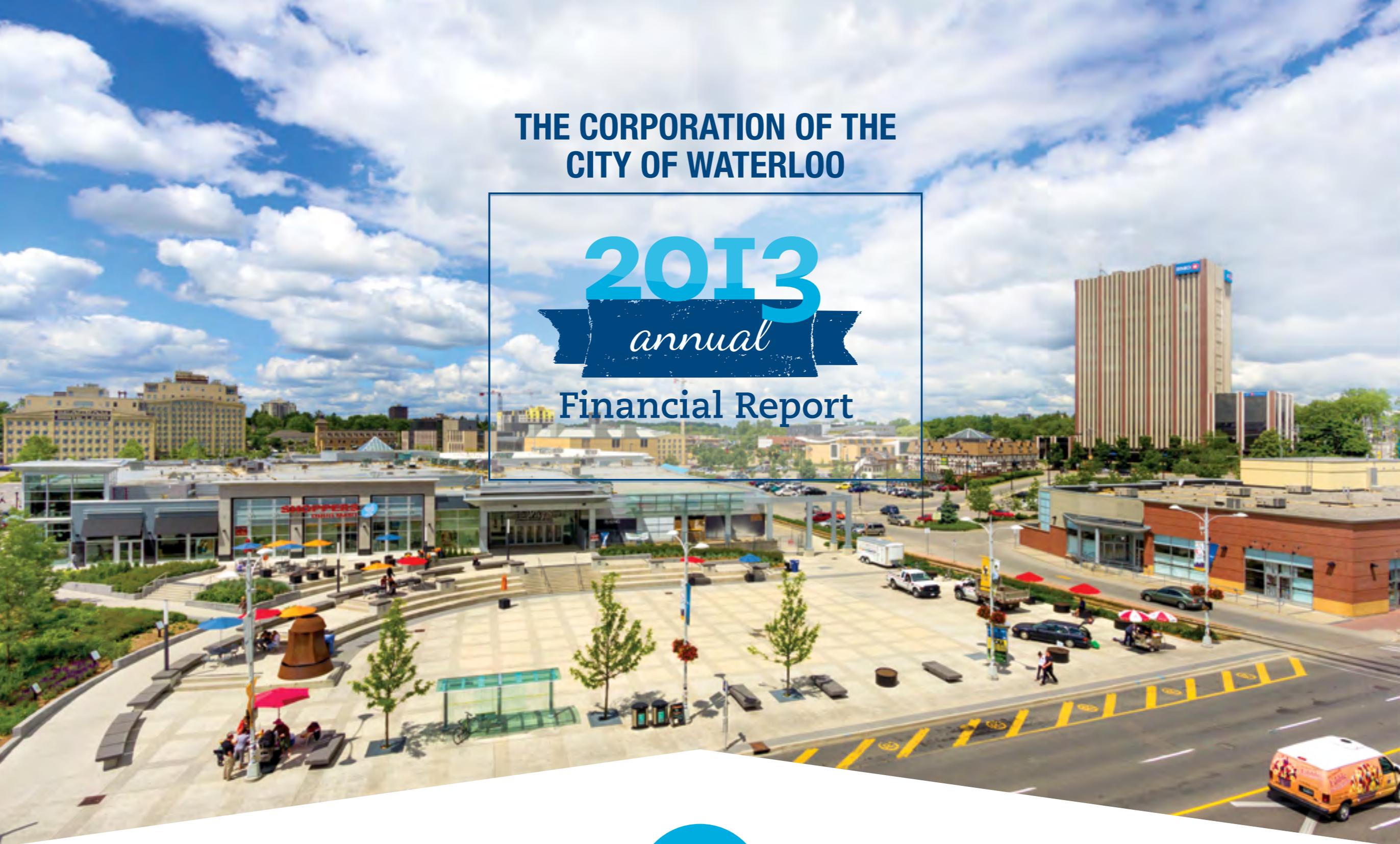


THE CORPORATION OF THE  
CITY OF WATERLOO

2013  
*annual*  
Financial Report





# MAYOR'S

## message

I, along with council and staff, am committed to achieving a vision of becoming a dynamic, beautiful and global city. Globalization makes it more important than ever to maintain and enhance our quality of life so we are an attractive place for foreign investment, startups and a place where families are comfortable planting roots and building a future.

The programs and incentives this council has approved will enhance our reputation as a location of choice for businesses, developers and families alike. Our [brownfield community improvement plan](#), for example, will encourage developers to build on lands they may not have considered otherwise.

Development and growth in Waterloo is booming, evidenced by the many cranes in operation across the city and our strong building permit value with \$372 million in construction value generated in 2013. Over \$150 million of that comes from the industrial, commercial and institutional sectors.

Not only are we seeing employment land development like the Waterloo Corporate Campus, but our skyline continues to take new shape with the Barrel Yards and Park Street condo developments nearing completion. These new residential projects will add more than 2,000 people in the uptown core – a real economic boost for those in the local retail, dining and arts and entertainment industries.

One project I am particularly proud of is the new 4-storey, 80,000 square foot [medical centre at The Boardwalk](#). This facility has brought us new medical imaging specialists, a laboratory, pharmacy and most critically, new family doctors for our community.

We all believe in the success of our city and will continue to make great strides to promote Waterloo locally and to the world. Great things are in store for Waterloo.

**BRENDA HALLORAN**  
**MAYOR OF WATERLOO**



ORGANIZATIONAL  
STRUCTURE

05

THE CITY OF   
**Waterloo**

CAO'S  
MESSAGE

05

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WHERE DO YOUR  
PROPERTY  
TAX DOLLARS GO?

07



MAYOR OF WATERLOO

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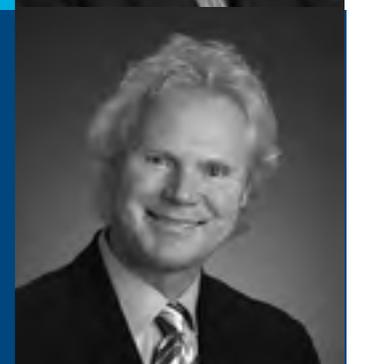


SOUTHEAST / WARD 5

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City of Waterloo  
**COUNCIL**

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UPTOWN / WARD 7

Melissa Durrell

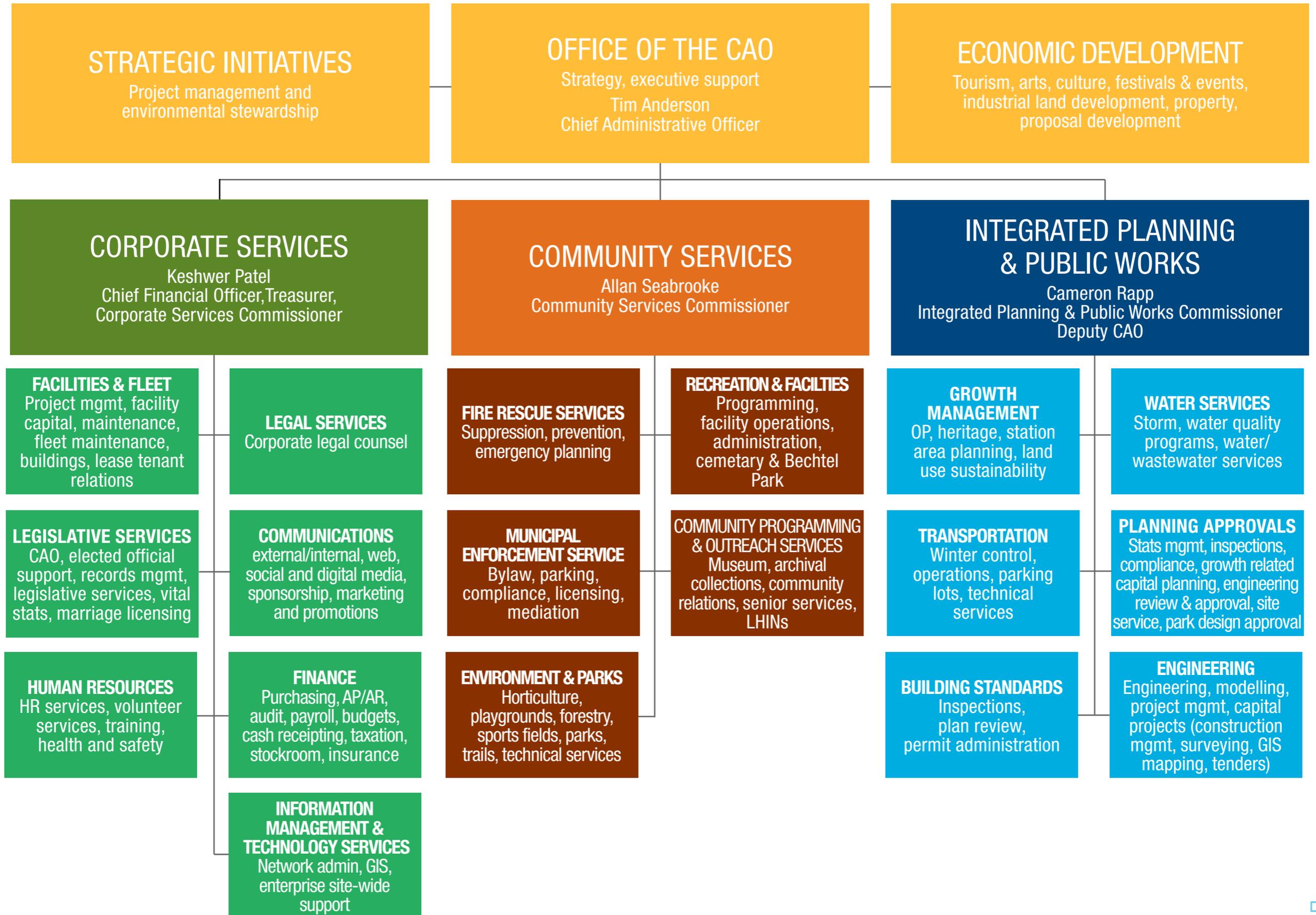
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2010 - 2014

# City of Waterloo corporate organizational chart





# CAO

message

Our staff will continue to focus on service excellence with our residents and visitors while being mindful of the need for efficiency and effectiveness in our service delivery. Our tax increases remain among the lowest in the region. We do this through conservative financial management, innovative and professional staff and a focus on maintaining our existing programs.

As we face the future, it's important we review our investment in community grants, arts and culture in order to ensure the continued vibrancy of our city. Our infrastructure, which is vital to growth and sustainability, is aging and intensification requires us to continue with upgrades. We remain focused on life-cycle related capital and growth projects and our work with other municipal organizations to advocate for greater federal and provincial commitment.

Our residents and community are what matter and their input and feedback shape the way we deliver our services. We look forward to continued dialogue with all members of our community as we continue to grow and evolve.

**TIM ANDERSON**  
**CHIEF ADMINISTRATIVE OFFICER**

# CFO

## message



It is my pleasure to present a clear and [comprehensive summary of the financial operations](#) of the City of Waterloo for the year ended December 31, 2013. The financial statements of the City of Waterloo reflect a strengthening in overall financial position.

The city's budget supports many important services and projects and is based on balancing priorities for maintaining current service levels, investing in growth where appropriate, while making prudent financial decisions. 2013 was the second year of a three-year budget which incorporated a number of expense-management measures, including minimal expansion and growth initiatives and a continued focus on finding internal efficiencies to control expenditures. The budget strategies regarding the Municipal Price Index (MPI) and three-year budgeting has enabled the city to plan for the future and provide the taxpayers with a consistent and known property tax increase. The 2013 financial results demonstrate the city's commitment to fiscal responsibility and delivery of excellent service to our residents.

All of the information in this annual report is the responsibility of the city's administration team and has been reviewed by a [citizen-based audit committee](#). The financial statements have also been through an [audit](#) by KPMG LLP Chartered Accountants in accordance with Canadian public sector accounting standards. The auditors have expressed an unqualified opinion that the city's financial statements present fairly, the financial position of the city as at December 31, 2013.

The city has a system of internal controls designed to provide reasonable assurance that the financial statements are accurate and complete in all material respects. These internal [controls](#) provide reasonable assurance that the city's financial records are reliable and form a proper basis for preparing the financial statements and that the assets are properly accounted for and safeguarded.

The following pages provide the financial highlights of 2013. A more detailed analysis is provided in our financial report and analysis to council, along with our consolidated financial statements which include a five-year review summary and a list of the largest corporate tax payers in Waterloo. In addition, this year we are presenting a [financial dashboard](#) to provide a quick view of the city's position on a number of high level financial measures.

A handwritten signature in black ink, appearing to read 'K. Patel', written in a cursive style.

**KESHWER PATEL**  
**CHIEF FINANCIAL OFFICER**  
**MAY 12, 2014**

# FINANCIAL HIGHLIGHTS

## CFO summary

### In summary:

- Total net financial assets have increased by \$21.5 million over last year. Waterloo's city council has approved key actions and policies, developed by management, regarding debt issuance (pay as you go capital projects philosophy) and reserve maintenance and investment in infrastructure has assisted in this outcome
- Debt per capita has decreased from last year and is at a ten-year low, but exceeds the provincial average. Additionally debt ratios for debt to reserves and debt interest as a ratio of revenue are above internal target levels and the provincial median
- Reserves have increased \$4.3 million over last year and are at a ten-year high. Needs for reserves are still significant due to the infrastructure deficit but the city is moving in the right direction towards levels needed to maintain infrastructure needs
- Significant investment in replacement infrastructure has occurred in 2013, although capital investment did not exceed amortization in 2013. Investment in replacement infrastructure has a direct impact in managing the infrastructure deficit
- Debt and reserve ratios are improving and the city is showing an overall strengthening of its financial position and will continue to stay vigilant in minimizing additional debt issues. Additionally, staff are working on an asset management plan in order to address the material infrastructure deficit the city, like many of its counterparts, is facing

# REVENUES

## Revenues exceed budget

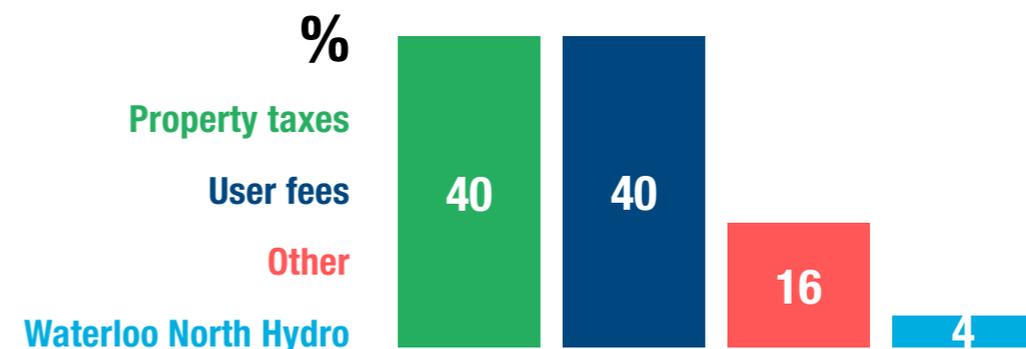
Revenue exceeded budget in several areas, while expenditures were within budget. The result was an operating budget surplus relative to budget of \$2.7 million. Surplus funds have been transferred to reserves as per corporate policy for future operating and capital expenditures approved by council.

**Revenues totalled \$158 million in 2013 (compared to a budget of \$157 million) as follows:**

- \$64 million from property taxes
- \$64 million from user charges, the main component of which are water and sewer charges and facility rentals
- \$24 million from other sources such as grants, investment income, development charges, fees
- \$6 million from a change in the equity in Waterloo North Hydro Holding Corporation

## The city's sources of revenue in 2013

The total revenue the city received in 2013 from various sources was \$158 million.



# EXPENSES

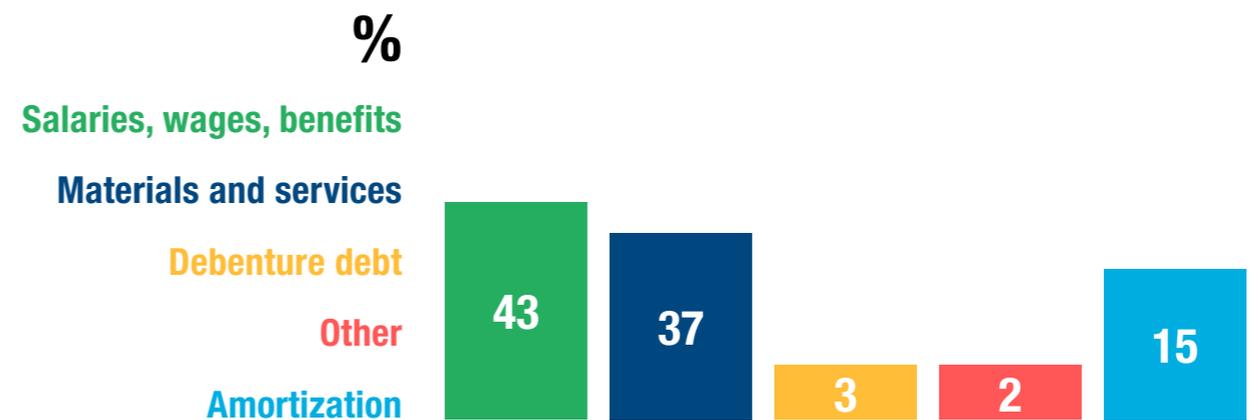
## Expenditures

Overall, expenditures increased marginally when compared to 2012. The city does not currently budget for amortization and as a result total expenditures exceeded budget. If this non-cash item is removed the city expenditures for 2013 would fall well within budget. Expenditures totalled \$142 million (compared to a budget of \$128 million, excluding amortization) as follows:

**Expenditures totalled \$142 million (compared to a budget of \$128 million, excluding amortization) as follows:**

- \$61 million for salaries, wages and employee benefits
- \$52 million for materials and services
- \$4 million for debenture debt interest
- \$4 million for other expenditures
- \$21 million for amortization

## The city's expenditures in 2013



# RESERVE FUNDS

## What are reserve funds?

Reserves are a critical component of a municipality's long-term financial health. The City of Waterloo has established reserves and reserve funds to provide stability to tax rates in the face of variable factors, to provide funding for one-time requirements, to make provisions for the replacement/acquisition of infrastructure and to provide flexibility to manage debt levels.

Reserves and reserve funds totalled \$49.5 million at December 31, 2013, an increase of \$4.3 million from 2012. Reserve levels have been increasing but are not at a sufficient rate to adequately be used to replace tangible capital assets on a timely basis. This is contributing to the infrastructure deficit. Annual transfers to reserves will likely need to be increased in order to maintain and replace the \$1 billion (at historic cost) of capital assets that the city owns. The city is currently completing a long-term asset management plan to determine long-term funding requirements.

Reserve levels on the water/wastewater side rate more favourably. Net book value of assets as a percentage of the original cost ranges from 42% to 70%, reflecting varying degrees of depreciation of assets and the need to invest in the infrastructure. It is anticipated that reserve and reserve funds will decline in the future as the city continues to implement the planned capital expansion and replacement programs to address the infrastructure deficit.

# DEBT

## Why do we have debt?

The financing of capital programs traditionally comes from five major sources including debentures, transfers from reserve funds, development charge fees, grants and operating revenues. The mix of financing varies from year to year based on the nature of the projects approved within the respective year. The city has implemented some strong controls on the issuance of new debt and as a result the debt per capita number is at a ten-year low. The city's current level of outstanding debt is \$63.9 million or \$480 per capita which is below the provincial limit which identifies an additional \$1,272 per capita in capacity, but the ratio is above the provincial average.

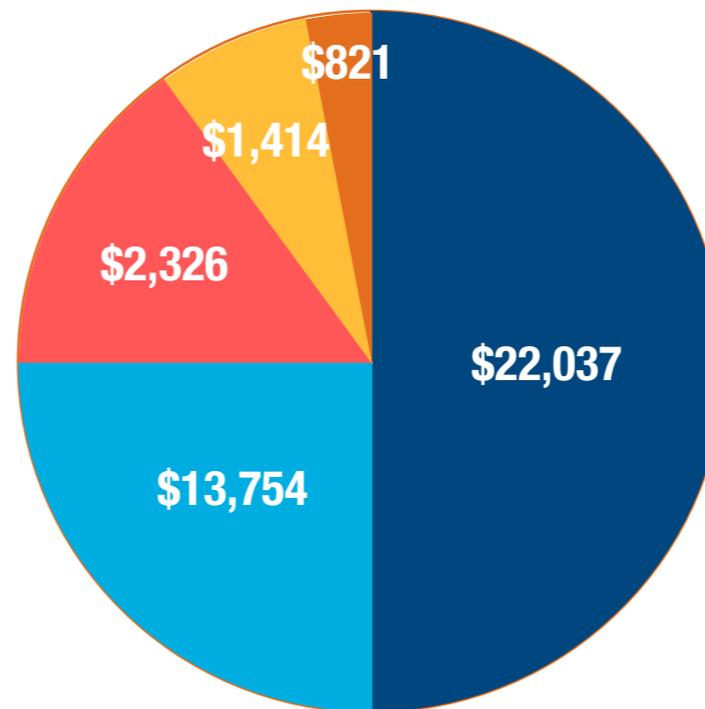
Our debt ratios for debt to reserves and debt interest as a ratio of revenue are above internal target levels and the provincial median. Therefore, the city will continue to stay vigilant in minimizing additional debt issues.

# TAXES

## How are the taxes you pay distributed?

The City of Waterloo receives 3.5 cents, on average\*, for every tax dollar you pay to the various levels of government, including the provincial and federal governments. With this 3.5 cents for each tax dollar, the city delivers the services you depend on including snow clearing, leaf pickup, recreational programs, fire services and road maintenance, among many others.

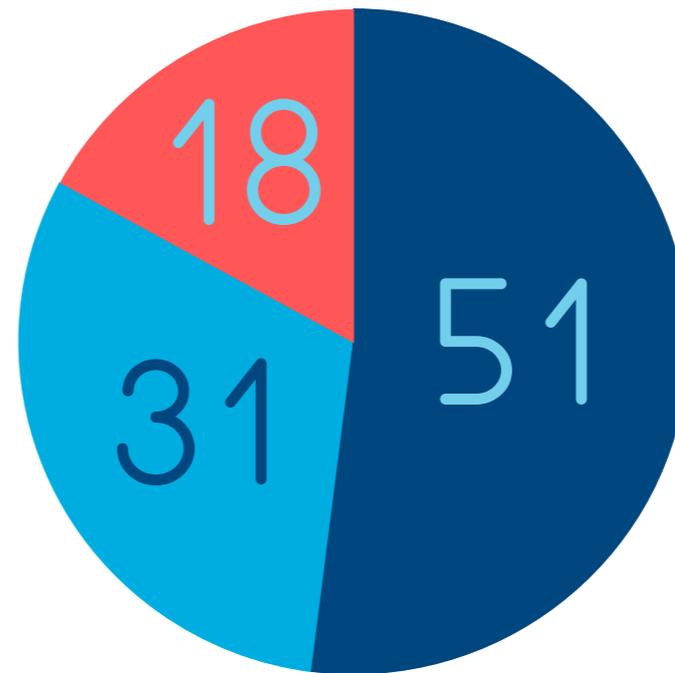
**\*Based on the average Waterloo family with an income of \$95,776 and who pays \$40,352 in total taxes. The city's portion is \$1,414.**



- Federal government**
- Provincial government**
- Region of Waterloo**
- City of Waterloo**
- Boards of Education**

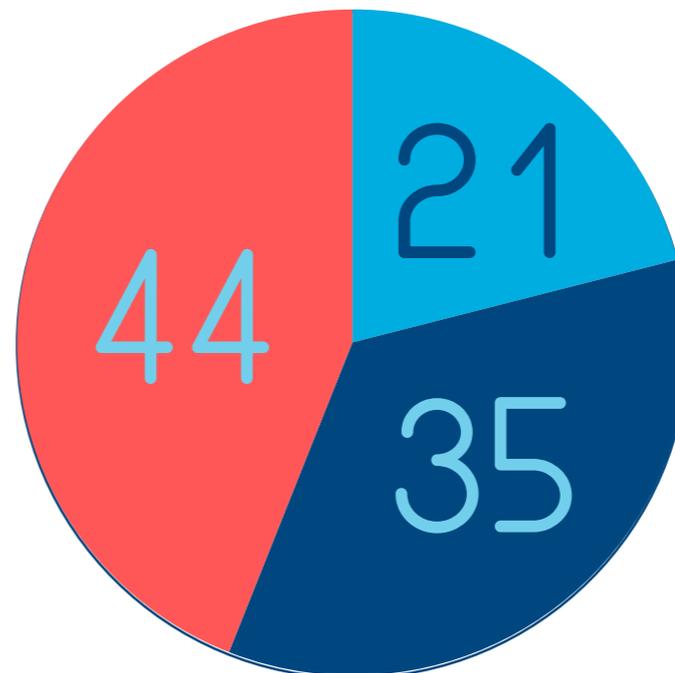
# WHERE DO YOUR PROPERTY TAX DOLLARS GO?

Residential property tax %



**Region of Waterloo**  
**City of Waterloo**  
**Waterloo Region  
School Boards**

Commercial & industrial property tax %



**Waterloo Region  
School Boards**  
**Region of Waterloo**  
**City of Waterloo**

# YOUR TAX DOLLARS AT WORK

## What do you get for your money?

The 2013 tax rate increase was 1.55%. A typical homeowner with a home valued at the average assessed property value of \$323,000 will pay \$3,908 for property taxes in 2013. The city's share of this amount is \$1,195, which works out to less than \$100 a month. For less than \$100 each month, the City of Waterloo provides a variety of municipal services.

Here's how that \$100 each month was spent in 2013:

<b>Fire Rescue &amp; Municipal Enforcement</b>	<b>\$28.10</b>
<b>Operations</b>	<b>\$17.58</b>
<b>Government Administration</b>	<b>\$13.87</b>
<b>Recreation &amp; Leisure Services</b>	<b>\$13.05</b>
<b>Capital Projects</b>	<b>\$11.28</b>
<b>Debt</b>	<b>\$10.23</b>
<b>Planning &amp; Growth Management</b>	<b>\$5.56</b>



FIRE RESCUE  
& MUNICIPAL  
ENFORCEMENT

\$28<sup>10</sup>.mo.

# Fire Rescue Services

## A focus on safety

Last year, the city's fire prevention office made 140 visits to local schools, universities and public events spreading the word about fire safety in the home. Fire prevention officers and fire fighters put together a live demonstration to teach young university students, often living on their own for the first time, the importance of care and safety when preparing food.



 [CLICK ON VIDEO ABOVE TO PLAY](#)





OPERATIONS  
\$1758  
.mo.

# Mother nature's cold shoulder

## Winter in Waterloo

The winter of 2013/2014 took its toll on city resources. Since April 2013, Waterloo has been plagued by ice storms, a wind storm and major snow storms. With close to 50 weather alert days that included 23 days with temperatures below -20 degrees Celsius, Waterloo staff worked tirelessly to clean up trees, plow streets and city sidewalks and repair broken watermains. This past winter is marked as the coldest in 37 years with snowfall accumulation the likes of which has not been experienced in decades.

Staff plow and salt over 800 kilometres of roads, loading and hauling the excess snow overnight when no cars are on the roadways. The city clears and salts all city sidewalks, facility parking lots, many park pathways, school and pedestrian crossings and bus stops. In addition snow clearing equipment must be maintained and serviced, often around the clock.

*Check out this time-lapse video of winter 2013 along Father David Bauer Drive in Waterloo.*



CLICK ON VIDEO ABOVE TO PLAY



39

SNOW EVENTS



200

PUBLIC GARBAGE CANS  
TO COLLECT AND EMPTY

600

BUS STOPS AND

100

PEDESTRIAN CROSSINGS  
TO CLEAR

812

KMS  
OF ROADWAY  
AND  
100 KMS  
OF SIDEWALK  
TO PLOW  
AND  
SALT



A photograph of two women in an office environment. The woman on the right is smiling and looking towards the woman on the left. They are seated at a desk with a computer monitor and keyboard. The background is slightly blurred, showing other office elements.

# GOVERNMENT ADMINISTRATION

\$13.87  
.mo.

# Increased community engagement

## We Are Waterloo

**Wearewaterloo.ca** was launched in 2013 to augment the work of the city's economic development team to solidify Waterloo's place on the global stage. This new communications tool makes it easier for site selectors, external business prospects and local businesses to choose Waterloo for their next business venture. A brief video on the main page tells Waterloo's story of a ground-breaking, intelligent, resilient and progressive city with an economically viable future.



 **CLICK ON VIDEO ABOVE TO PLAY**

## Ping Street

The idea for **PingStreet** was conceived by the citizens of the City of Waterloo during the public engagement process for our website project in Jan. 2013.

A first-of-its-kind mobile application, PingStreet was specifically designed to facilitate seamless, daily interactions between citizens and multi-level government. Localized information is delivered directly to your handheld device, at no cost, for download or running of the application.

Waterloo citizens now have real-time access to location-based information including garbage and recycling calendars, elected officials, reporting of a problem, current events, construction detours around road closures and more.





RECREATION  
& LEISURE  
\$ 13.05  
.mo.

# See you in the play garden!

## Upgrades to Waterloo Park

The City of Waterloo embarked on a major project to upgrade Waterloo Park's frontage along Father David Bauer Drive (across from the Waterloo Memorial Recreation Complex).

The frontage was transformed with the construction of upgraded streetscape, a new playground and various new event areas (green rooms). Each green room is defined by a distinct tree species and houses a variety of uses such as a new playground, a picnic area and a play space.

The streetscape frontage along the park on Father David Bauer Drive was also upgraded to include a new wider sidewalk, parallel parking spots for visitors and food trucks, signage and lights.

This project was made possible in large part thanks to the generous grant funding received through the Government of Canada's Community Infrastructure Improvement Fund of \$779,589.

*At the grand opening of the Waterloo Park frontage along Father David Bauer Drive, Waterloo.*





CAPITAL  
PROJECTS  
\$11.28  
mo.

# Upgrades support core growth

## The uptown is on the up and up

Uptown Waterloo is in the historical core of the city and has evolved into an appealing district made up of a unique blend of traditional and modern residential, commercial and cultural resources.

With the significant redevelopment and intensification taking place in this key area of our community, upgrades to Father David Bauer Drive support the city's expanding infrastructure requirements and enhance Father David Bauer Drive as a key entranceway into the uptown Waterloo core area of the city, as well as a gateway to Waterloo Park and the Waterloo Memorial Recreation Complex.

Three major capital projects took place along Father David Bauer Drive between Erb Street West and Westmount Road including sanitary sewer upgrades, necessary to accommodate development growth in the western half of the city. Waterloo's frontage along Father David Bauer Drive was also transformed with new playgrounds and green rooms. This project was possible, in part, thanks to the generous funding received through the [Government of Canada's Community Infrastructure Improvement Fund](#). New decorative street lighting, bike lanes, improved sidewalks and buried hydro lines were part of the streetscape improvements made possible due to a significant funding contribution by the Barrel Yards developer.



2.5

MILLION DOLLARS  
IN RECONSTRUCTION  
OF THE  
INFRASTRUCTURE ALONG  
FATHER DAVID BAUER DR.



4600

NEW  
RESIDENTIAL  
UNITS  
IN  
WATERLOO



2.3

MILLION DOLLARS IN  
UPGRADES TO  
WATERLOO PARK



350

MILLION DOLLAR BARREL YARDS  
PROJECT BRINGS COMMERCIAL  
AND RESIDENTIAL DEVELOPMENT  
TO THE CORE



DEBT

\$ 10.23  
mo.

# Waterloo's debt is at a ten-year low.

## The city continues to minimize debt

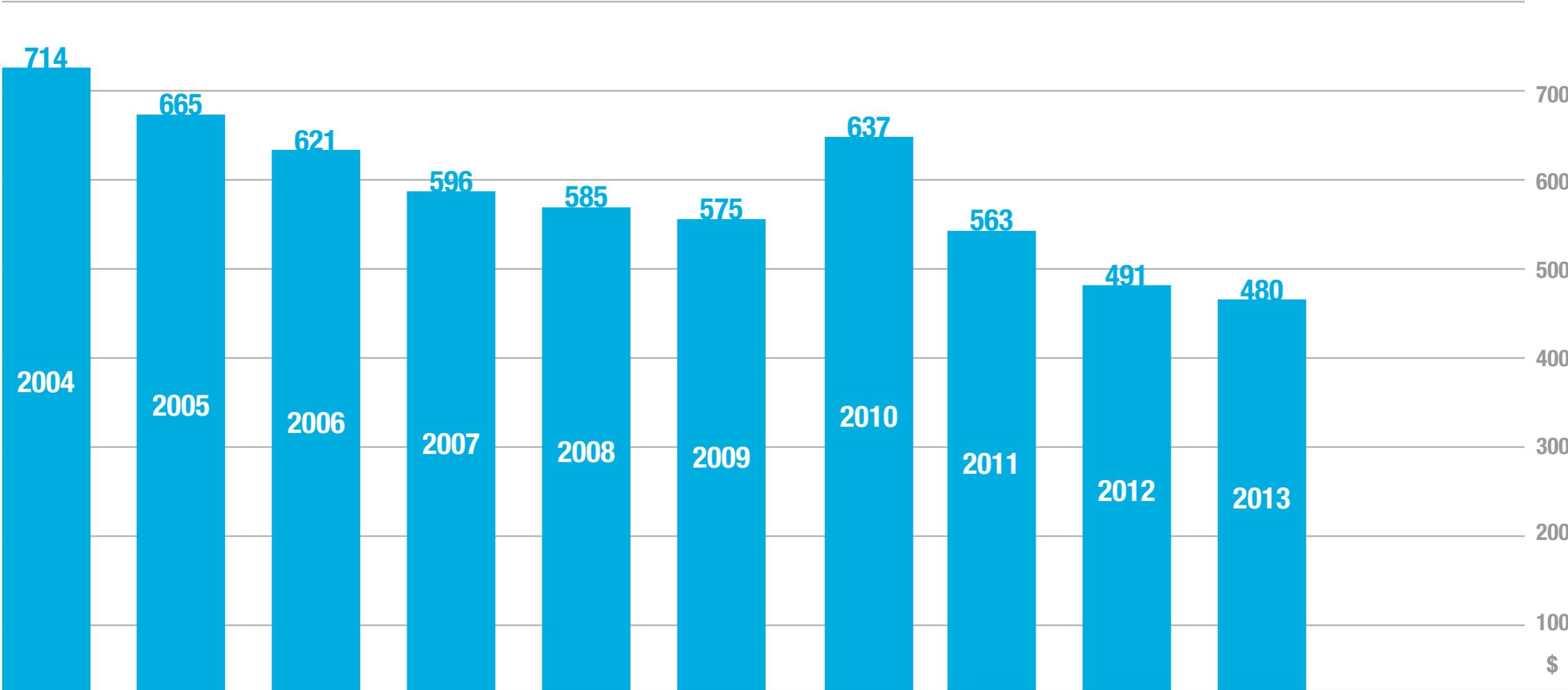
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Our debt ratios for debt to reserves and debt interest as a ratio of revenue are above internal target levels and the provincial median.

The city will continue to stay vigilant in minimizing additional debt issues.

### Debt per capita for last ten years (\$)





PLANNING  
& GROWTH  
MANAGEMENT

\$5.56  
.mo.

CIGI CAMPUS

# Waterloo's heating up

## Waterloo's economic climate

Economic development is one of our main priorities. The current estimated population (including university and college students) is 131,100 and is expected to grow to 164,000 by 2030. As we reach our city boundaries, assessment growth has slowed and the city is now reliant on in-filling projects for most of its growth.

Assessment growth continues to be strong averaging just over 2% for the past five years and 2.9% for 2013. There has been an overall increase in the non-residential assessment and levy collected by the city over the last five years, indicating success of the economic development push by Waterloo's city council. This trend changed in 2013 as the residential and multi-residential growth outpaced the industrial and commercial growth in the tax base.



372

MILLION DOLLARS IN TOTAL  
CONSTRUCTION VALUE AND  
PERMITS ISSUED



1

DELUXE BARREL YARDS INCLUDING  
UPSCALE TOWNHOMES, APARTMENTS  
AND CONTEMPORARY  
LIVE/WORK SPACES



1.6

MILLION SQ FT OF NEW  
COMMERCIAL SPACE



1

NEW FOUR-STAR  
HOTEL OPENING  
IN 2014

1300

NEW RESIDENTIAL UNITS  
DEVELOPED IN UPTOWN  
WATERLOO

# THE FULL REPORT

## Consolidated financial statements for the City of Waterloo for the fiscal year ended December 31, 2013.

City of Waterloo staff has prepared the [financial statements](#) according to public sector accounting standards. Staff believe these financial statements fairly present the City of Waterloo's consolidated financial position, results of operations and cash flows. It is my pleasure to present this clear and comprehensive [summary of the financial operations of the City of Waterloo](#) for the year ended December 31, 2013.



**KESHWER PATEL**  
**CHIEF FINANCIAL OFFICER**  
**MAY 12, 2014**

### **2013 staff report**

The [2013 staff report](#) was prepared for Waterloo city council on May 12, 2014 and includes a detailed summary analysis of the consolidated financial statements.

### **2013 consolidated financial statements**

The [consolidated financial statements for the Corporation of the City of Waterloo](#) for the fiscal year ended December 31, 2013 are provided along with an independent auditors report from KPMG LLP Chartered Accountants. Statistical information including a five-year review summary and a list of the largest corporate property tax payers in the city are included here as well.

### **Financial dashboard**

The city has developed a [financial dashboard](#) to provide a quick view of the city's position on a number of high level financial measures including the city's overall financial position, debt, reserves and asset conditions and economic growth. It sets targets for each of these areas and shows how the city rates compared to those targets and the previous year.