revenues or increasing its debt.

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

Vulnerability

The extent to which a government relies on money it cannot control.

Vulnerability is focused on minimizing the level of risk that could impact its ability to meet financial obligations and commitments including the delivery of services.

About Mississauga

Mississauga is a young, modern, successful city. Incorporated in 1974, the City is the proud home of more than three quarters of a million people. Mississauga outpaces other cities with its global connections, vibrant communities and aspirational vision for the future. Mississauga's Strategic Plan Our Future Mississauga outlines the strategic interventions we need to make over the coming decades to achieve this vision, while retaining a commitment to provide quality services and infrastructure in a fiscally responsible manner.

Interesting Facts about the City of Mississauga:

- At 292.4 km^2, Mississauga's total land area is larger than that of Paris, Boston, or Seattle
- Mississauga has a beautiful waterfront, resting on the shores of Lake Ontario, as well as a thriving downtown
- In addition to its urban and suburban environments, the City contains more than 2,900 hectares of municipal parks and forests
- The third largest municipal transit system in Ontario uses the City's 5,220 lane kilometres of roadways to connect residents to home, work, play, school, travel and healthcare
- Mississauga is home to over 63,000 businesses of which 70 are Fortune 500 companies providing over 420,000 jobs
- Mississauga has easy access to global markets as home to Canada's largest and busiest airport, Pearson International, as well as access to seven major highways
- With a population of 760,000, Mississauga is the sixth largest city in Canada and the 24th largest in Canada and the United States
- Mississauga is home to many cultures and faiths.

BMA Management Consulting Inc. (“BMA”) was retained by the City of Mississauga to undertake a Financial Condition Assessment of the City. Details from the assessment have been included in the long range financial plan. In summary, the City's existing financial health has many strong positives:

Growth/Socio-Economic Indicators	Rating
Population Growth	✓
Population Density	✓
Demographics	! CAUTION
Unemployment Rate	! CAUTION
Employment Rate	! CAUTION
Employment Growth	✓
Commercial & Industrial Vacancy Rates	✓
Construction Activity	✓
Household Income	✓
Citizen Satisfaction	✓

Levy, Property Taxes and Affordability Indicators	Rating
Assessment Composition	✓
Richness of the Assessment Base	✓
Assessment Growth	! CAUTION
Municipal Levy Per Capita	✓
Municipal Levy Per $100,000 of Weighted Assessment	✓
Levy Trends	! CAUTION
Property Taxes on an Executive House	✓
Residential Affordability	! CAUTION
Non-Residential Tax Ratios	✓
Non-Residential Property Taxes Per Square Foot	! CAUTION

The Long Range Financial Plan

There are many and varied initiatives currently being undertaken across the City. These initiatives are often interconnected and can significantly impact the City's LRFP. They are:

- Strategic Plan
- Business Plan & Budget
- Capital Priority Setting
- Asset Management
- Debt Management, and
- Reserve & Reserve Fund Management

Concurrent with the LRFP, an extensive review was undertaken of the city's reserves and reserve funds, as maintaining sufficient reserve and reserve funds is a critical component of the City's long-term financial plan.

In order to provide better financial management and flexibility, recommendations have been made to:

- Close some reserves
- Consolidate some reserves and reserve funds, and
- Establish formal policies and targets for some of the more significant reserve and reserve funds, to ensure improved forecasting and financial planning.

The Long-Range Financial Plan model is an essential tool for long-term planning for the City. The model has been developed to provide an indication of the City's future operating, capital, debt and reserves and reserve fund requirements, given current conditions. The strength of the model lies in its ability to identify implications of future strategies and initiatives as they are proposed, and to confirm the financial impacts of these strategies and determine affordability and impacts on the City's financial position.

The model has the flexibility to set and change assumptions for each major variable. The model allows for incremental or one-time adjustments, and tracking the financial impact to each service area, reserves and reserve funds, debt and the overall tax levy impact to the City. Included for decision-making purposes are standardized reports including graphs and tables that summarize the model's results. The model is interdependent, so can be used to determine the impact of specific decisions.

The LRFP provides an estimate of our operating, capital and reserve requirements over the next ten years. The estimates are founded on a series of assumptions based on current service levels and economic factors. The model indicates that the City will continue to be in a financially stable position over the next ten years.

The LRFP model developed for the City of Mississauga will assist Council members, the Leadership Team and staff involved in major corporate planning initiatives in identifying and assessing the financial implications of major future financial decisions.

BACKGROUND

Background

Purpose

Long-term financial planning combines financial forecasting with strategizing. It is a highly collaborative process that considers future scenarios and helps governments navigate challenges. The City of Mississauga's LRFP is not intended to replicate the detailed Business Plan & Budget documents. It is intended as a major tool to set financial policies and help ensure the City remains in a strong financial position.

The strength of a long-range financial plan lies in its connectivity with a corporation's business planning and budget cycles. A long-range financial plan will guide the City in delivering its important services such as maintaining critical public infrastructure like roads, bridges, sidewalks, community centres, swimming pools and other programs which the City residents have come to rely on. Linking the LRFP into the annual budget process leads to more effective budgeting. Development of the LRFP helps identify potential funding gaps and provides strategies aimed at improving financial sustainability.

Mississauga's LRFP provides a 10-year projection of the City's expenditures and revenues as they influence the operating and capital budgets of the City. It also examines the impacts on the City's debt management practices, reserve and reserve fund balances and continued infrastructure investments.

The City reflects a strong financial position with sound practices, manageable debt, prudent fiscal practices and a AAA credit rating as awarded by Standard & Poor's Credit Rating agency. Notwithstanding these significant and strong attributes, the City of Mississauga still faces future financial challenges. Insufficient and inflexible revenue-raising tools to assist in funding infrastructure and other longer term expenditures, depleting reserves and inconsistent capital financing from senior levels of government are just a few of the factors affecting Mississauga's financial future. Pressure to keep taxes low is also paramount in a volatile competitive economy. The LRFP is a key step the City has taken to ensure the City's stable long-term financial future.

The results of a recent budget public engagement process and Environics survey clearly demonstrate that citizens value City services. The LRFP will reassure Mississauga residents and businesses that Council and staff are taking a long-term, disciplined and integrated approach to managing and maintaining the City of Mississauga's long-term financial condition so that these services can continue to be delivered in a cost effective manner.

Financial Goals, Strategies & Policies

As described by the Chartered Professional Accountants of Canada (the "CPA"), municipalities are required to balance a number of principles including sustainability, flexibility, and minimizing vulnerability.

Financial Sustainability Principles

Sustainability	Flexibility	Vulnerability
Whether a government is living within its means.	***Whether a government can meet rising commitments by expanding its revenues or increasing its debt.***	***The extent to which a government relies on money it cannot control.***
Sustainability is the ability to provide and maintain existing programs without resorting to unplanned increases in rates or cuts in service.	Flexibility is the degree to which a municipality can issue debt or generate revenues without affecting the credit rating.	Vulnerability is focused on minimizing the level of risk that could impact its ability to meet financial obligations and commitments including the delivery of services.

These principles can be addressed through a variety of recommended financial strategies, identified here and discussed in detail throughout this document.

Ensuring Adequate Funding for Planned Expenditures

The linkages between the City's strategic plan and business planning and budget development ensure that the City is identifying adequate funding for approved programs and projects. Proposed new projects require thorough justification and cost estimate analysis to ensure that decisions are made based on evidence-based information. The City's four-year operating budget and ten-year capital budget ensure decisions that are made today consider long-term implications.

Planning for Future Liabilities and Providing for Contingencies

Identifying future liabilities and risks, and maintaining sufficient reserves and reserve funds to ensure these liabilities and risks can be addressed if required, are a key component of the City's long-term planning strategies.

Strategic Use of Debt

The issuance of debt is a critical component in financing future infrastructure for the City of Mississauga. The City has strong debt-issuance policies and is careful to apply stringent debt-level limits.

Maximizing Non-Tax Revenues to Support Growth

The City's ability to generate non-tax revenues is limited. Nevertheless, every effort is made to ensure that all sources of revenues are maximized and potential new opportunities are explored such as securing government grant opportunities and partnership opportunities with private and public sectors.

KEY CHALLENGES AND TRENDS

Key Challenges & Trends

Although the City's current financial position is sound, there are many issues which could threaten its stability in the future. Despite strong commitment to fiscal responsibility, the City of Mississauga is experiencing challenges in delivering certain services that residents have become accustomed to. While the City is well-positioned to deal with most of these issues; some are larger and require assistance. For these, the City will continue to seek innovative solutions and assistance from other levels of government. The City will also endeavour to find new innovative sources of financing and new sources of revenue to ensure taxes remain as low as possible.

More specifically, the LRFP is designed to help the City deal with the following challenges:

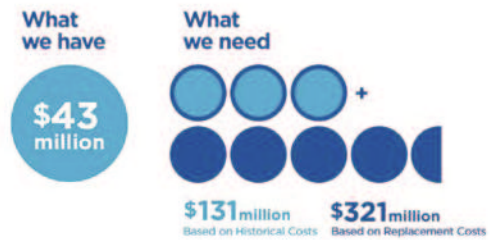
- Impacts of the Canadian and Global Economy as a Whole
- Aging Infrastructure Addressing the Infrastructure Gap
- Resistance to Tax Increases and User Fees
- Financial Support from Senior Levels of Government, and
- Climate Change, Emergency Situations and Dealing with the Unknown

Impacts of the Canadian and Global Economy as a Whole

At 292.4 km^2, Mississauga's total land area is larger than that of Paris, Boston or Seattle. This represents a significant portion of the Greater Toronto Area (the GTA). As a result, Mississauga has significant economic influence. The community's ability to pay for public services or a need to shift priorities based on demographic changes or changes in economic conditions has a considerable influence on local municipalities. Similar to other North American cities, the population in Mississauga is aging. It has also benefitted from sustained growth in immigration. These demographic changes are exerting pressure on the City to provide different services that reflect the changing needs while still keeping taxes affordable.

Aging Infrastructure   Addressing the Infrastructure Gap

The City owns more than $8 billion in infrastructure assets. Similar to most Canadian municipalities, the City has a significant infrastructure funding gap that is ongoing. Annual funding to meet the timely replacement of assets is insufficient.



Build and Maintain Infrastructure is a key strategic goal in the City of Mississauga's Strategic Plan, as well as a top priority in the City's Business Plan. These goals and objectives are achieved by applying sound asset management practices, taking inventory of what the City owns, conducting regular inspections, prioritizing work needs, preparing appropriate asset renewal projections and programs to address asset renewal needs, and monitoring and reporting on projected asset conditions. Reducing service levels and letting the quality of the City's infrastructure deteriorate is not an option.

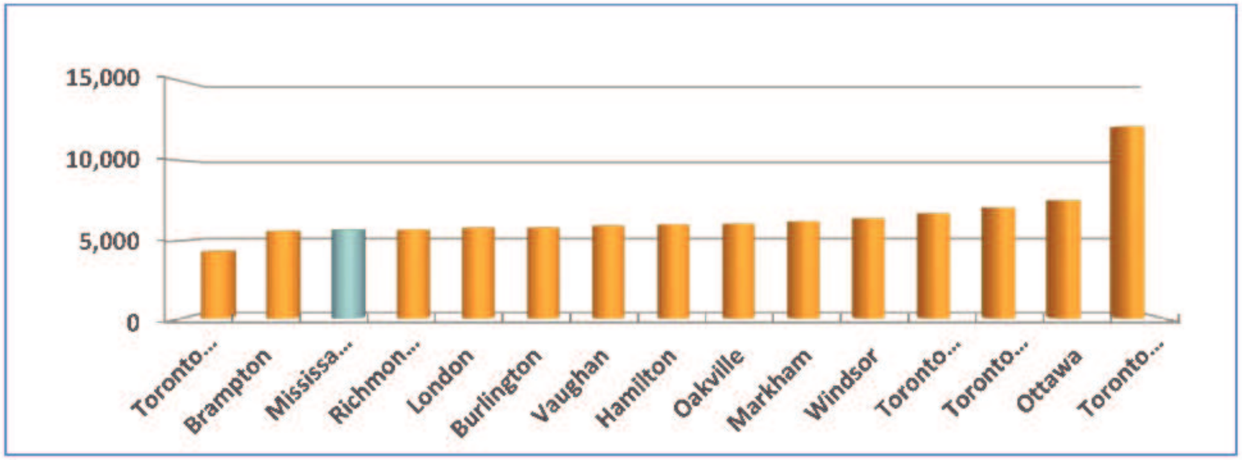
The City has a number of enhanced infrastructure funding strategies and mechanisms in place to address the infrastructure gap:

- Maintaining an amount in the budget specifically targeted for infrastructure. Beginning in 2008, the City's Business Plans and Budgets included an amount to address infrastructure costs. In 2012, a separate 2% Capital Infrastructure and Debt Repayment Levy was implemented. The continuation of a 2% capital infrastructure and debt repayment levy will improve capital infrastructure funding into the future
- Establishing a separate stormwater charge (administered through the Region's water bill) to enable the City to address present and future needs including water quality, flood control, stormwater facility rehabilitation and watercourse erosion control projects
- Continuing to produce accurate and up-to-date information on the City's infrastructure
- Continuing to develop and implement asset management strategies for various asset classes
- Working with partners throughout Canada to continue to tell the infrastructure story and challenges that face all municipalities across Canada to help leverage sustainable funding and revenue tools by the Federal and Provincial governments, and
- Assessing opportunities through agencies such as infrastructure Ontario and P3 Canada to incorporate alternative financing approaches

Resistance to Tax Increases and User Fees

Although the City of Mississauga's property taxes are low when compared to its peer municipalities, there is still significant desire to keep taxes and user fees as low as possible. Acceptable limits for property tax increases usually do not exceed the rate of inflation. However, there has been some tolerability from taxpayers for Special Purposes levies which are put in place to raise funding for a specific purpose. For Mississauga, a 2% Special Purpose Levy has been put in place to support City infrastructure. This approach balances the pay-as-you-go philosophy with prudent borrowing within reasonable limits as outlined in the City's debt policy.

Figure 1 2014 Total Property Taxes for a Similar 4-Bedroom Home (Source: BMA)



Financial Support from Senior Levels of Government

The City is well-positioned to handle many of the challenges it is faced with. For some larger challenges, the City continues to seek innovative solutions and assistance from other levels of government.

Currently the City of Mississauga relies on the Federal and Provincial government for assistance in funding City infrastructure. This funding is in the form of gas tax revenue, infrastructure grants and program-specific grants. Funding from these collective programs has assisted Mississauga to meet a significant portion of its current demands. Recent funding announcements have provided the City with optimism that funding assistance on future projects will be granted. However, caution must be exercised when relying on others for funding as unexpected changes in both governments and government priority setting could have an undesirable effect on the funding of future initiatives. Consequently, the City must continue to plan for ongoing expenditures with some unknowns.

Climate Change, Emergency Situations and Dealing with the Unknown

Increased intensity of weather events can have significant impact on the City's citizens and infrastructure. The flooding in July 2013, the ice storm in December 2013 and a record number of extreme cold weather days in 2014-2015 are examples of emergency situations that have had significant impact on the City's services, infrastructure and costs.

It is critical now, more than ever, to ensure the City has a Long Range Financial Plan that will ensure the City is positioned to deal with unforeseen events that may result in significant financial pressures. While it is not possible to predict the future, ensuring the appropriate tools and financial strategies are in place will position the City for sound fiscal decision-making.

Financial Condition Assessment

Financial Condition Assessment

The first step in the preparation of the LRFP is to assess the current financial condition of the municipality, to evaluate a municipality's financial outlook and performance. This information forms the foundation for the establishment of a long-range financial plan.

BMA Management Consulting Inc. (BMA) was retained by the City of Mississauga to undertake a Financial Condition Assessment. The following pages summarize BMA findings. The report was completed at the end of 2014. As a result, the majority of the data in this section reflects information up to 2013 or 2014. Updated information has been provided where available.

Key financial and socio-economic indicators have been included to help evaluate the City's existing financial condition and to identify future challenges and opportunities. Industry-recognized indicators that are used by credit rating agencies and/or recommended by the Government Finance Officers' Association (the GFOA) have been included.

Peer analysis has been included to gain perspective on the City's financial health compared to other municipalities. Figure 2 summarizes the peer municipalities selected (in some cases, the GTA average is included).

Figure 2 - Peer Municipal Comparator Group

Municipality	Estimate 2013 Population	Land Area sq. km.	Density per Sq.km
Brampton	577,695	266	2,172
London	381,038	421	905
Markham	326,844	213	1,534
Ottawa	935,665	2790	335
Toronto	2,727,047	630	4,329
Vaughan	317,816	274	1,160
Windsor	214,093	147	1,456
Mississauga	**750,111**	**292**	**2,569**

Excerpts from CPA Canada Regarding a Financial Condition Assessment

Sustainability

Whether a government is living within its means.

Sustainability is the degree to which a government can maintain existing programs and meet existing creditor requirements without increasing the debt burden on the economy.

Flexibility

Whether a government can meet rising commitments by expanding its revenues or increasing its debt.

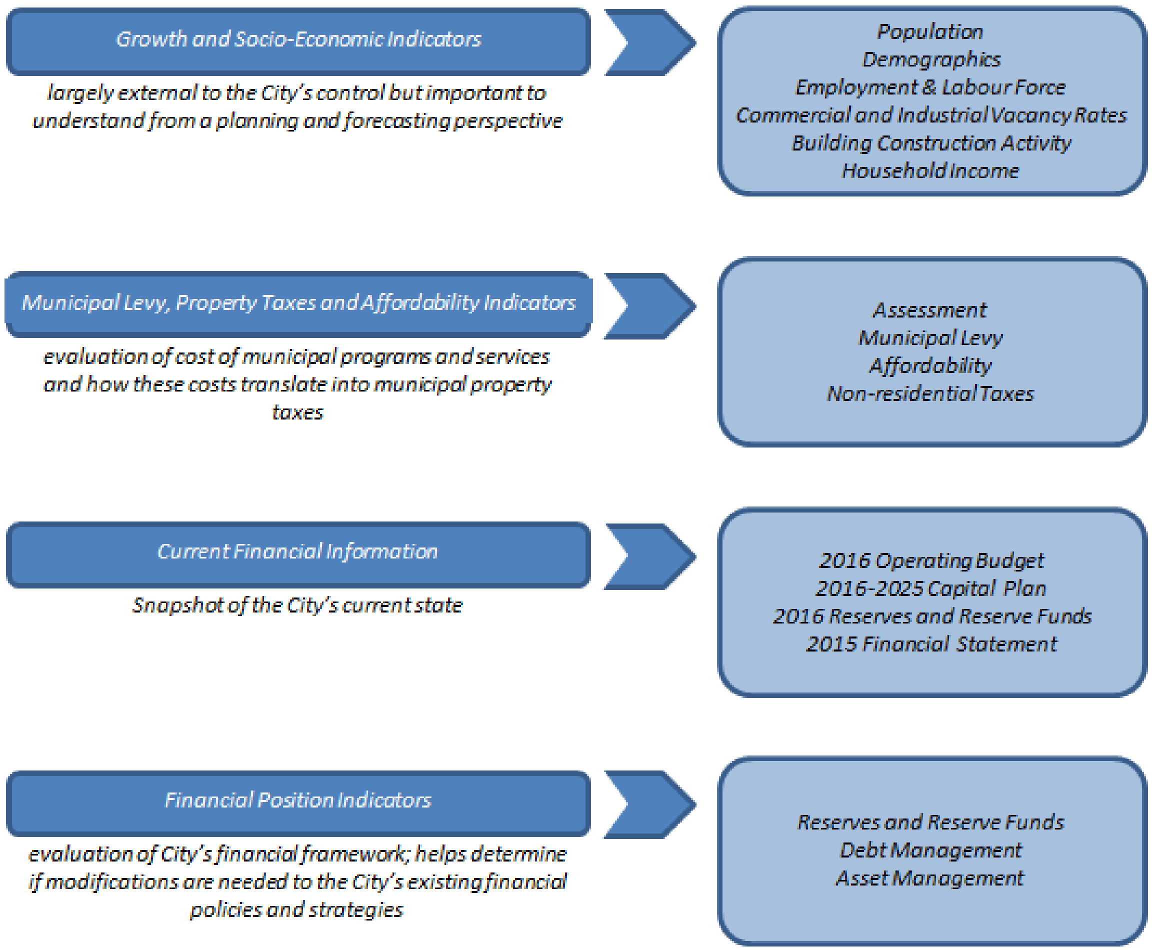
Flexibility is the degree to which a government can increase its financial resources to respond to rising commitments, by either expanding its revenues or increasing its debt.

Vulnerability

The extent to which a government relies on money from the Federal government or other outside sources to pay for existing programs.

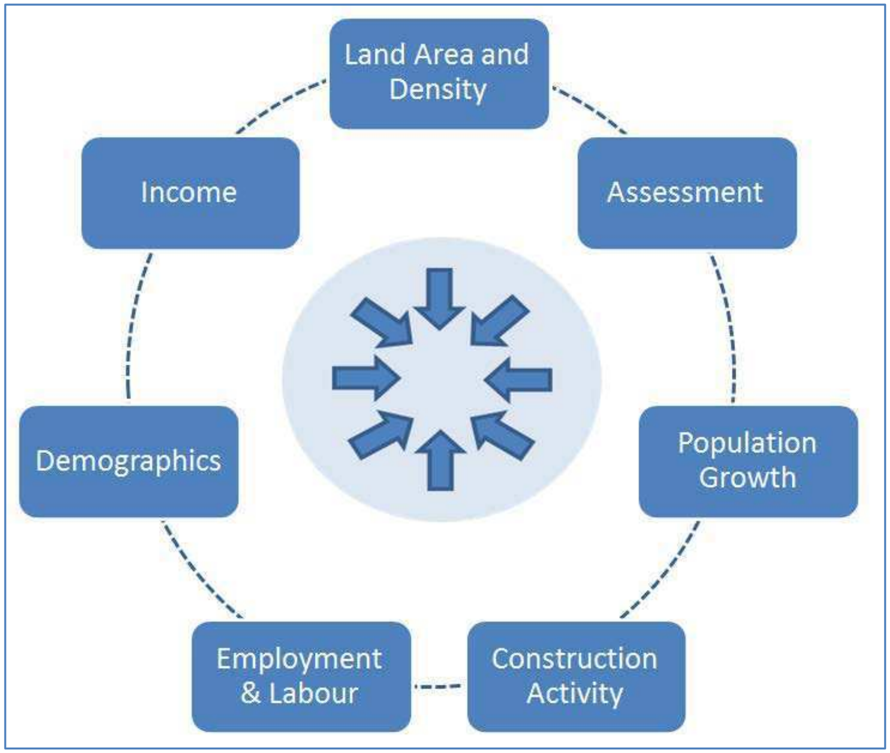
Vulnerability is the degree to which a government becomes dependent on, and therefore vulnerable to, sources of funding outside its control or influence. This indicator measures the extent to which a government can manage its financial affairs without having to rely on others.

This chapter includes detail on growth and socio-economic indicators, as well as information on property taxes and affordability indicators. It also provides a summary of the City's current financial information to help understand the context within which the plan has been developed. The following chapter discusses linkages to other City planning work with a fulsome discussion on specific City financial position indicators, such as Reserves and Reserve Fund Management, Debt Management and Asset Management.



Growth and Socio-Economic Indicators

Growth and socio-economic indicators describe and quantify a community's wealth and economic condition and provide insight into the community's collective ability to generate revenue relative to the community's demand for public services. An examination of economic and demographic characteristics can identify, for example, the community's ability to pay for public services or a need to shift priorities based on demographic changes or changes in economic conditions.



Population

Population Changes

Changes in population directly impact both revenues (assessment base) and expenditures (service demand). Figure 3 provides a summary of historical and projected population changes for the City of Mississauga from 1991 to 2041.

- Mississauga has grown from a population of 463,000 in 1991 to over 760,000 (a 64% increase). This 64% increase in population has resulted in substantial new capital infrastructure which ultimately has to be replaced
- With a population of approximately 760,000, the City of Mississauga is the sixth largest City in Canada. Population is forecast to exceed 878,000 by 2041
- The continued need for additional infrastructure to accommodate this growth will take place at the same time that the existing assets are reaching an age where their renewal/replacement is becoming critical and more costly

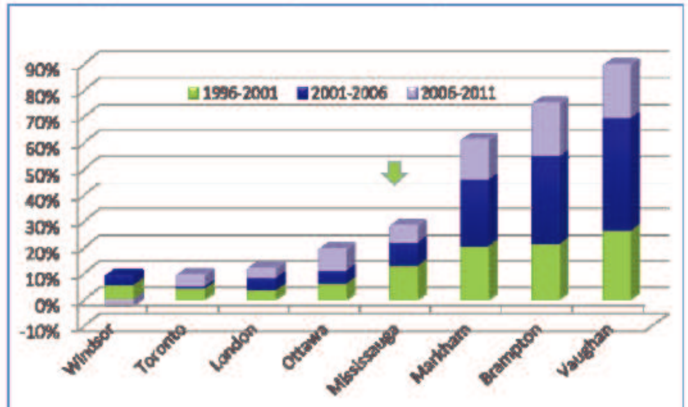
Figure 3 - City of Mississauga - Population Changes

Source: Stats Canada (Historical), Hemson Development Charges Background Study April 29, 2014 (Forecast)

Peer Municipal Comparisons Population Growth

- Mississauga's population growth was above the median growth of peer municipalities from 1991-2006, but below the median from 2006-2011 (see Figure 4)

Figure 4 - Peer Comparison - Population Growth



Source: Stats Canada

Population Density

Population density indicates the number of residents living in an area (usually measured by square kilometre). Density readings can lend insight into the age of a City, growth patterns, zoning practices, new development opportunities and the level of multi-family unit housing. High population density can also indicate:

- whether a City may be reaching build-out, and
- service and infrastructure needs, such as additional public transit or street routes

As illustrated in Figure 5, Mississauga has the second-highest population density per square kilometre, compared to its peer group. Future growth will result in further intensification and redevelopment.

Intensification has a number of benefits including reduced carbon footprint, improved access to public transit, more effective use of resources such as land, buildings and infrastructure, enhanced community identity and the creation of active streets that promote healthier patterns of activity.

Intensification requires a transition from greenfield development to an urban environment development. This can have implications on the way services are delivered. On the one hand, there is a concentrated need for services in specific areas. On the other hand, these services can often be provided at a lower cost-per-unit due to economies of scale.

Figure 5 Peer Comparison Population Density

Municipality	Estimate 2013 Population	Land Area sq. km.	Density per Sq.km
Ottawa	935,665	2790	335
London	381,038	421	905
Vaughan	317,816	274	1,160
Windsor	214,093	147	1,456
Markham	326,844	213	1,534
Brampton	577,695	266	2,172
Toronto	2,727,047	630	4,329
Average		677	1,699
Median		274	1,456
Mississauga	**750,111**	**292**	**2,569**

Demographics

Age Demographics and Quality of Life

The age profile of a population can affect City expenditures. As seen in Figure 6, the City of Mississauga's age profile is close to the Ontario average but there are some notable differences:

- The City currently has a lower percentage of residents that are 65+ compared to the Ontario average. However, the 2011 census shows Mississauga's population is aging; 11.4% of the population is 65 or older, compared with 9.8% in 2006. This population trend is expected to continue over the long-term. Seniors may require higher public services such as accessible transit and senior-focused recreational activities.
- The City has a slightly higher percentage of residents that are 14 years of age or under, compared to the Ontario average. Families with young children desire enhanced services for recreational and related programs.

Figure 6 - Age Profile

Age Profile	2006 Mississauga	2011 Mississauga	2006 Ontario	2011 Ontario
Age 0 - 14	19.9%	18.0%	18.2%	17.0%
Age 15 - 19	7.3%	7.5%	6.9%	6.7%
Age 20 - 44	37.2%	34.3%	34.8%	33.0%
Age 45 - 54	15.6%	16.9%	15.3%	16.0%
Age 55 - 64	10.1%	11.8%	11.2%	12.7%
Age 65+	9.8%	11.4%	13.6%	14.6%
Total	100.0%	100.0%	100.0%	100.0%

Source: Stats Canada

Employment and Labour Force Indicators

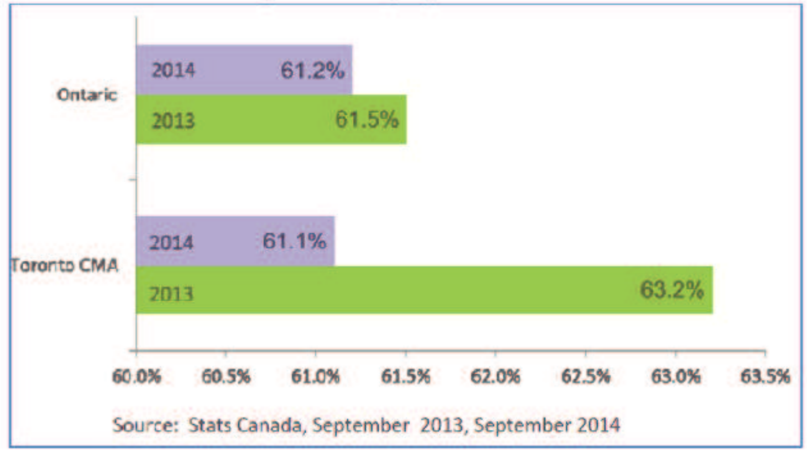
Labour force statistics are an important measure of the economy's potential. The larger the percentage of the population that enters the labour force, the larger the potential output and standard of living. Growth in the labour force implies expanding potential.

Labour force indicators are only available by Census Metropolitan Area, and Mississauga falls under the Toronto CMA.

The employment rate is the percentage of total number of working-age people (including those not actively seeking employment) who have jobs. The employment rate shows a community's ability to put its population to work and thereby generate income to its citizens. The rate of employment is also a measure of, and an influence on the community's ability to support its local business sector. Municipalities with higher employment rates are likely to have higher standards of living, other things being equal.

As shown in Figure 7, the employment rate in the Toronto CMA decreased from 2013 to 2014, and is approximately at the Ontario average. By September 2015, both employment rates declined slightly, although the Toronto CMA employment rate (62.5%) remains slightly higher than the Ontario employment rate (60.5%).

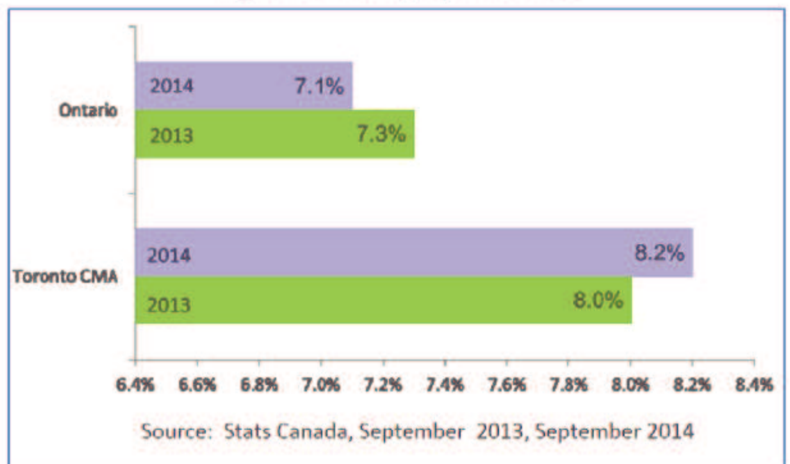
Figure 7 - Employment Rates



The unemployment rate is the percentage of the labour force that actively seeks work but is unable to find work at any given time. A decline in employment base or higher-than-average rates of unemployment can be a warning signal that overall economic activity may be declining.

As shown in Figure 8, from 2013 to 2014, there has been an increase in the unemployment rate in the Toronto CMA from 8.0% to 8.2%, compared with the Ontario unemployment rate which has declined from 7.3% to 7.1%. By September 2015, both unemployment rates declined. The Toronto CMA unemployment rate has reduced to 7.1%, more in line with the Ontario unemployment rate (6.9%).

Figure 8 - Unemployment Rates

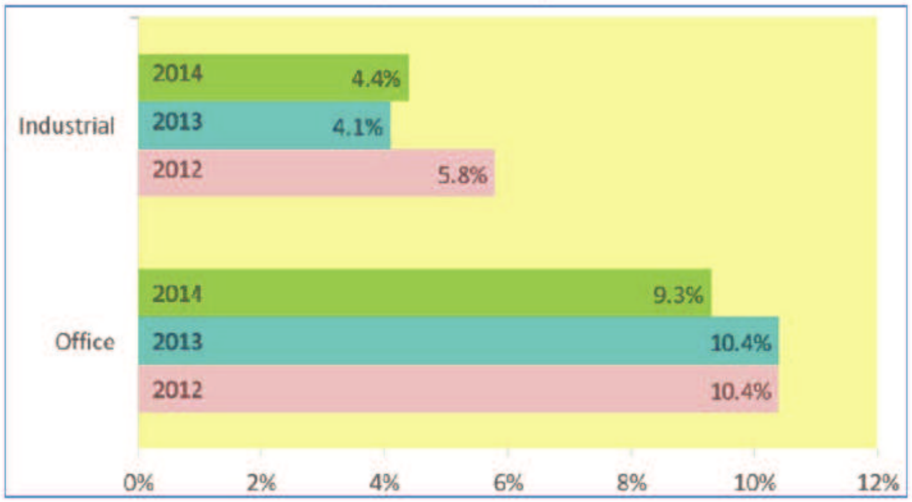


Commercial and Industrial Vacancy Rates

Vacancy rates are calculated as the ratio of vacant space to the total amount of space available. Vacancy rates are indicators of business demand, and provide signals to the commercial real estate sector regarding price and is an indication to developers of future demand. Vacancy rates are also a leading indicator of business activity. Declining vacancy rates suggest business is growing, which increases the demand for commercial space.

Low vacancy rates are a sign that market conditions for business are good. Businesses have the confidence to invest in expanding and upgrading, and new businesses are starting up. This leads to demand for office space. Trends are also important to consider as a reflection of the overall economy. As shown in Figure 9, vacancy rates are low and have been trending downward. For 2015, the industrial vacancy rate is relatively stable at 4.2%. The office vacancy rate is trending a little higher at 10.8%.

Figure 9 Commercial & Industrial Vacancy Rate Trends
City of Mississauga



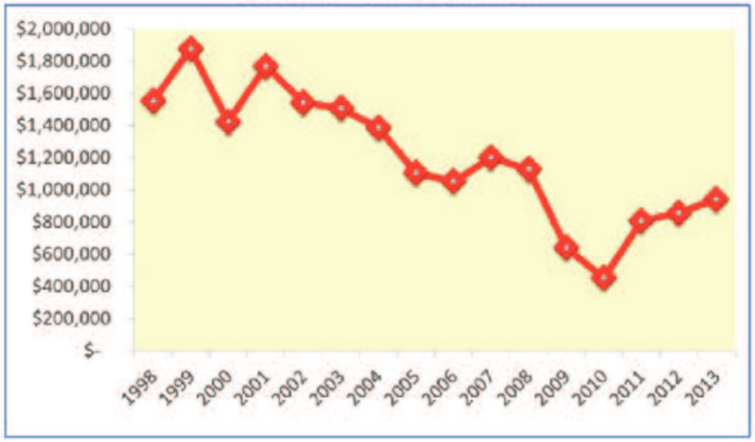
Construction Activity

Both residential and non-residential construction activity provide a measure of growth in a municipality. Building permits and capital investment are strong indicators of how buoyant business feels about the economy. Changes in building activity impact other factors such as the employment base, income and property values.

Building construction activity is cyclical. It is important to look at building cycles over a relatively long period of time to identify trends in construction activity. Figure 10 provides the trends experienced in the City of Mississauga for the past 15 years.

Construction activity was at its peak in the late 1990s and early 2000s and then trended downward until 2010 (an impact of the global recession). There has been a notable increase in construction activity from 2011-2013.

Figure 10 - Total Construction Activity City of Mississauga ($000s)



In addition to the level of total construction activity, it is important to look at the type of construction being undertaken. Construction activity can be broken down into residential, industrial, commercial and public/institutional. Figure 11 shows the breakdown of the prescribed value for permits issued in the City of Mississauga over the period from 2009 to 2013. The total construction-activity values have continued to increase in 2014 ($1.17 billion) and 2015 ($1.29 billion).

Generally, a municipality's costs to service residential development is higher than the costs of servicing commercial or industrial development because many services such as recreation, libraries and parks are provided for use by residents.

Figure 11 Construction Activity 5-Year Detail Prescribed Value for Permits Issued

Construction Activity Breakdown (000's)

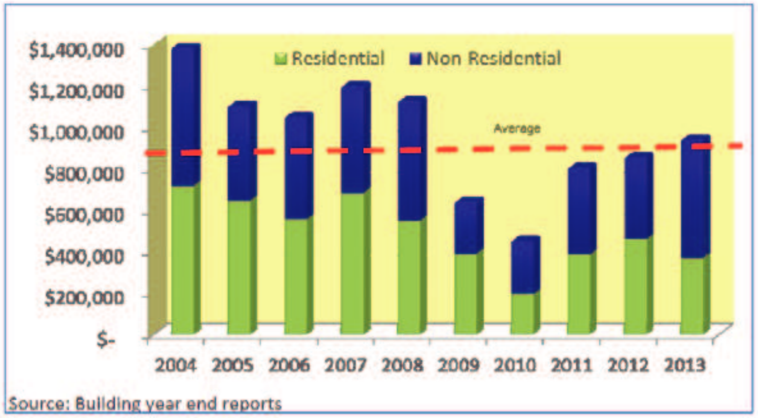
	2009	2010	2011	2012	2013
Residential	$ 387,955	$ 190,604	$ 383,746	$ 457,040	$ 367,335
Industrial	$ 81,993	$ 42,415	$ 129,194	$ 158,270	$ 210,108
Commercial	$ 81,243	$ 131,454	$ 170,914	$ 199,839	$ 270,745
Public/Institutional	$ 89,317	$ 87,333	$ 122,273	$ 41,708	$ 94,147
Total	**$ 640,508**	**$ 451,806**	**$ 806,127**	**$ 856,857**	**$ 942,335**
New Dwelling Units	2,246	619	2,298	1,744	1,367

Source: City of Mississauga, year end reports

The ideal condition is to have sufficient commercial and industrial development to offset the net increase in operating costs associated with residential development. Non-residential development is desirable in terms of developing a strong assessment base upon which to raise taxes and in providing employment opportunities.

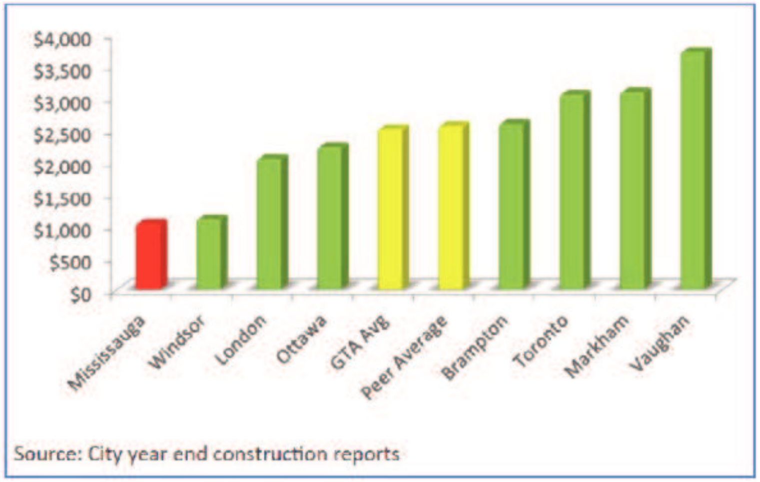
As seen in Figure 12, over the past 10 years, residential / non-residential construction activity (based on $ of construction) varies from year to year. On average, it has been split 51/49 in the City of Mississauga. This represents a good balance between residential and non-residential development.

Figure 12 - Residential / Non-Residential Construction City of Mississauga ($000s)



Building permit value per capita is used as an indicator of the **relative construction activity** within each peer municipality. As shown in Figure 13, the average building permit value per capita from 2009-2013 in Mississauga was the lowest in the survey of peer municipalities, and is below the GTA average.

Figure 13 - Construction Activity Per Capita Peer Municipal Comparators 5 year average



As shown in Figure 14, the majority of the construction value in other municipalities in the peer group has been in the residential sector over the past five years. Mississauga has had a higher proportional growth in the non-residential sector.

Figure 14 Residential Construction Value Peer Comparison

% Residential Construction Value						
	2009	2010	2011	2012	2013	5 Year Average
Windsor	16%	24%	31%	25%	52%	30%
Toronto	16%	50%	38%	45%	49%	40%
Ottawa	55%	51%	53%	47%	52%	52%
London	49%	56%	35%	63%	71%	55%
Markham	69%	42%	64%	69%	75%	64%
Vaughan	75%	62%	60%	61%	67%	65%
Brampton	84%	82%	81%	87%	76%	82%
Average	52%	52%	52%	57%	63%	55%
Median	55%	51%	53%	61%	67%	55%
Mississauga	61%	42%	48%	53%	39%	49%
GTA Average	59%	65%	69%	63%	64%	64%

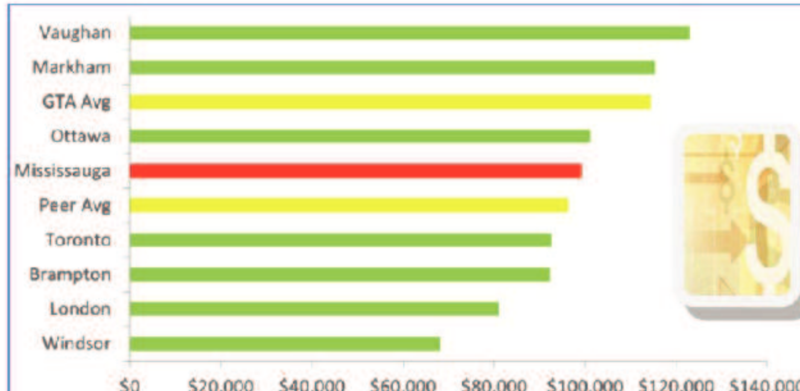
Source: BMA Municipal Studies

Household Income

Household income is one measure of a community's ability to pay. Credit rating agencies use this indicator as an important measure of a municipality's ability to repay debt. As seen in Figure 15, the 2013 average household income in the City of Mississauga was $99,300. This was higher than the peer group's municipal average ($96,200) but lower than the GTA average ($114,400).

A higher relative gross income is a positive indicator of the overall local economy. A higher relative gross income also tends to lead to greater expectations for quality programs and can lead to challenges for a municipality, to balance desired levels of service with a willingness to pay for services.

Figure 15 2013 Gross Household Income Peer Comparison



Source: Manifold Data Mining Inc.

Summary □ Growth and Socio-Economic Indicators

The following table is an excerpt from BMA's review of the City's financial condition.

Indicator	*Trend, Observation*	*Rating*
Population Growth	Planned modest growth over the next 30 years, largely through intensification	✓
Population Density	Amongst the highest population densities in the peer municipal survey	✓
Demographics	Transition from fast-growing and relatively young population to a more stable but older population	! CAUTION
Unemployment Rate	Toronto CMA trending towards the Ontario average, but still relatively high	! CAUTION
Employment Rate	Toronto CMA trending downward over past two years	! CAUTION
Employment Growth	Expected to continue to trend upward with 104,000 new jobs anticipated over next 30 years	✓
Commercial & Industrial Vacancy Rates	Commercial and industrial vacancy rates low, reflecting a strong economy and a desirable place to do business	✓
Construction Activity	Activity trending up since 2010; excellent mix of residential & non-residential construction. Significant increase in commercial & industrial construction over past five years	✓
Household Income	Household income is above the peer average	✓
Citizen Satisfaction	In 2012, Mississauga ranked third overall out of 30 of Canada's largest cities for satisfaction with municipal services	✓

Municipal Levy, Property Taxes and Affordability

Prior to developing a long-range financial plan, it is important to understand the cost of municipal services, and to consider their affordability. As do all municipalities in Canada, the City of Mississauga is facing requirements to replace aging infrastructure while at the same time addressing the needs for new programs and initiatives to meet growth and changing demographics.

This section focuses on the cost of municipal services for the City, compared to its peer group. This section also focuses on property taxes in relation to household income, to provide an indication of the affordability of services. Finally, this section compares the competitiveness of non-residential property taxes.

Mississauga is part of a two-tier municipal government structure – the City of Mississauga is within the Region of Peel. The property tax bill in Mississauga provides funding for services provided by three levels of government – the City, the Region and the Province of Ontario's Ministry of Education. The property tax payer is impacted by the decisions of all three bodies. Figure 16 shows that 34% of the residential tax bill is related to City programs and services, whereas only 20% of the commercial / industrial tax bill represents the City's portion (see Figure 17).

Figure 16 – 2016 Residential Tax Bill

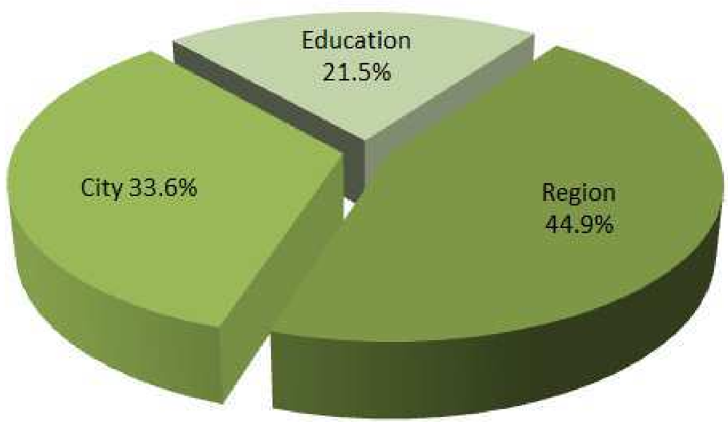
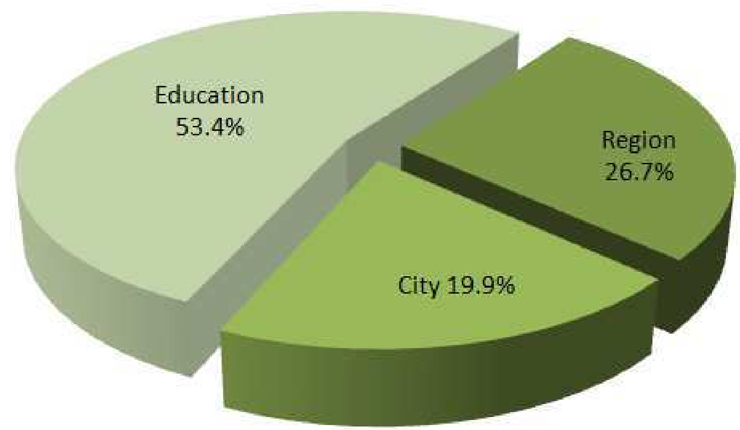


Figure 17 – 2016 Commercial / Industrial Tax Bill



Assessment

Property assessment is the basis upon which the City raises taxes. A strong assessment base is critical to a municipality's ability to generate revenues. Unweighted assessment provides the actual current value assessment of the properties. Weighted assessment reflects the basis upon which property taxes are levied after applying the tax ratios to the unweighted assessment.

Assessment changes include changes in assessment related to growth (development) as well as changes in market value of existing properties. Figure 18 provides a comparison of changes in unweighted assessment for Mississauga's peer group.

As shown in Figure 18, the City's assessment increase for the last two years (2012-2014), the assessment increase in Mississauga is slightly below the peer median. This is consistent with the fact that Mississauga's construction activity has been the lowest among its peer municipalities (see Figure 13).

Figure 18 - Changes in Unweighted Assessment Peer Comparison

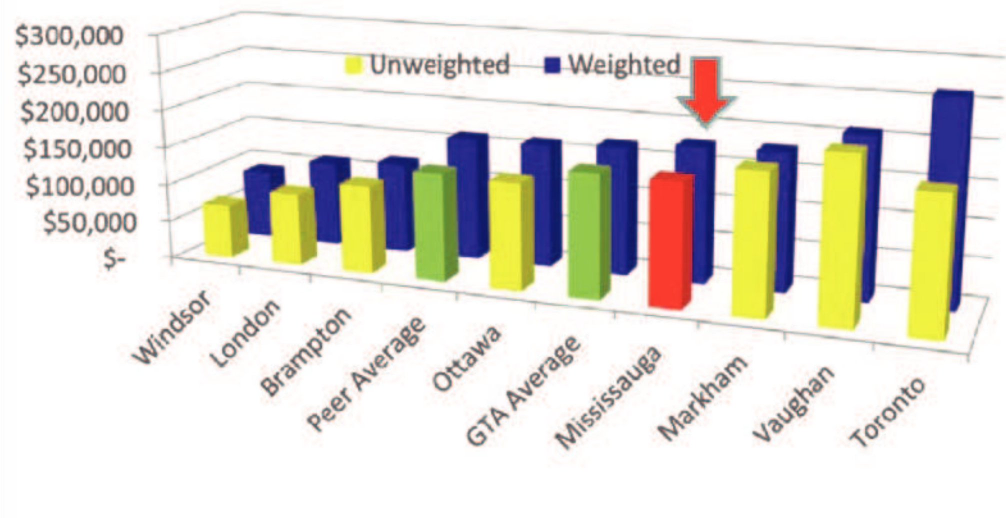
	2009-2010 %	2010-2011 %	2011-2012 %	2012-2013 %	2013-2014 %
Windsor	0.9%	0.8%	1.5%	-3.9%	1.4%
London	5.8%	6.3%	5.8%	3.9%	3.7%
Toronto	7.1%	7.0%	7.0%	6.4%	6.5%
Ottawa	5.8%	5.8%	5.8%	8.3%	7.8%
Markham	7.6%	9.0%	6.9%	9.6%	9.3%
Vaughan	9.3%	8.1%	8.5%	8.4%	7.7%
Brampton	6.6%	7.0%	6.7%	8.2%	7.7%
Average	6.2%	6.3%	6.0%	5.8%	6.3%
Median	6.6%	7.0%	6.7%	8.2%	7.7%
Mississauga	**7.1%**	**6.5%**	**6.1%**	**5.5%**	**5.7%**
GTA Average	7.3%	7.5%	6.7%	6.7%	6.7%

Source: BMA Municipal Studies using CVA

Assessment per capita provides an indication of the richness of the assessment base. Figure 19 shows the 2014 per capita assessment for Mississauga compared to its peer group. Both unweighted and weighted assessments are compared.

Mississauga's assessment base per capita is above average, when compared to its peer group. This reflects a relatively strong assessment base upon which to raise taxes.

Figure 19 2014 Unweighted and Weighted Assessment Per Capita Peer Comparison



Source: BMA Municipal Studies using CVA

Figure 20 shows that, in comparison to its peer municipalities, Mississauga's assessment composition also represents an excellent balance between residential and non-residential. The combined assessment in the commercial and industrial class is 25.1% in Mississauga compared with the peer municipal average of 18.5%.

Figure 20 2014 Assessment Composition Peer Comparison

	Residential	Multi-Residential	Commercial	Industrial	Pipeline	Farmland	Managed Forest
Windsor	73.5%	3.8%	18.3%	3.8%	0.4%	0.2%	0.0%
Toronto	73.6%	6.4%	18.2%	1.7%	0.1%	0.0%	0.0%
Vaughan	76.2%	0.4%	16.5%	6.6%	0.1%	0.2%	0.0%
Ottawa	77.3%	6.1%	14.9%	0.9%	0.2%	0.6%	0.0%
Brampton	78.8%	2.0%	14.6%	4.1%	0.2%	0.3%	0.0%
London	80.5%	5.1%	12.2%	1.4%	0.2%	0.6%	0.0%
Markham	81.7%	1.2%	14.6%	2.1%	0.1%	0.3%	0.0%
Average	77.4%	3.6%	15.6%	2.9%	0.2%	0.3%	0.0%
Median	77.3%	3.8%	14.9%	2.1%	0.2%	0.3%	0.0%
Mississauga	**71.7%**	**3.1%**	**20.8%**	**4.3%**	**0.1%**	**0.0%**	**0.0%**
GTA Average	82.0%	1.6%	11.2%	2.5%	0.2%	2.6%	0.1%

Source: BMA Municipal Study using assessment bylaws

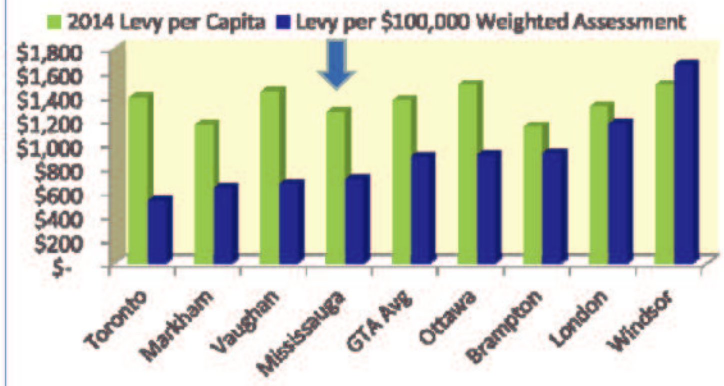
2014 Levy Analysis

Figure 21 provides a comparison of net municipal levies for Mississauga's peer group. This comparison does not indicate value for money, as net municipal expenditures can vary significantly due to:

- Different types of services and different service levels
- Different assessment composition
- Demographic, locational and socio-economic differences
- User fee policies
- Age of infrastructure, and
- Use of Reserve

This comparison does provide an indication of the levy in relation to the assessment base upon which taxes are raised. The City has a lower-than-average levy per $100,000 of assessment. The City also has lower than average spending on a per-capita basis, reflecting a lower tax burden.

Figure 21 - 2014 Levy Analysis
Peer Group Comparison



Source: BMA Municipal Study using 2014 Levy By-laws for each municipality

Affordability

Figure 22 compares total property taxes based on a median valued house in each of the municipalities, using the Municipal Property Assessment Corporation (the MPAC) database as well as the average household income, to get an appreciation of the tax burden on a typical home in each municipality.

Mississauga's median dwelling value is above the average of the peer group. This is reflective of the housing stock as well as house values.

Property tax rates in Mississauga are lower than the peer-group average. Municipal property taxes in Mississauga in relation to average household income are 4.1%, which is slightly above the survey average.

Figure 22 Affordability
Peer Group Comparison

	2014 Median Value of Dwelling	2014 Tax Rate	2014 Property Taxes	2013 Average Household Income	Taxes as % Average Household Income
London	$ 202,100	1.3678%	$ 2,764	$ 81,000	3.4%
Toronto	$ 449,200	0.7230%	$ 3,248	$ 92,500	3.5%
Windsor	$ 138,500	1.8464%	$ 2,557	$ 68,200	3.7%
Ottawa	$ 350,100	1.1269%	$ 3,945	$ 101,100	3.9%
Markham	$ 556,000	0.8315%	$ 4,623	$ 115,400	4.0%
Vaughan	$ 577,800	0.8621%	$ 4,981	$ 123,000	4.0%
Brampton	$ 390,400	1.1263%	$ 4,397	$ 92,300	4.8%
Average	$ 380,586	1.1263%	$ 3,788	$ 96,214	3.9%
Median	$ 390,400	1.1263%	$ 3,945	$ 92,500	3.9%
Mississauga	$ 444,300	0.9084%	$ 4,036	$ 99,300	4.1%

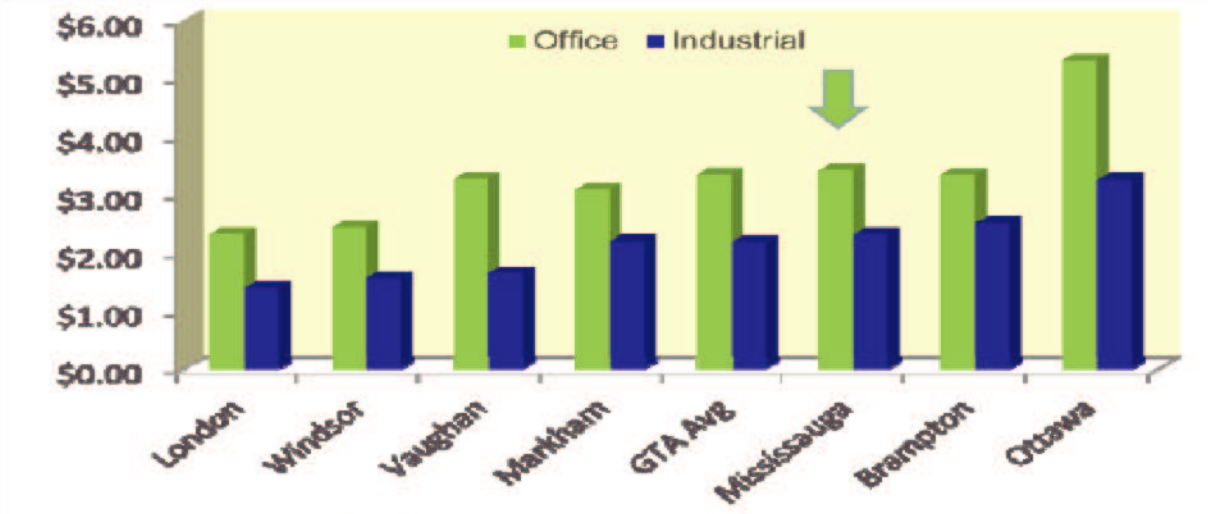
Source: MPAC (dwelling value), BMA Municipal Study (Property Taxes)

Non-Residential Municipal Taxes

Figure 23 provides a comparison of the non-residential municipal property taxes on a per-square-foot basis for office and industrial properties for Mississauga's peer group.

The non-residential municipal property taxes paid for similar types of office and industrial buildings are slightly above the average when compared to the peer group. (Note that Toronto data was not available).

Figure 23 - 2014 Property Taxes per Square Foot
Peer Group Comparison



Source: BMA Municipal Study

Summary Municipal Levy, Property Taxes and Affordability

The following table is an excerpt from BMA's review of the City's financial condition.

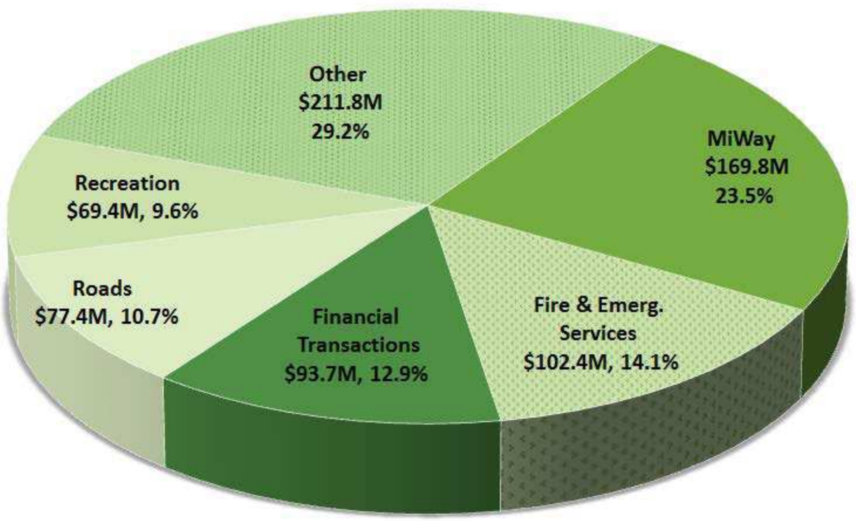
Indicator	*Trend/Observation*	*Rating*
Assessment Composition	Excellent mix of residential and non-residential assessment upon which to raise taxes	✓
Richness of the Assessment Base	Assessment per capita, which is an indicator of the richness of the assessment base, reflects a higher-than-average assessment base upon which to raise taxes	✓
Assessment Growth	While the assessment base continues to grow, it has slowed in the past two years. Limited future assessment growth is identified as a challenge in the 2014 Budget	! CAUTION
Municipal Levy Per Capita	The City of Mississauga's total municipal levy per capita in 2014 is lower than the peer survey average and the GTA average.	✓
Municipal Levy Per $100,000 of Weighted	The City of Mississauga's total municipal levy per $100,000 of weighted assessment in 2014 is lower than the peer survey average and the GTA average.	✓
Levy Trends	Over the past five years, City of Mississauga's levy is growing at a rate faster than the peer average (considers population growth and assessment base upon which taxes are levied).	! CAUTION
Property Taxes on an Executive House	Property taxes on a similar two storey 3,000 square foot house in the City of Mississauga are below the survey average.	✓
Residential Affordability	Property taxes as % of income compared on median dwelling value in each peer municipality. Property tax burden is slightly higher in Mississauga than survey average.	! CAUTION
Non-Residential Tax Ratios	Lower than average of peer municipalities. However, it should be noted that the Region of York has very low tax ratios which helps improve their competitive position.	✓
Non-Residential Property Taxes Per Square Foot	Tax rates are relatively low compared to peer municipalities; values of properties in Mississauga are slightly higher (reflecting a strong economy). Combined, results in slightly higher taxes on a per-square-foot basis. Levy increases higher than peer municipalities'. Should be monitored.	! CAUTION

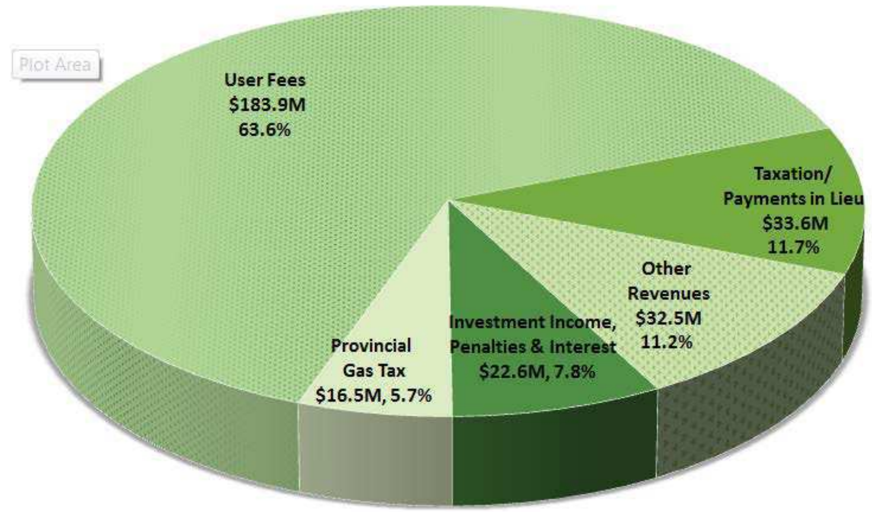
Current Financial Information

2016 Operating Budget

Figure 24 provides a breakdown of the City's 2016 major gross operating expenditure categories. These gross operating expenditures are offset by a variety of revenues, shown in Figure 25. The net impact results in the net operating budget ($435.3M in 2016). This net budget is funded through property taxes levied by the municipality on property owners in the City of Mississauga.

Figure 24 Operating Expenditures by Service Area ($Ms)





Capital Budget

Figure 26 shows the City's $2 billion 10-year capital budget forecast by service area. Capital budgets are funded through various sources of funding (Figure 27).

Figure 26 2016-2025 Capital Budget Forecast by Service area ($Ms)

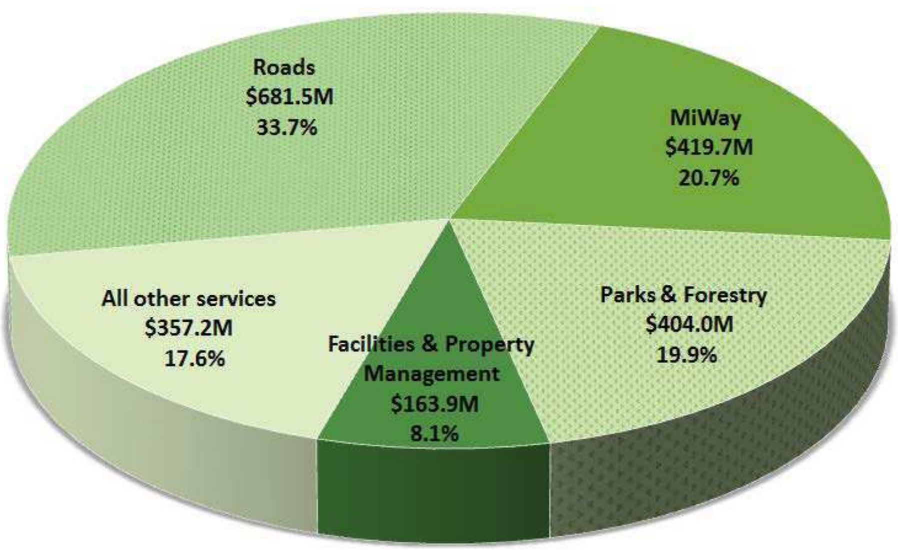
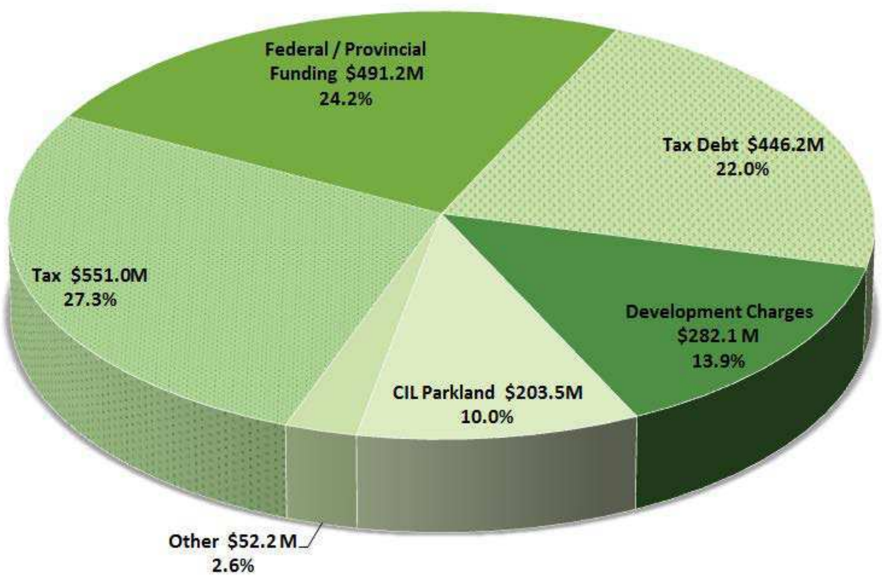


Figure 27 2016-2025 Capital Budget Funding Sources ($Ms)



Linking to Other City Priorities

Linking to Other City Priorities

There are many and varied initiatives currently being undertaken across the City. These initiatives are often interconnected and can significantly impact the City's LRFP.

Strategic Plan

The Strategic Plan is the City's highest level policy document, created to shape and direct strategic decision-making for the municipality. Drawing on the Drivers for Change, City Council, advisory groups, City staff and the community developed the Vision Statement and five Strategic Pillars for Change. The Strategic Plan is a roadmap, guiding the vision for the future:

> ***Mississauga will inspire the world as a dynamic and beautiful global City for creativity and innovation, with vibrant, safe and connected communities; where we celebrate the rich diversity of our cultures, our historic villages, Lake Ontario and the Credit River valley.***

Mississauga's five Strategic Pillars for Change are:

Business Plan & Budget

The Business Plan and Budget translate the goals and priorities identified through the Strategic Plan into a four-year budget plan. The Business Plan and Budget allow the City to respond to political, economic, social and environmental circumstances. It serves as a guide for using the City's limited resources wisely and allows the City to stay focussed on its goals while remaining flexible to manage changing needs and expectations. At the forefront of the business planning process is the City's steadfast commitment to fiscal responsibility.

The priorities for the City of Mississauga's current Business Plan & Budget are:

A multi-year approach allows the City to respond to political, economic, social, and environmental circumstances. This ensures that Council always has the best information possible as they make business and budget decisions.

Capital Priority Setting

Capital priority setting is an on-going component of the City's Business Plan & Budget process. Setting priorities for both replacement and new capital assets aids in future sustainability. Objectives of the City's Capital Planning and Prioritization Process are as follows:

- Produce a 10-year funded Capital Plan that is reliable and executable
- Addresses the City's most critical needs
- Match with available financial resources
- Align with advancing Council's strategic goals
- Develop an optimal investment program
- Demonstrate good stewardship over the City's existing assets, and
- Identify additional capacity needs of the City in a sustainable manner

To ensure a balance occurs across City services, projects are classified into the following categories. It is with these categories that the City's capital program is created for Council's consideration.

Mandatory - Cannot be deferred or stopped

These are projects which have locked-in commitments or vital components associated with cash-flowed projects approved by Council in prior years. These projects have prior legally binding commitments where contracts are signed or have minimum legal, safety, regulatory or other mandated minimum requirements where not achieving these requirements will lead to legal action, fines, penalties or a high risk of liability against the City.

Critical - If not undertaken will result in a high risk of failure and service disruption

These are projects that will maintain critical components in a state of good repair. Allocation of funds within this category should assess both probability of failure and the potential impact on service delivery. These funds are not mandatory but the funding maintains these critical components at current service levels; these will otherwise become mandatory by 2018.

Efficiency or Cost Savings - Will provide financial benefits in the future

Projects that will breakeven over the life of the capital asset due to operational cost savings or cost avoidance.

DC Co-payment - Cannot be deferred or stopped

This category includes the 10% tax funding top-up and the tax-funded non-growth components required for some DC projects.

State of Good Repair

These projects are not mandatory but the funding is needed to maintain targeted service levels and reflects life cycle costing.

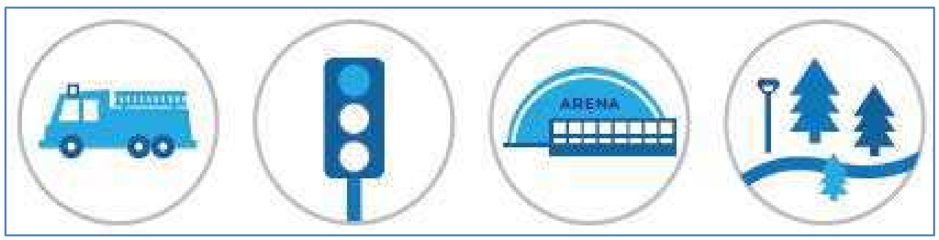
Improve

These projects provide for service enhancements that increase current service levels or provide for new capital initiatives.

By categorizing capital requests according to these categories, the City guides Council and staff to "stay on-track" with its capital program; a necessary and key component of its LRFP.

Asset Management

The City of Mississauga, like most municipalities, has been challenged in finding the balance between delivering services demanded by the community in an affordable manner, and providing adequate funding for asset renewal needs.



The City's Asset Management Plan (AMP) has been prepared with guidance from the requirements as outlined within Ontario's **Building Together: Guide for Municipal Asset Management Plans,** and covers the asset inventory related to City Buildings, Stormwater and Linear Infrastructure.

The City currently has a decentralized approach to asset management whereby departments utilize their own systems and methodologies to prioritize and rank infrastructure renewal needs. This model has served the City well as measured by the overall condition of the City's assets. However, limited financial resources and competing priorities suggest that a centralized approach in the future will assist in ensuring that the City's most critical needs continue to be addressed. The LRFP going forward will help to ensure the long term sustainability of the City's assets.

Reserves & Reserve Fund Management

Reserves & Reserve Funds are created to assist with long-term financial stability and financial planning. Credit rating agencies consider municipalities with higher reserves to be more advanced in their financial planning. The City has a long history of prudently managing its reserve and reserve funds. Maintaining sufficient reserves and reserve funds are a critical component of the City's LRFP.

"**Reserves**" are allocated at the discretion of Council, often as part of an overall strategy for future funding programs or projects.

"**Reserve Funds**" are segregated, and restricted for a specific purpose.

The purposes for maintaining reserves are:

- To provide ***stabilization*** in the face of variable and uncontrollable factors (growth, interest rates, changes in subsidies) and to ensure adequate and ***sustainable cash flows***
- To provide financing for one-time or short-term requirements without permanently impacting the tax rates, thereby reducing reliance on long-term debt
- To make provisions for ***replacement of capital assets*** to sustain infrastructure
- To provide ***flexibility*** to manage debt levels and protect the City's financial position, and
- To provide for ***future liabilities***

The City of Mississauga has recently undertaken a comprehensive review of all of its Reserves and Reserve Funds. Initially, BMA Management Consulting ("BMA") was engaged to review the larger reserves and reserve funds. BMA gave recommendations for closing and consolidating some reserve and reserve funds, and provided recommended target levels or ranges for some of the reserves and reserve funds, based on best practices and their professional experience working with other municipalities.

Building on the information and recommendations provided by BMA, staff expanded the review to include all reserves and reserve funds, including those not originally reviewed by BMA (reserve and reserve funds having a lesser value or very specific purpose). The review included research on historical purposes of the reserves and reserve funds and discussion with Legal Services to ensure compliance with any legislated requirements.

In order to provide better financial management and flexibility, recommendations have been made to:

- Close some reserves. Several reserves were identified with zero balances, very low balances with no activity in a number of years, or with no further requirement to exist (i.e. their initial purpose had already been achieved). Recommendations have been made to close these reserves and, where a balance remained, transfer the balance to the Capital Reserve Fund to ensure more appropriate use
- Consolidate some reserves and reserve funds. Over the years, reserves have been established for similar purposes. Recommendations have been made to consolidate reserves established for similar purposes, to improve financial flexibility

- Establish formal policies and targets. Taking into consideration BMA recommendations, staff have recommended target levels or ranges for some of the more significant reserve and reserve funds, to ensure improved forecasting and financial planning.

Procedures have also been put in place to ensure that the significant body of work undertaken to better manage reserves and reserve funds is maintained in the future. These include rules around establishing reserves, identifying targets, contribution sources and withdrawal rules and procedures.

Categories of Reserves and Reserve Funds

The City of Mississauga maintains many Reserves and Reserve Funds for a variety of purposes (summarized below).

Stabilization

The City maintains Stabilization Reserves/Reserve Funds to offset extraordinary and unforeseen expenditure requirements and revenue shortfalls, and to manage cash flows. This includes reserves to address volatility such as severe weather events, building and planning revenue fluctuations, tax stabilization, assessment appeals and commodity fluctuations. Over the past five years, the consolidated Stabilization Reserves and Reserve Funds have been maintained at a relatively stable level. Target balances for the consolidated Stabilization Reserves/Reserve Funds have been identified.

Insurance

The City has an insurance program in place where claims in excess of a deductible are transferred to a licensed insurer. The City's approach to risk management is to maintain insurance reserves at a level that is adequate to cover the estimated cost of claims within the City's self-insurance retention. The City regularly reviews the appropriateness of its retention levels and limits of insurance purchased.

Employee Benefits

The City maintains employee benefit reserves and reserve funds associated with the Workplace Safety and Insurance Board (WSIB), Sick Leave and Early Retirement. This ensures that funds are available to address future requirements and liabilities.

Program Specific

Program Specific Reserves/Reserve Funds are established in response to specific programs or special funding that has been received. A number of these reserve funds were also created to hold donations received and held on behalf of community groups to fund projects which the City is constructing or maintaining on their behalf. Policies or practices have been established for a number of the Program Specific Reserves/Reserve Funds. Each is specific to the

underlying reason for establishing the reserve fund. It is anticipated that the City will continue to establish or close Program Specific Reserve Funds based on the changing needs and priorities of the community.

Capital

Capital Reserve and Reserve Funds are monies set aside for the replacement and refurbishment of capital infrastructure.

Gas Tax

This includes Provincial, Federal and Regional portions of the Federal Gas Tax. Provincial Gas Tax funding is used to support Transit growth. Federal Gas Tax funding can be used for up to two of the following capital programs: transit, road infrastructure, and storm drainage or energy conservation. The City of Mississauga is using the Federal Gas Tax funding for the Transit and Road services.

Lot Levies

The Lot Levy Reserve Funds are monies collected from development prior to the existence of the *Development Charges Act*. These funds are used to supplement credits that have been recognized in accordance with *Ontario Regulation 82/*98 S.17 against future development charges payable for the properties identified through the application process. These Reserve Funds will eventually be depleted and closed.

Development Charges

Development Charges Reserve Funds are obligatory funds that are segregated from other Reserve and Reserve Funds and available for the sole purpose of funding growth-related infrastructure. All funding collected under the authority of the City's Development Charges By-law, as permitted by the Development Charges Act, 1997 as amended, is used to construct growth-related infrastructure for the following services: fire, libraries, recreation, roads, transit, parking, public works, storm water management, and general government.

Developer's Contributions

Developer's Contributions consist of contributions for specific municipal infrastructure collected as a condition of land development. Examples include but are not limited to sidewalks, traffic signals and tree planting.

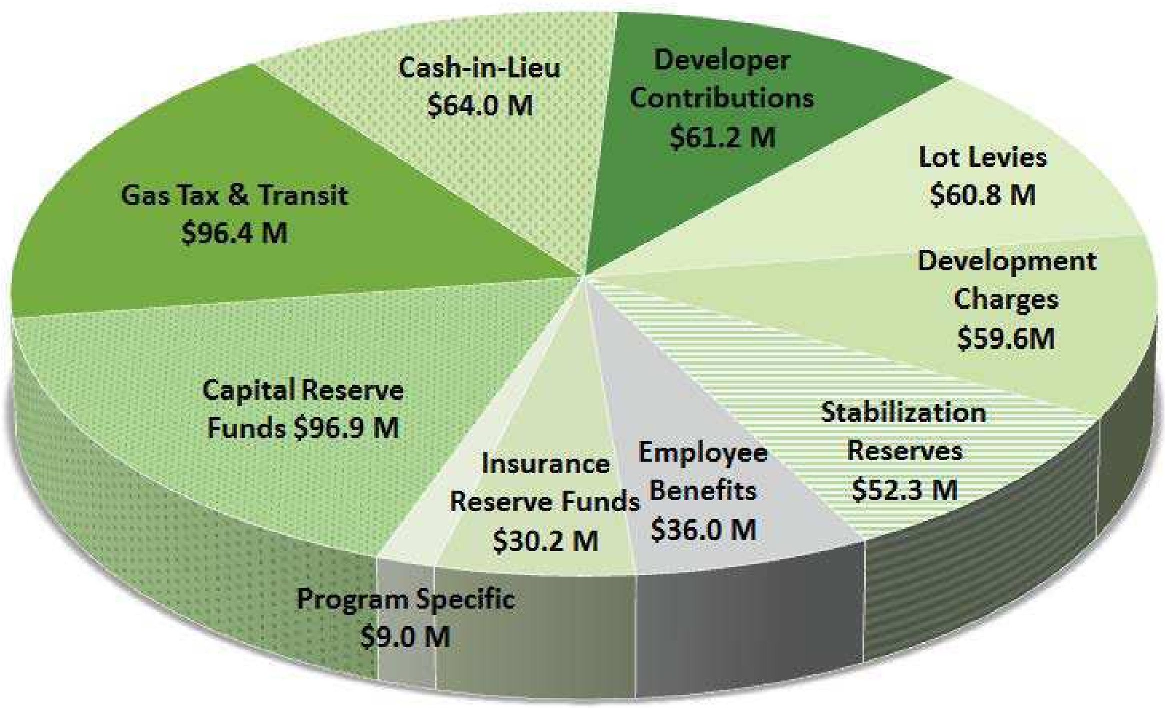
Cash In Lieu – Parkland & Parking

Pursuant to the *Planning Act R.S.O. 1990 c.P.13* as amended, monies received in lieu of parkland dedication are set aside in a reserve fund and spent only for the acquisition of land to be used for park or other recreational purposes. Similarly, monies received in lieu of parking are set aside in reserve funds and are spent only for parking initiatives.

Reserves and Reserve Fund Balance

Figure 28 provides a snapshot of 2015 year-end Reserve and Reserve Fund balances.

Figure 28 2015 Year-End Reserve / Reserve Fund Balances ($millions)



Debt Management

Mississauga's finances earned a 12th consecutive AAA credit rating from Standard & Poor's Rating Service, S&P in September of 2015. S&P called the City's diversified economy very strong, and said its exceptional liquidity and very low debt burden were other key factors in its assessment. S&P added that Mississauga's competitive tax rates, proximity to major markets and extensive transportation network have enhanced its economy and help attract and retain investment.

These strong financial characteristics provide the City with financial resilience in dealing with future financial challenges and will help form the foundation for the future. This will ensure the continuation of high quality services for residents.

Using debt strategically can provide capital funding flexibility when building infrastructure. Debt also allows for capital investments to be made when construction costs are favourable. The prudent use of debt aids financial flexibility. However, when municipalities issue debt they enter into a long-term commitment that requires repayment of that debt in the form of principal and interest payments (much like a mortgage does on one's home).

A common and necessary strategy for municipalities when considering issuing debt is to ensure they have a supporting debt policy. A policy of this nature can ensure that municipalities do not issue so much debt that they are unable to carry it. Too much debt also can begin to squeeze out other programs and future capital priorities as well as discretionary spending in the operating budget.

The City of Mississauga currently has an extensive debt policy which provides a framework by which Council and staff can effectively administer the City's growing debt needs. The policy incorporates regulatory requirements as well as best practices. This debt policy is an important element in the establishment of a sustainable long term financial plan. The City's current debt policy includes a total annual debt repayment limit of 15 percent of own source revenues; the City is well within this limit. The City's debt policy is significantly more conservative than the limits imposed by the Province which permits debt repayment costs to be within 25 percent of own source revenues.

Long-Range Financial Plan

Long-Range Financial Plan Details

The Long-Range Financial Plan Model

The Long-Range Financial Plan model (the model) is an essential tool for long-term planning for the City. The model has been developed to provide an indication of the City's future operating, capital, debt and reserves and reserve fund requirements, given current conditions. The information presented in this document indicates trends in the various budget areas, based on current financial strategies. These trends will change as decision makers approve new programs, revenues or projects.

The strength of the model lies in its ability to identify implications of future strategies and initiatives as they are proposed, and to confirm the financial impacts of these strategies and determine affordability and impacts on the City's financial position.

The model has the flexibility to set and change assumptions for each major variable. The model allows for incremental or one-time adjustments, and tracking the financial impact to each service area, reserves and reserve funds, debt and the overall tax levy impact to the City. Included for decision-making purposes are standardized reports including graphs and tables that summarize the model's results. The model is interdependent, so can be used to determine the impact of specific decisions. For example, the addition of new capital projects will impact the level of debt and reserves, or a mixture of both, as well as the cost that financing debt will have on the levy.

The foundation data used in the model has been derived from the 2016 budget as approved by Council on December 9, 2015, updated with best available information at the time of publishing this document:

- 2017-2019 operating budget information has been updated to reflect preliminary 2017 budget information being presented to Budget Committee at its June 15, 2016 meeting
- 2020-2025 operating budgets have been projected based on a series of assumptions (identified in the following pages), and recommended best practices related to reserves and reserve fund target levels.
- The ten-year detailed capital program information is based on the 2016-2025 approved plan, adjusted to reflect the anticipated impact of 2017-2026 budget guidelines, including the addition of some currently unfunded projects
- Reserves and reserve fund levels and targets are based on 2016 information, adjusted for planned changes (also identified in the following pages)

The following base assumptions have been applied to future years:

- Existing service levels will be maintained no changes to service levels, or addition or deletion of services, have been assumed
- Compensation increases vary from year to year, and are subject to collective bargaining (for unionized staff) and Council decisions on additional complement and compensation for non-unionized staff. Increases consistent with past experience have been assumed for this model
- Inflation is assumed to remain at approximately current levels. Although annual changes in non-salary accounts can vary significantly from year to year, a standard 2% inflationary factor has been applied to all non-salary and revenue accounts
- In order to remain resilient and to plan for the future, the City introduced a 2% capital infrastructure and debt repayment levy in 2012. Approximately one percent is allocated to fund capital infrastructure and one per cent to fund debt repayment of principal and interest. The LRFP assumes this levy will continue
- Interest rates earned by the City are assumed to be at 2% annually
- Assessment growth is assumed to be 0.5% for 2017, and has been conservatively reduced to 0.25% for 2018. Future years' assessment growth is adjusted based on changes in population
- Interest rate on debt repayment charges have been assumed in the range of 3% - 3.75% for the next 10 years
- The City operating budget and tax levy represent best estimates for anticipated annual expenditures. Nevertheless, operating budget surpluses are often recognized. The LRFP assumes operating budget surpluses based on historical trends
- Funding sources can be added as they become known or estimated
- Capital projects can be added or deleted, and the timing of these projects can be adjusted
- Various terms and rates for debt can be applied
- Reserve targets can be adjusted as required

As noted above, many of the general assumptions in the model are standard rates applied for each year of the ten-year plan. Future iterations of the model and LRFP will include more detailed assessments of specific factors. For example, the City is embarking on refining its asset management plan and will be reviewing options for addressing the infrastructure gap. Once this information becomes available, it will be incorporated into future LRFPs.

The Projections

The model is highly integrated, and changes in one area will impact other areas. For example, some reserve targets are based on specific expenditure levels. As the expenditure levels change, so do the reserve targets. Changes in the capital program result in different debt requirements and/or draws from reserves (resulting in changes in reserve balances). As a result, although the following projections have been broken down into revenues, capital, reserves and reserve funds and operating, the projections must be considered as one entire package. Any changes to assumptions in one component may have an impact in some or all other components of the projections.

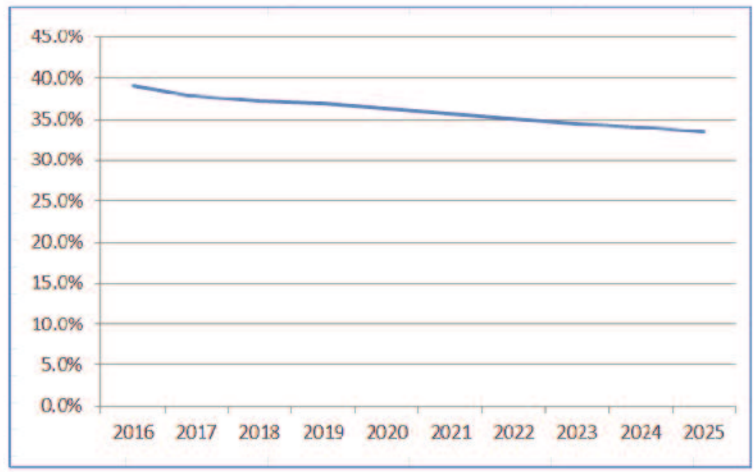
Revenue Forecasts

Current revenue forecasts assume very little change in this area. A standard inflation rate of 2% has been applied to all revenue categories. No changes in revenue sources have been assumed for the next 10 years. The federal government announced new federal infrastructure funding in its 2016 budget. No details have been released regarding specific guidelines around this anticipated funding, so no assumptions have been made with respect to potential federal infrastructure funding levels.

Based on these assumptions, revenues are not anticipated to keep pace with expenditure growth (Figure 29). The proportion of revenue to total gross expenditures (excluding contributions to and from reserves) will be steadily declining unless new sources of revenue are identified. This trend would not be able to be sustained without increasing property taxes to compensate.

Revenue forecasts have been identified as a focus for additional scrutiny in future iterations of the model and the LRFP. In addition, staff is actively researching the potential for new revenue streams that would assist the City's financial position.

Figure 29 - Revenue as % of Gross Expenditures (excluding transfers from Reserves)



Capital Budget

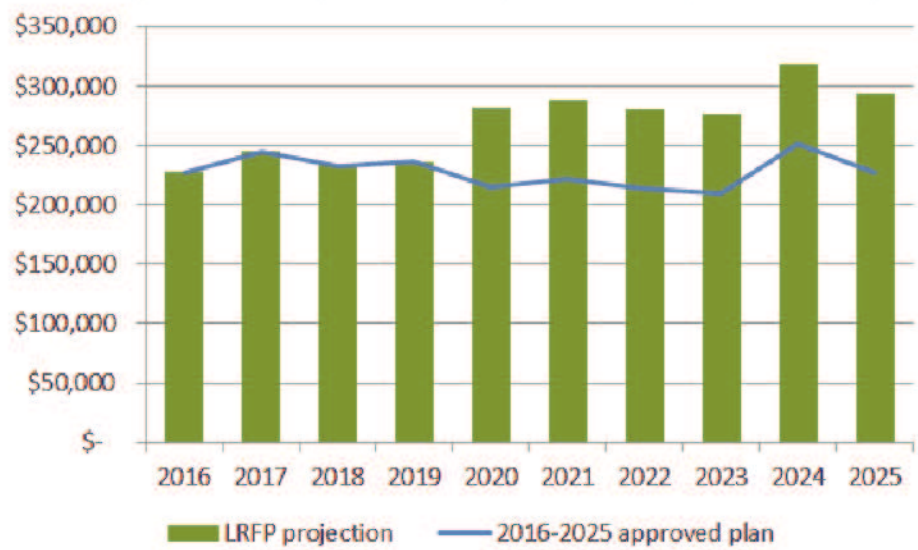
The ten-year detailed capital program information used in the model is based on the 2016-2025 approved capital budget as a starting point. The 2017-2026 budget is currently being developed and will not be available until November 2016. Adjustments to the program have been made for forecasting purposes.

Capital Program

The 2016-2025 forecast identified approximately $800 million in unfunded capital projects for the ten-year period. The 2017 budget guidelines have been modified to ensure there are no unfunded projects in the first nine years of the 2017-2026 plan. The model assumes that approximately half of the currently identified unfunded projects ($400 million) will be included in the 2017-2026 plan, beginning in 2020. The model further assumes that 75% ($300M) of these expenditures would be funded from capital reserves, and 25% ($100M) would be funded through debt. The interest and repayment costs of this additional debt are reflected in future operating budget estimates.

Figure 30 depicts the size of the annual capital budget for the next ten years, based on these assumptions.

Figure 30 Ten-Year Capital Program Projection ($000s)

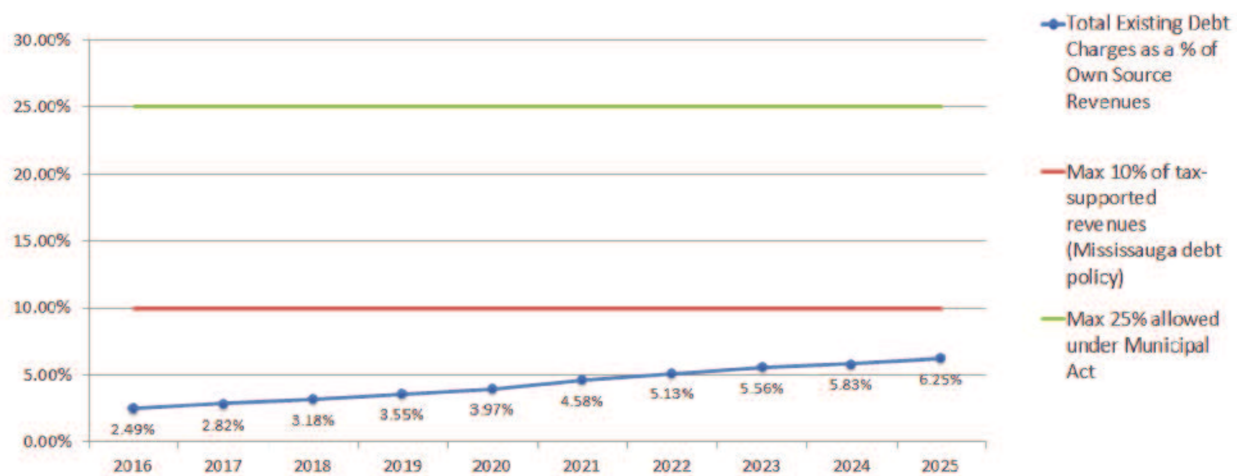


Debt-Servicing Costs

The City's debt policy includes a total annual debt repayment limit of 15% of own-source revenues, out of which the tax-supported debt repayment is capped at 10% and non-tax-supported debt repayment is capped at five per cent. The City's debt policy is more conservative than the legislated ceiling, which permits debt repayment costs to be within 25% of own-source revenues.

Even with the accommodation of $400 million of currently unfunded projects over the next ten years, the City is well within the total annual debt repayment limit of 15% of own-source revenues. As can be noted in Figure 31, however, the assumptions in this plan indicate that the overall debt burden of the City will continue to increase.

Figure 31 - Debt Charge Repayment Forecast



It must also be noted that various large-scale projects have been identified in the City's master plans and during Council deliberations that are not yet far enough in the planning stages to have been included in the current capital budget, even as unfunded projects. As additional projects are added to the capital program, the reliance on debt will have to increase, unless alternative sources of revenue are identified.

Furthermore, even with the increased spending in the City's capital program, the infrastructure gap discussed earlier in this report will not have been fully addressed. A more detailed evaluation of the infrastructure gap and how to address this significant pressure is another area that has been identified for additional scrutiny in future iterations of the model and the LRFP.

Reserves and Reserve Funds

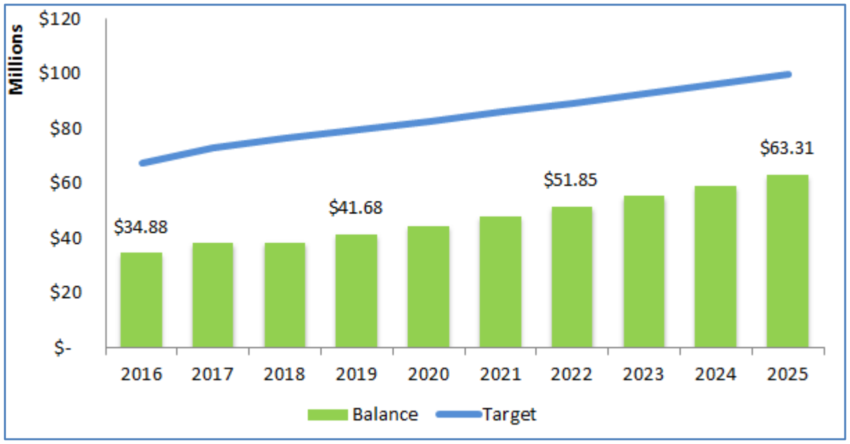
As discussed previously in this document, maintaining sufficient reserves and reserve funds are a critical component of the City's financial planning and financial sustainability. Specific targets have been identified for certain reserves and reserve funds, but not all reserves and reserve funds are currently at target. Three of the most significant reserves managed by the City are the General Contingency Reserve, the Tax Capital Reserve Fund, and the Employee Benefits Reserve Fund.

General Contingency

The Reserve for General Contingency has been established to ensure the City maintains funds for unforeseen or uncertain liabilities and contingencies. BMA has recommended that, based on best practices, the Reserve for General Contingencies should be approximately 10-15% of own-source revenues. This best practice is also recommended by the Government Finance Officers' Association (GFOA) and is equivalent to six-to-eight weeks of own-source revenues.

The City had historically maintained several additional stabilization reserves, and many of these have now been recommended to be consolidated into the general contingency reserve. Some specific stabilization reserves continue to be maintained separately (e.g. winter maintenance, insurance). Due to the continuation of some of these additional reserves, the City has identified a target equivalent to 10% of own-source revenues (i.e. the lower level of the recommended target range).

Figure 32 General Contingency Reserve Projection



As can be seen in Figure 32, the contingency reserve balance is projected to increase over the next ten years, although it will not achieve target by 2025. This is because the target is also increasing annually, as the City's own-source revenues increase. The projected rate of increase of the target is less than that of the balance.

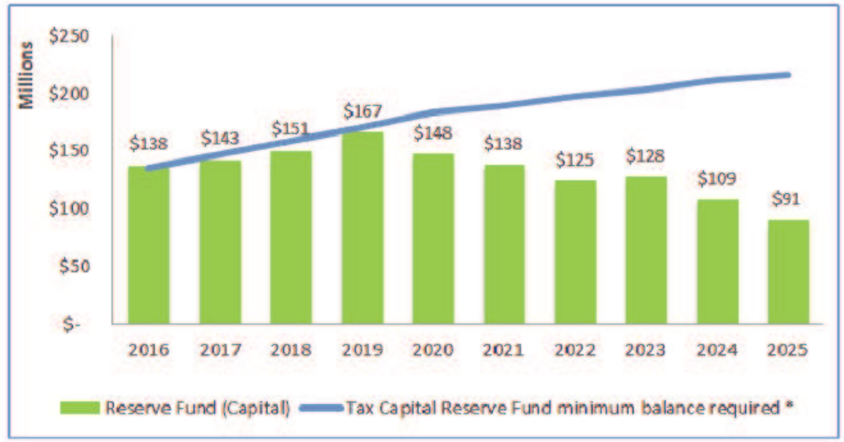
One of the main strategies with respect to reserve management is ensuring each reserve maintains a healthy balance without placing undue hardship on the operating budget (and therefore the tax payer). Given the absolute value of the reserve balance, and the fact that the balance is projected to increase slowly annually, this reserve is considered healthy at this time.

Tax Capital Reserve Fund

The Tax Capital Reserve Fund has been established to provide a source of funding for capital projects. BMA has identified a best practice of maintaining this reserve at a balance of one year's worth of the tax-supported capital expenditure requirements. The City has defined this as the equivalent of a rolling ten-year average of capital spending that is funded from this Reserve.

As can be seen in Figure 33, this fund's balance is projected to decline in the latter years of the ten-year plan. This is a direct result of the plan to begin to address unfunded projects in the capital program, as no increase to capital reserve fund contributions has been planned. No action is being recommended at this time, although it is anticipated that direct action will be required in future years to reinforce this reserve.

Figure 33 Tax Capital Reserve Fund Projection



Employee Benefits Reserve Fund

The target for the Employee Benefits Reserve is currently equal to the actuarial evaluation for these benefits. Staff will be undertaking a thorough review, including a review of best municipal practices, to confirm what portion of the actuarial evaluation should in fact be funded. For that reason, although this fund's balance is declining and is well below the current target, no changes are being recommended at this time.

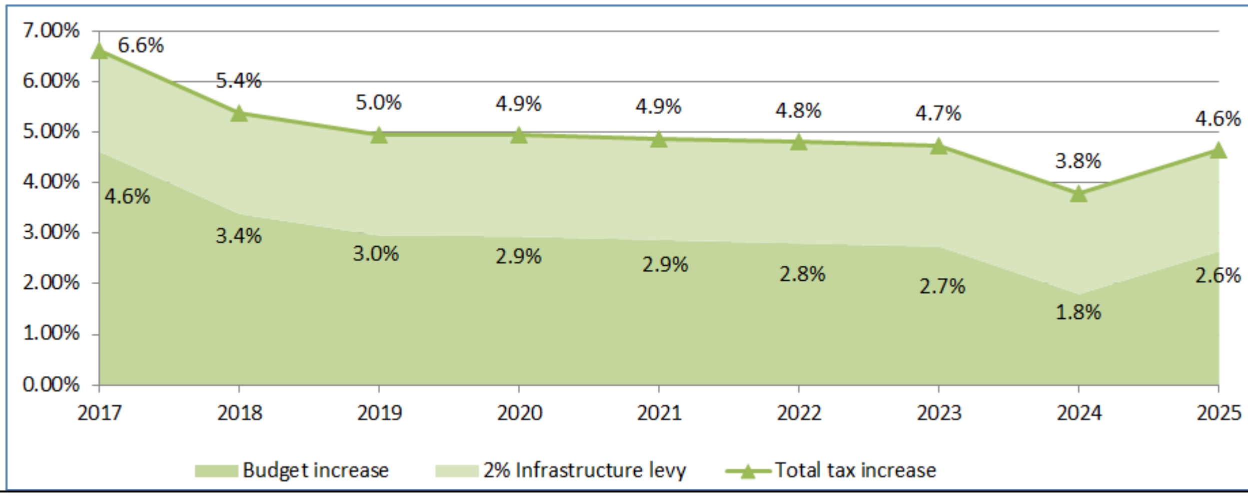
Figure 34 - Employee Benefits Reserve Fund Projection

Operating Budget

As discussed at the beginning of this chapter, all decisions related to revenue generation, capital expenditures, debt-issuance decisions and reserve and reserve fund management are interrelated and ultimately impact the City's operating budget. The current LRFP assumes the City continues at *status quo* — that is, no changes to service levels in our services and programs.

As can be seen in Figure 35, the Mississauga portion of the tax levy is currently estimated to be relatively stable over the next ten years. 2017 is slightly higher than average due to a one-time 0.5% increase in the tax levy specific to the Northwest Park Pool, and 2024 shows a one-time reduction of approximately 1% due to the cessation of the Emerald Ash Borer special levy.

Figure 35 — Tax Levy Change Estimate (Mississauga Portion)



Relative anticipated changes in Mississauga portion only; not to be considered a forecast

Conclusion

Long range financial planning is successful when one systematically thinks about the future and anticipates possible issues before they arise. Development of a long-range plan helps identify future trends and potential funding gaps and provides strategies aimed at improving financial sustainability. This is the City of Mississauga's first comprehensive LRFP. It has been developed to ensure the City remains financially strong and that Council has the best possible advice to make informed decisions. It will help identify opportunities and challenges that will influence the City's future. Ensuring the appropriate financial strategies and tools are in place will assist as decisions need to be made.

The LRFP indicates that the City will continue to be in a financially stable position over the next ten years. It must be noted however that various large-scale projects which have been identified in the City's master plans and during Council deliberations are not yet included in the current capital budget. In addition to the City's focus on transit, many of our Master Plans have identified the potential for growth and improvement that will come with some cost. Furthermore, issues such as climate change, affordable housing, and other emerging topics are anticipated to have additional impacts on the City's businesses. These have the potential of creating significant pressure on future expenditure levels. Future iterations of the LRFP will address these and other, yet unidentified, challenges and opportunities.

Mississauga's LRFP reaffirms to both Council and its residents that the City is accountable and transparent and will continue to provide quality services while keeping taxes affordable.

MISSISSAUGA

City of Mississauga
Corporate Report

MISSISSAUGA

Date: 2016/05/31 To: Chair and Members of Budget Committee From: Gary Kent, Commissioner of Corporate Services and Chief Financial Officer	Originator's files: Meeting date: 2016/06/15

Subject
Reserve & Reserve Fund Management

Recommendation
1. That the report dated May 31, 2016 entitled "Reserve and Reserve Fund Management" from the Commissioner of Corporate Services and Chief Financial Officer be received.
2. That all transfers of balances and closing of reserves or reserve funds, as set out in Appendix 1, "Consolidation and Closing of Reserves and Reserve Funds" be approved, and the necessary by-law be enacted.

Report Highlights

- A key component of the City's long range financial planning is to ensure the City maintains a strong cash position in its Reserves and Reserve Funds. A thorough review of the City's Reserve and Reserve Funds was conducted as part of the preparatory work for the development of the long-range financial plan.
- This report provides an overview of the City's reserves and reserve funds, makes recommendations for amalgamating and/or closing specific reserves and reserve funds, and identifies targets for reserve balances going forward, based on municipal best practice.
- The changes are being recommended with the goal of improving flexibility and management of this key component of our financial condition.

Background
On June 10, 2015 an update on Mississauga's Long Range Financial Plan ("LRFP") was presented to the City's Budget Committee. The presentation focused on the city's current financial condition as well as the building blocks and assumptions that would be used to develop the plan.

There are many key financial components and indicators required to build and maintain a LRFP, such as, debt management, managing reserves and reserve funds, and the development and adherence to prudent fiscal policies. The City has strong debt-issuance policies and is careful to apply stringent debt-level limits. This report focuses on the City's Reserve and Reserve Fund structure, as "maintaining sufficient Reserve and Reserve Funds is a critical component of the City's long-term financial plan" (BMA Management Consulting).

Present Status

Reserves and Reserve Funds

Reserves and reserve funds are created to assist with long-term financial stability and financial planning. By maintaining reserves, the City can accumulate funds for future needs or contingent liabilities, a key element of sound long-term financial planning practices. Reserves and reserve funds also provide stability in times of unexpected shifts in revenues and expenditures. Credit rating agencies consider municipalities with higher reserves more advanced in their financial planning.

"Reserves" are allocated at the discretion of Council, often as part of an overall strategy for future funding programs or projects. "Reserve Funds" are segregated, often by legislation, and restricted for a specific purpose.

The City has a long history of prudently managing its reserves and reserve funds. This report provides an overview of the City's reserves and reserve funds, makes recommendations for amalgamating and/or closing specific reserves and reserve funds, and identifies targets for reserve balances going forward, based on municipal best practice. The majority of reserves and reserve funds have been reviewed and evaluated. Some very specific obligatory reserve funds (such as Development Charges) have not been evaluated in this exercise due to their known restrictive nature. The Treasurer annually reports on Development Charge use.

Today, the City of Mississauga has 142 reserve and reserve fund accounts. Some reserves have been set up over the years for similar purposes. Some reserves have not had any activity in a number of years, while others were originally set up for one-time use.

The City of Mississauga's reserve and reserve fund categories are described as follows:

Stabilization

The City maintains Stabilization reserves and reserve funds to offset extraordinary and unforeseen expenditure requirements and revenue shortfalls, and to manage cash flows. This includes reserves to address volatility such as severe weather events, building and planning revenue fluctuations, tax stabilization, assessment appeals and commodity fluctuations. Over the past five years, the Stabilization reserves and reserve funds have been maintained at a relatively stable level.

Insurance

The City has an insurance program in place where claims in excess of a deductible are transferred to a licensed insurer. The City's approach to risk management is to maintain insurance reserves at levels that are adequate to cover the estimated cost of claims based on the City's self-insured levels and deductibles. The City regularly reviews the appropriateness of these levels.

Employee Benefits

The City maintains employee benefit reserves and reserve funds associated with the Workplace Safety and Insurance Board (WSIB), Sick Leave, Early Retirement and Vacation Pay. This ensures that funds are available to address future requirements and liabilities.

Program Specific

Program Specific reserves and reserve funds are set aside in response to specific programs or special funding that has been received. A number of these reserve funds were also created to hold donations which are received and held on behalf of community groups to fund projects which the City is constructing or maintaining on their behalf. Policies or practices have been established for a number of the Program Specific reserves and reserve funds. Each is specific to the underlying reason for establishing the reserve fund. It is anticipated that the City will continue to establish Program Specific reserve funds based on the changing needs and priorities of the community.

Capital

Capital reserves and reserve funds are monies set aside for the replacement and refurbishment of capital infrastructure.

Gas Tax

The Gas Tax reserve funds include Provincial, Federal and Regional portions of the Federal Gas Tax. Provincial Gas Tax funding is used to support Transit growth. The share of the Provincial Gas Tax is affected by ridership levels and may fluctuate from year to year. The Federal Gas Tax funding can be used for up to two of: transit, road infrastructure, and storm drainage or energy conservation. The City of Mississauga is using the Federal Gas Tax funding for Transit and Road services.

Lot Levies

The Lot Levy reserve funds are monies collected from development prior to the existence of the *Development Charges Act*. These funds are used to supplement credits that have been recognized in accordance with *Ontario Regulation 82/*98 S.17 against future development charges payable for the properties identified through the application process. These reserve funds will eventually be depleted and closed.

Development Charges

Development Charges reserve funds are obligatory funds that are segregated from other reserves and reserve funds and available for the sole purpose of funding growth-related infrastructure. All funding collected under the authority of the City's Development Charges By-law, as permitted by the *Development Charges Act, 1997* as amended, is used to construct growth-related infrastructure for the following services: fire, libraries, recreation, roads, transit, parking, public works, storm water management, and general government.

Developer's Contributions

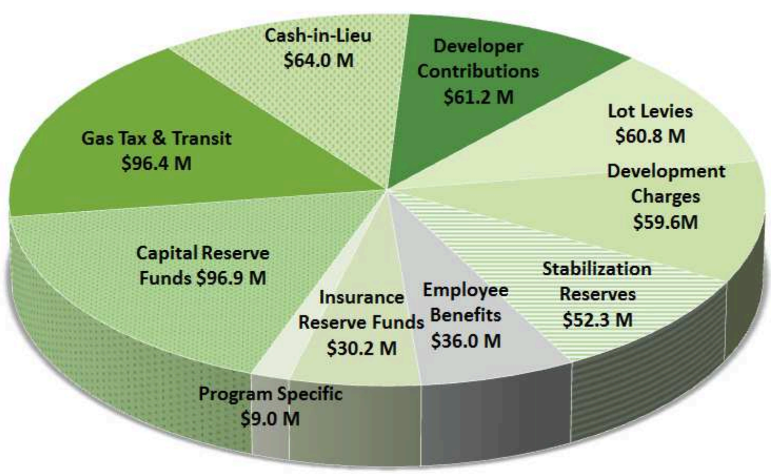
Developer's Contributions consist of contributions for specific municipal infrastructure collected as a condition of land development. Examples include but are not limited to sidewalks, traffic signals and tree planting.

Cash In Lieu – Parkland & Parking

Pursuant to the *Planning Act R.S.O. 1990* c.P.13 as amended, monies received in lieu of parkland dedication are to be set aside in a reserve fund and are to be spent only for the acquisition of land to be used for park or other recreational purposes.

Similarly, monies received in lieu of parking are to be set aside in reserve funds and are to be spent only for parking initiatives.

The total of all reserves and reserve funds at the end of 2015 was $566.3 million (breakdown is shown below):



Comments

A thorough review of reserves and reserve funds was conducted. This is the first thorough reserves and reserve fund review conducted since 2000. In addition to the review performed by BMA Management Consulting (BMA), extensive discussions took place with Legal Services, all impacted departments, and Senior Management.

BMA Reserve Review

BMA reviewed the categories of reserves and reserve funds used by the City, as well as specific reserves and reserve funds with more significant balances. BMA also gave recommendations for closing and consolidating some reserves and reserve funds. Target levels or ranges for some of the reserves and reserve funds were recommended based on municipal best practices.

City Staff Expanded Review

Building on the work completed by BMA, City staff expanded the reserves and reserve funds review to include reserves and reserve funds not assessed by BMA (with the exception of prescribed obligatory reserves like Development Charges). The reserves not reviewed by BMA were primarily those having a minimal monetary value or that were established for a specific purpose.

Although the values in these reserves and reserve funds were smaller, many of them were old accounts, with limited information available. It was challenging for staff to find information as many of these accounts were created more than a decade ago, and in many cases the persons originally responsible and who had detailed knowledge of these reserves either had retired or are no longer with the City.

As part of the review, expenditures and funding sources were analyzed. Staff also ensured all available agreements and other documents related to specific reserves and reserve funds were collected and recorded. To assist in the review process, staff was seconded from both the Business Planning and Reporting, and Financial and Treasury sections. The information generated from this thorough review has enabled staff to create a comprehensive database that will continue to be updated on a go-forward basis.

Department Discussions

Discussions have taken place with both departmental program and finance staff for program-specific reserves. Where appropriate, recommendations were made to streamline reserves and reserve funds. This has resulted in recommendations to transfer balances from some reserve funds to others, and to close or consolidate some reserves and reserve funds.

Legal Discussions

Prior to making recommendations on reserve and reserve fund structures, staff contacted Legal Services to ensure compliance with any legislative requirements. In some cases, despite best efforts, information was limited as the reserves had been set up decades ago, and often had no activity. In these circumstances, recommendations have been made to close and transfer balances. Legal Services agreed that this approach is appropriate given the information available at the time of writing this report. In the future, should there be any unforeseen liability or City obligation that remains from a reserve fund that is closed pursuant to this Corporate Report, appropriate approvals will be obtained to draw the necessary funds from the City's contingency account and/or the City's capital reserve account. The dollar values associated with these transactions are low.

Reserves Re-Organization

As of December 31, 2015, the City of Mississauga had 142 Reserve and Reserve Fund accounts. Over the years, this large number of reserves has required considerable administration. In order to provide better financial management and flexibility, recommendations are being made to close some reserves and consolidate others. Targets for specific reserves and reserve funds have been identified.

Closing of Reserves

A number of reserves and reserve funds have been identified with zero or very low balances, with no activity for a number of years, and/or where the initial purpose for establishing the reserves or reserve funds has already been achieved. Recommendations have been made to close reserves no longer required. In cases where there are remaining balances, it is being recommended that these unallocated balances be transferred to the Capital Reserve Fund to ensure these funds are available for appropriate use.

Consolidation of Reserves

Over the years, reserves have been established for similar purposes. In many instances, the maintenance of reserves with like purposes is not administratively efficient. Therefore, it is being recommended that some reserve and reserve fund balances be consolidated to improve financial flexibility.

Appendix 1 summarizes all of the recommendations for closing and consolidating reserves and reserve funds, as well as recommendations for transferring any remaining balances.

Reserve and Reserve Funds Targets

BMA recommended target levels or ranges for specific reserve and reserve funds based on best practice and their extensive experience working with other municipalities and the Government Finance Officers' Association (GFOA). Staff have validated the recommended targets against historical data and anticipated future spending. Recommended targets are outlined in Table 1 below. Not all reserves and reserve funds are currently at target. The reserve and reserve fund targets will be monitored regularly by City staff and, if required, targets will be revised or funding recommended through the annual budget or works-in-progress reports.

Table 1. Reserve and Reserve Funds; Recommended Targets by BMA and Balances

Reserve or Reserve Fund	2015 Year end Balances	Recommended Target		Target Achieved
Name		Description	Value	%
Reserve for Building Permit Revenue Stabilization	$2,774,029	100%-200% annual Building operating costs	$9,861,604 to $19,723,208	28%
Reserve for Winter Maintenance	$11,612,925	25%-50% based on the five year average of winter maintenance costs.	$5,381,902 to $10,763,804	Yes
Reserve for General Contingencies	$34,878,165	Target 10%-15% of City's own-source revenues.	$ 67,204,226 to $ 100,806,339	52%
Insurance Reserve Funds	$30,175,207	At each year end, equal to the sum of the case reserves and actuarial present value for current but not reported claims (IBNR)	$35,502,270	85%
Employee Benefits Reserve Fund	$35,968,755	Estimated liability from actuarial valuations	$77,459,267	46%
Capital Reserve Fund	$90,409,543	To maintain a minimum threshold cash balance which is equivalent to one year's worth of the 10 year average of the tax-supported capital expenditure requirements	$99,724,700	91%

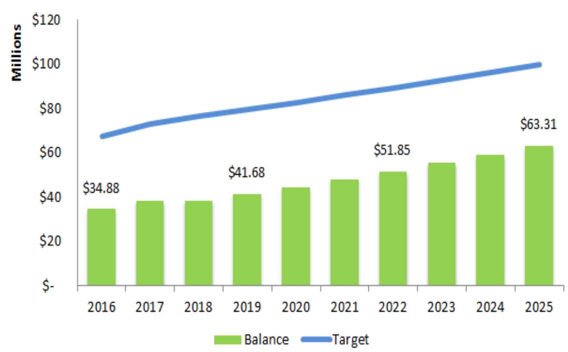
Three of the most significant reserves managed by the City are the General Contingency Reserve, the Tax Capital Reserve Fund, and the Employee Benefits Reserve Fund.

General Contingency

The Reserve for General Contingency has been established to ensure the City maintains funds for unforeseen or uncertain liabilities and contingencies. BMA has recommended that, based on best practices, the Reserve for General Contingencies should be approximately 10-15% of own-source revenues. This best practice is also recommended by the GFOA and is equivalent to six-to-eight weeks of own-source revenues.

The City had historically maintained several additional stabilization reserves, and many of these have now been recommended to be consolidated into the general contingency reserve. Some specific stabilization reserves continue to be maintained separately (e.g. winter maintenance, insurance). Due to the continuation of some of these additional reserves, the City has identified a target equivalent to 10% of own-source revenues (i.e. the lower level of the recommended target range).

Figure 1 – General Contingency Reserve Projection



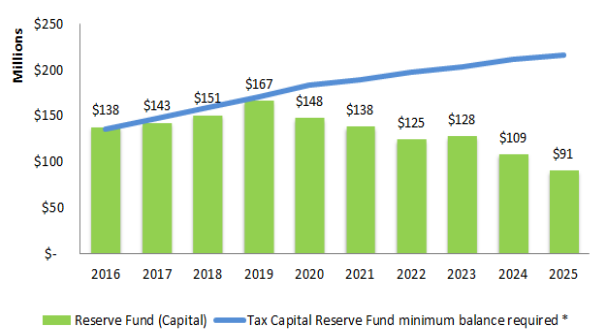
As can be seen in Figure 1, the contingency reserve balance is projected to increase over the next ten years, although it will not achieve target by 2025. This is because the target is also increasing annually, as the City's own-source revenues increase. The projected rate of increase of the target is less than that of the balance.

One of the main strategies with respect to reserve management is ensuring each reserve maintains a healthy balance without placing undue hardship on the operating budget (and therefore the tax payer). Given the absolute value of the reserve balance, and the fact that the balance is projected to increase slowly annually, this reserve is considered adequate at this time.

Tax Capital Reserve Fund

The Tax Capital Reserve Fund has been established to provide a source of funding for capital projects. BMA has confirmed the City's target of maintaining this reserve at a balance of one year's worth of the tax-supported capital expenditure requirements. The City has defined this as the equivalent of a rolling ten-year average of capital spending that is funded from this Reserve Fund.

Figure 2 – Tax Capital Reserve Fund Projection



As can be seen in figure 2, this fund's balance is projected to decline in the latter years of the ten-year plan. This is a direct result of the strategy to begin to address unfunded projects in the capital program, as no increase to capital reserve fund contributions has been planned beyond that included in the two percent infrastructure. No action is being recommended at this time, although it is anticipated that direct action will be required in future years.

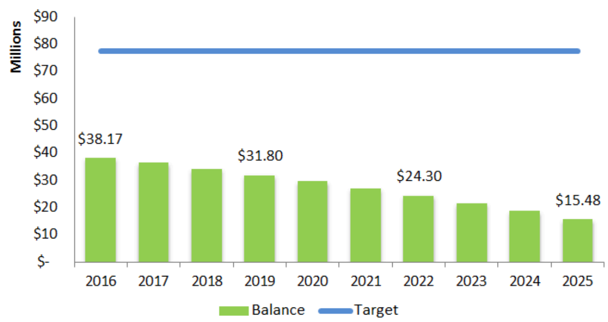
As identified in the LRFP, options for increasing reserve contributions are limited. No changes in revenue sources have been assumed for the next 10 years. Any increases to reserve contributions would have to be accommodated through further increases to the tax levy.

Recommendations on how the gap can be closed will be contained in the next iteration of the LRFP.

Employee Benefits Reserve Fund

The target for the Employee Benefits Reserve is currently equal to the actuarial valuation for these benefits. Staff will be undertaking a thorough review, including a review of best municipal practices, to confirm what portion of the actuarial valuation should in fact be funded. For that reason, although this fund's balance is declining and is well below the current target, no changes are being recommended at this time.

Figure 3 – Employee Benefits Reserve Fund Projection



Next Steps – Reserves and Reserve Funds

The gains achieved through the thorough review of reserves and reserve funds will be sustained through the establishment of policies and procedures regarding establishing, using, monitoring and closing reserves, appropriate documentation, and potentially, delegation of authority for reserve and reserve fund administration. Staff anticipate returning in the fall with new reserve and reserve fund policies and amendments to the By-law. In addition, the City's reserves and reserve funds will be regularly reviewed, in coordination with the Business Plan & Budget process, and recommendations will be presented for Council's deliberations.

Financial Impact

The consolidation and closing of reserves and reserve funds has no direct financial impact, as balances have been transferred to other reserves or to existing capital projects, as appropriate.

Conclusion

A streamlined approach to reserve and reserve fund management is a key step in ensuring improved financial management as a key component of the City's financial position and Long Range Financial Plan principles. The City's reserves remain in a healthy condition, with the new LRFP providing additional scrutiny and context for Council as they consider each budget cycle.

Attachments

Appendix: 1- Consolidation and Closing of Reserves and Reserve Funds
Appendix: 2 - Summary of Reserves / Reserve Funds After All Changes

G. Kent.

Gary Kent, Commissioner of Corporate Services and Chief Financial Officer

Prepared by: Carolyn Paton, Manager, Strategic Financial Initiatives

Consolidation and Closing of Reserves and Reserve Funds

RESERVE / RESERVE FUND NUMBER	RESERVE / RESERVE FUND	2015 Closing Balance ($000s)	RECOMMENDATION
Consolidate			
305125	General Contingency - Existing Balance	12,325	Consolidate into General Contingency Reserve (Total $34.9 million)
305155	Labour Settlements	6,466	
305165	Assessment Appeals	4,688	
305130	Legal Settlements	1,740	
305145	Commitments	113	
305305	Commodity - Hydro	2,262	
305310	Commodity - Diesel	6,095	
305315	Commodity - Natural Gas	1,189	
305180	Early Retirement	500	Consolidate into new Employee Benefits Reserve Fund (Total $36 million)
305115	Vacation Pay	5,820	
34165	Group Insurance Benefit Reserve	5,920	
36121	Sick Leave - Non-Union	67	
36125	Sick Leave - Union	6,929	
37121	WSIB	16,733	
35203	Developer Contributions - Drainage-Unallocated	1,577	Consolidate into one Developer Contribution SW Fund (Total $2.8 million)
35204	Developer Contributions - Water Quality	1,202	
33131	Roadway Infrastructure Maintenance	5,277	Consolidate into Capital Reserve Fund (Total $15.3 million added to Capital Reserve Fund)
35381	Facility Repairs & Renovations	5,972	
35575	Comm Facility Redevelopment Fund	429	
35111	Main Fleet Vehicle & Equipment	881	
35131	Transit Vehicle & Equipment	2,284	
35141	Fire Vehicle & Equipment Replacement	428	
Other Transfers			
35564	Aircraft Noise Warning Sign	2,762	Transfer $2.65M to Capital Reserve Fund (33121)
35201	Roads Unallocated	35,981	Transfer $28.4M to Capital Reserve Fund (33121)
Close			
Zero Balance			
35573	Investing in Ontario Act	0	Close (Zero Balance)
31351	DC Appeal - Residential 2009	0	
31352	DC Appeal - Industrial 2009	0	
31353	DC Appeal - Non-Industrial 2009	0	
35321	Amenities-Cadillac	0	
35325	Amenities-Mascan	0	
35330	Amenities-CF Erin Mills S	0	
35336	Amenities-Markborough Streetsville	0	
35337	Amenities-Mascan Miss Valley	0	
35338	Amenities-Mascan Miss Meadows	0	

RESERVE / RESERVE FUND NUMBER	RESERVE / RESERVE FUND	2015 Closing Balance ($000s)	RECOMMENDATION
Non-Zero Balance			
35185	Ontario Bus Replacement	2	Transfer Balance to Capital Reserve Fund (33121)
35188	Provincial Road & Bridge Infrastructure	8	
35190	Ontario Transportation Demand Mgt	0	
35211	Sodding/Seeding-Unallocated	209	
35213	Subdiv Works o/s-Unallocated	9,210	
35505	Village of Sherwoodtown	130	
35507	CP Pymts per agreements	36	
35517	City Centre Promotion Campaign	44	
35533	PCC-90-VGR Investments	36	
35537	Community Donations-Unalloc	124	
35566	Donations - Traffic Safety Council	4	
305110	Reserve for Development Stabilization (Revenue)	2,280	
305160	Reserve for Planning Process Update	795	
35205	Other Eng-Unallocated	5,154	Transferring $3.76M to Capital Reserve Fund and remaining balance to existing and new Developer Contributions accounts.
35332	Amenities-CFMeadowvale W	3	Transfer Balance to Various Ward 9 Park Improvements (PN12385)
35333	Recreation-CFMeadowvale X	2	
35323	Amenities-Markborough	5	
35339	Recreation-Mascan Creditview	31	Transfer Balance to Erindale Park Washroom Replace-Design (PN13312)
35528	Zonta Accessible Park	15	Transfer Balance to Playground Redevelopment - Various Sites (PN10303)
35531	Glenforest Tennis Club	76	Transfer Balance to Sports Fields (New) TennisCrts Brookmede Pk (PN15313)
35565	Friends of Ratray Marsh	34	Transfer Balance to Restore Falling Shoreline - Jack Darling (PN13306)
35568	Rivergrove C.C. Donations	4	Transfer Balance to Rivergrove Renovation project (PN14428)
35501	Deferred Works-Sawmill Ck	332	Transfer Balance to SW Capital Reserve Fund (35992)
35563	Ninth Line Detention Pond	40	
35509	First City-16 Mile Creek	228	
35514	Meadowvale Theatre Capital Improvement Reserve Fund	78	Transfer Balance to Reserve for the Arts (305195)
35569	Heritage C.C. Donations	3	

Summary of Reserves/Reserve Funds After All Changes

RESERVE / RESERVE FUND NUMBER	RESERVE / RESERVE FUND	2015 Closing Balance ($000s)
Total Operating Reserve Funds		
34105	Insurance-Transit Fleet	3,373
34107	Insurance-Transit Accident Benefits	7,432
34110	Insurance-Corporate Fleet	156
34115	Insurance-Property	746
34120	Insurance-Municipal Liability	13,137
34125	Insurance-Crime & Bond	523
34130	Insurance-Boiler & Machinery	787
34135	Insurance-Errors & Omissions	2,788
34161	Insurance Reserve Fund	28
34170	Insurance-Environment	1,205
	Total Insurance Reserve Fund	**30,175**
New	Employee Benefits Reserve Fund	35,969
	Total Operating Reserve Funds	**66,144**
Total Operating Reserves		
305161	Building Permit Revenue Stabilization	2,774
305190	Bus Shelter Advertising	342
305135	Elections	1,470
305125	Reserve for General Contingencies	34,878
305320	Reserve for Stormwater Contingency	0
305120	Winter Maintenance	11,613
305195	Reserve for the Arts	1,406
	Total Operating Reserves	**52,483**
	Total Operating Reserve and Reserve Funds	**118,627**

Summary of Reserves/Reserve Funds After All Changes

RESERVE / RESERVE FUND NUMBER	RESERVE / RESERVE FUND	2015 Closing Balance ($000s)
Total Capital Reserve Funds		
Total DC and CIL Parkland Funded		
Development Charges		
31305	New DCA-City Holding	0
31310	New DCA-General Gov't	-4,283
31315	New DCA-Recreation	13,018
31320	New DCA-Fire Services	-8,259
31325	New DCA-Library	212
31330	New DCA-Transit	6,035
31335	New DCA-City wide Eng	29,439
31340	New DCA-Public Works	-1,496
31343	New DCA-Parking	1,789
31345	New DCA-LAC	0
31347	New DCA Hershey	0
31350	New DCA-Storm Water	21,281
31354	DC Appeal - Residential 2014	1,559
31355	DC Appeal - Industrial 2014	22
31356	DC Appeal - Non-Industrial 2014	306
	Total Development Charges Reserve Fund	**59,625**
32121	Parkland - CIL	58,397
	Total Development Charges and Parkland CIL Funded	**118,022**
Total Other Funded		
35220	Bonus Zoning	646
Developer Contributions		
35201	Roads-Unallocated	7,572
New	Transfer to Third Party Developer	1,399
New	Bike Lanes/Bike Route Signs	
New	LRT Streetscape	
35207	Sidewalks-Unallocated	1,599
35209	Traffic Signals-Unallocated	4,329
35215	Tree Planting	8,108
35218	Hershey Loan Receivables	-6,255
35219	Parks - Other	88
New	Stormwater	2,779
	Total Developer Contributions Reserve Fund	**19,619**

Summary of Reserves/Reserve Funds After All Changes

RESERVE / RESERVE FUND NUMBER	RESERVE / RESERVE FUND	2015 Closing Balance ($000s)
Lot Levy		
35102	General Government	0
35104	Fire	1
35106	Transit	4,292
35108	Library	10,224
35112	Community Centres	5,650
35114	Arenas / Outdoor Ice	15,133
35116	Pools	5,806
35126	Engineering Other	36
35124	Major Storm Improvement	16,632
35311	Major Watercourses-Unall	2,940
	Total Lot Levy Reserve Fund	**60,715**
Program Specific		
35577	Gymnastics Mississauga Capital	52
35518	(EDAC) Economic Development Advisory Council	75
35539	Scarf Donations	215
35555	Donations - Stroke Breakers	3
35570	Enterprise Centre	-8
35345	Mississauga Garden Park Dev (B)	214
35346	Mississauga Garden Park Maint (B)	84
35515	Benares House Endowment	123
35540	Donations - Vic Johnston Redevelopment	455
35538	Boeing Airport Mem-Donations	47
35564	Aircraft Noise Warning Sign	112
	Total Program Specific Reserve Fund	**1,372**
Payment-in-lieu of Off and On Street Parking		
35351	CIL Parking Port Credit	3,215
35352	CIL Parking Cooksville	115
35353	CIL Parking Clarkson	384
35354	CIL Parking Streetsville	38
35355	CIL Parking Lakeview	73
35360	CIL Parking City Centre	1,769
	Total CIL Parking Reserve Fund	**5,594**
	Total Other Funded	**87,945**

Summary of Reserves/Reserve Funds After All Changes

RESERVE / RESERVE FUND NUMBER	RESERVE / RESERVE FUND	2015 Closing Balance ($000s)
Total Tax Funded		
Gas Tax/Transit		
35186	Provincial Transit Grant	2,663
35189	Metrolinx BikeLinx Reserve	64
35184	Bus Rapid Transit - Provincial	3,462
35187	Move-Ontario 2020 Higher Order Reserve	10,908
35180	Public Transit Fund	1,844
35181	Gas Tax Reserve Fund-Provincial	17,941
35182	Gas Tax Reserve Fund-Federal	6,753
35183	Regional Gas Tax Reserve Fund	52,726
	Total Gas Tax and Transit Reserve Fund	**96,360**
33121	Capital Reserved Fund	138,102
35993	Stormwater Pipe Reserve Fund	0
35992	Stormwater Capital Reserve Fund	600
35574	2009 Special Project CRF	1,215
35583	Britannia Hills Golf Course	109
35586	Emerald Ash Borer Fund	3,271
35529	Courtneypark Turf/Synthetic	1,003
35532	Loyola Artificial Turf Soccer Field/Track	358
37100	Debt Management - Tax	7
37200	Debt Management - Storm Water	490
	Total Tax Funded	**241,516**
	Total Capital Reserve Funds	**447,483**
Total Reserves/Reserve Funds		**566,110**

Summary - Reserves and Reserve Funds	
Total Operating Reserve Funds	66,144
Total Operating Reserves	52,483
Total Operating	**118,627**
Total Development Charges and Parkland CIL Funded	118,022
Total Other Funded	87,945
Total Tax Funded	241,516
Total Capital	**447,483**
Total Reserves/Reserve Funds	**566,110**

City of Mississauga
Corporate Report

Date: 2016/05/27	Originator's files:
To: Chair and Members of Budget Committee	
From: Gary Kent, Commissioner of Corporate Services and Chief Financial Officer	Meeting date: 2016/06/15

Subject
City of Mississauga 311 Citizen Contact Centre December Holiday Closure

Recommendation
That the report from the Commissioner of Corporate Services and Chief Financial Officer dated May 27, 2016 entitled City of Mississauga 311 Citizen Contact Centre December Holiday Closure be received for information.

Report Highlights
- This report provides a response to a Councillor's request to maintain normal business hours of the 311 Citizen Contact Centre during the administrative holiday closure at the City, due to complaints received from residents attempting to get hold of staff during the holidays.
- The City of Mississauga is committed to providing a high value customer focused experience for our citizens of Mississauga.
- 82% of all telephone inquiries are informational in nature resulting in a customer service representative providing the information.

Background
During the January 13, 2016 General Committee discussion, Councillor Mahoney requested a review of the 311 Citizen Contact Centre holiday closure, stating that there was frustration expressed by citizens who were trying to get hold of city staff during the administrative holiday closure at the City.

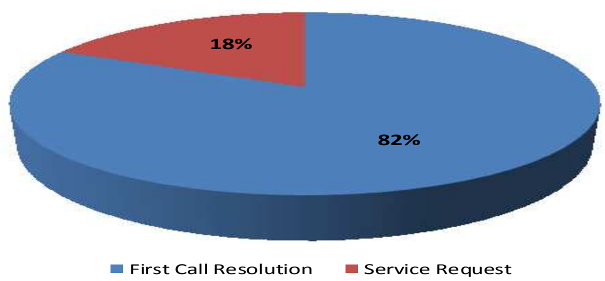
The goal of the 311 Citizen Contact Centre is to provide responsive, seamless and easily accessible customer service.

During 2014 and 2015, the 311 Citizen Contact Centre handled in excess of 270,000 and 265,500 phone inquiries respectively. While usage of 311 self-service channels is expected to continue to grow, 87% of all the inquiries in 2015 were received via the telephone. 311 on-line service inquiries are currently available via email, social media, City website and the mobile app Pingstreet.

An inbound call to the 311 Citizen Contact Centre will result in either an:

- Information Request - information is provided (first call resolution), or
- Service Request – request is sent to the business unit for action and a reference number is provided to the citizen for status tracking

Figure 1: Calls are either - Service Requests or Information Requests



The service level target in the Call Centre is to handle 90 % of calls as "one and done".

Customer service representatives will respond to the citizen's request for information by referring to the knowledge base content created in collaboration with the business unit and the 311 Citizen Contact Centre.

Using their extensive training the 311 Citizen Contact Centre's customer service representative can determine where the service request needs to be directed, making the request simple for the citizen.

Under normal operating hours, once the 311 Citizen Contact Centre issues a service request, it becomes the business unit's responsibility to address it within the established service levels. .

Present Status

The 311 Citizen Contact Centre operates weekdays from 7:00 am until 7:00 pm and is seamlessly integrated with the Region of Peel Customer Contact Centre. Callers hear an upfront greeting and can route themselves directly to the Region by pressing an option. Transportation and Works After Hours Dispatch Services are available 7 pm to 7 am Monday to Friday and 24/7 weekend and holidays and are available by pressing another option to route the call.

The role of After Hours Dispatch Services is to deal with immediate/urgent requests which will be dispatched to the area and/or on-call staff. All other callers with inquiries such as tax, parking tickets, etc. are advised to call back weekdays from 7:00 am until 7:00 pm.

Dispatch and the 311 Citizen Contact Centre work closely together during a major weather or emergency event. There is a protocol in place for the 311 Citizen Contact Centre to provide additional support outside of its regular business hours based on the nature of the event and the number of calls in queue. Having a pool of well-trained part-time staff allows the 311 Citizen Contact Centre to scale up quickly for unpredictable events.

The 311 Citizen Contact Centre call volumes vary considerably depending on events that are predictable such as tax billing and events that are unpredictable in nature, such as extreme weather. The 311 Citizen Contact Centre manages fluctuations of call volume through staff scheduling and the use of part-time staff. To forecast call volumes, the historical number of inbound calls for the last two years is averaged. Staffing levels are set based on the historical average call handle time, call volumes and meeting the 80/30 service level target (eighty percent of calls answered within 30 seconds).

December can be one of the lowest call volume months, depending on the weather. In December 2015, an average of 777 calls per day were received.

Comments

In reviewing whether to have the 311 Citizen Contact Centre open during the holiday closure, staff looked at:

Call volumes

During the holiday closure from noon on December 24, 2015 through to January 1, 2016, including weekends, Dispatch received a total of 1,423 calls. This included a snow event on December 29th.

Staff resources

The 311 Citizen Contact Centre staffing coverage required during the holiday closure for weekdays from 7:00 am until 7:00 pm would be minimal, with 2 staff per shift (two shifts of 6 hours each) for coverage, safety and backup purposes.

Other considerations

The location of the 311 Citizen Contact Centre is open during the holiday shutdown period and no special accommodations to use the facility would be required other than a notification to security to ensure that the building HVAC and lighting systems are on. Access to the building is currently provided through security cards.

Financial Impact

2016	Proposed coverage over the holiday period	Compensation Rate
Dec 26	Open	Public Holiday
Dec 27	Open	Public Holiday
Dec 28	Open	Regular time
Dec 29	Open	Regular time
Dec 30	Open	Regular time
Jan 2	Closed	Public Holiday – New Year’s Day

The public holidays that fall on December 26 and 27 this year require compensation at premium time which is equivalent to one and a half times pay for hours worked along with the choice to receive payment for the public holiday at regular rate or a day in lieu of, to be taken in future. The three remaining days are at regular time.

Labour costs of the proposed coverage over the holiday period would be approximately $9,280.00. This cost would be over and above the current operating budget.

Conclusion

Traditionally, December is the lowest call volume of the year. During the December holiday shut down period from December 26 to December 30, 2016, citizens calling 311 may connect to Transportation and Works dispatch for immediate or urgent requests. Transportation and Works dispatch is accessible 24/7 and will dispatch requests to the business unit area and/or on-call staff. Should there be an unplanned weather or other event, a protocol is in place which permits the activation of the 311 Citizen Contact Centre.

G. Kent.

Gary Kent, Commissioner of Corporate Services and Chief Financial Officer

Prepared by: Wendy McClymont, Manager, 311 Citizen Contact Centre