Federation of Citizens' Associations of Ottawa
fca-fac
Fédération des associations civique d'Ottawa

General Meeting
Wednesday November 20, 2024
Hosted virtually via Google Meet

Draft Agenda

1	Call to order; welcome to participants, land acknowledgement	2 min
2	Approval of Agenda	2 min
3	Presentation: 2025 City Budget	20 min
	Break	10 min
4	Open Mic	15 min
4	Approval of the Minutes of the last General Meeting – October 16, 2024	5 min
5	Chair's Report – Paul Johanis FCA Position Statement on Proposed Official Plan Amendment	5 min
6	Treasurer's Report – Lorne Cutler	5 min
7	Committees Reports and Status a. Planning & Zoning FCA Submission on Draft 1 New Zoning Bylaw b. Transportation c. External Relations Feedback on Official Plan Monitoring Report d. Communications e. Governance f. Membership CA Mapping – Dave Coyle g. Funding	30 min
9	Working Group Report a. Zoning b. Insurance	10 min
11	Other Business	10 min
12	Adjournment	

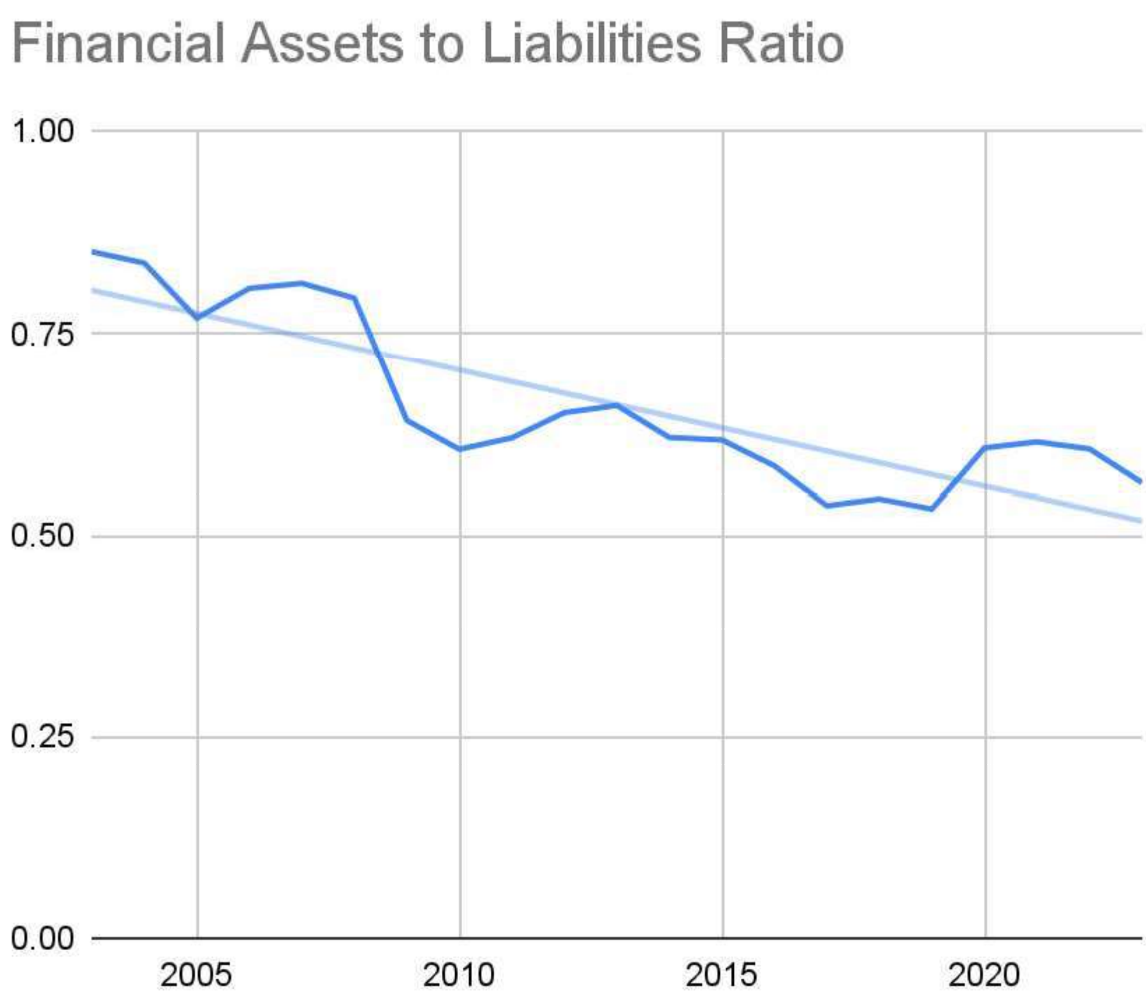
Upcoming Meetings:
Transportation Committee: Thursday, November 21, 2024
Planning and Zoning Committee: Thursday, December 5, 2024
FCA General Meeting: TBC

Budget Analysis

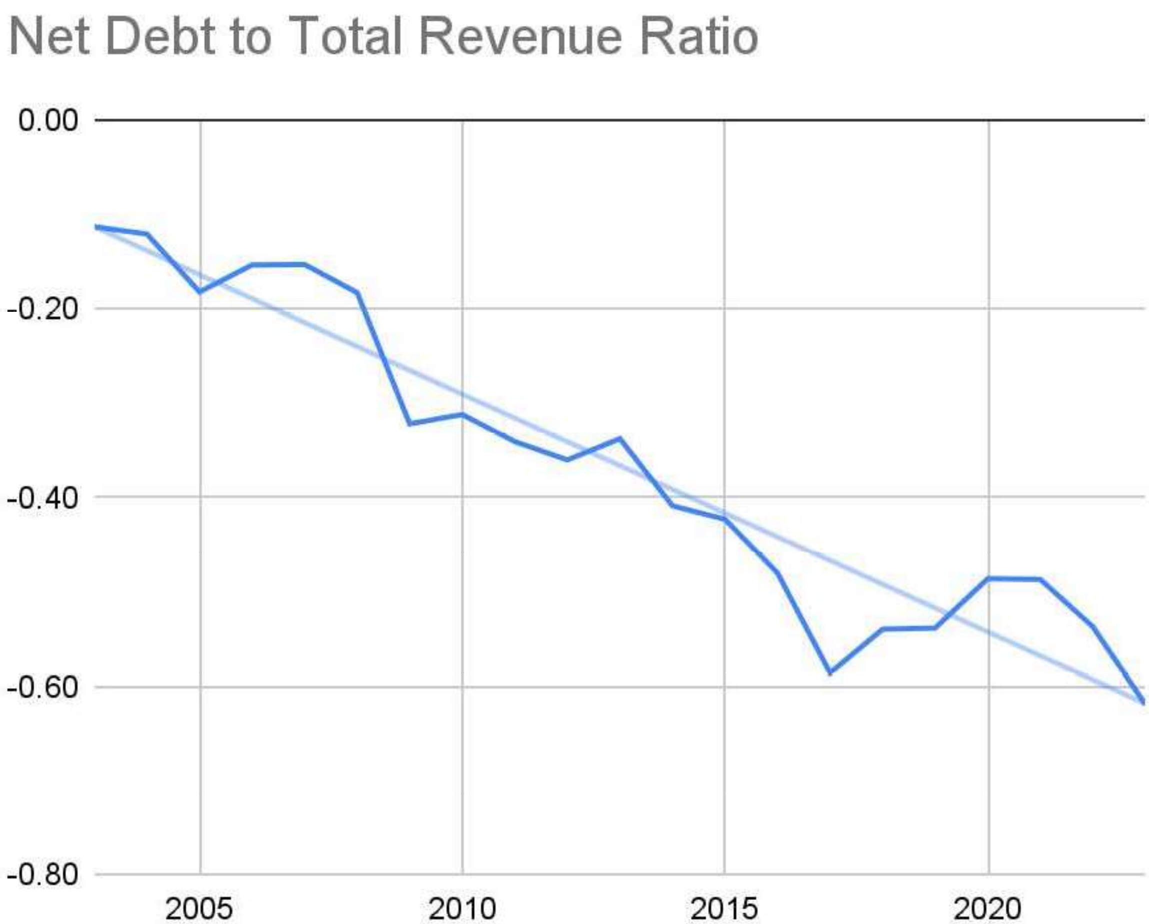
1. Financial Sustainability

Financial sustainability refers to Ottawa's ability to maintain existing service and financial commitments without increasing its debt or tax burden relative to its economic base. Key metrics include:

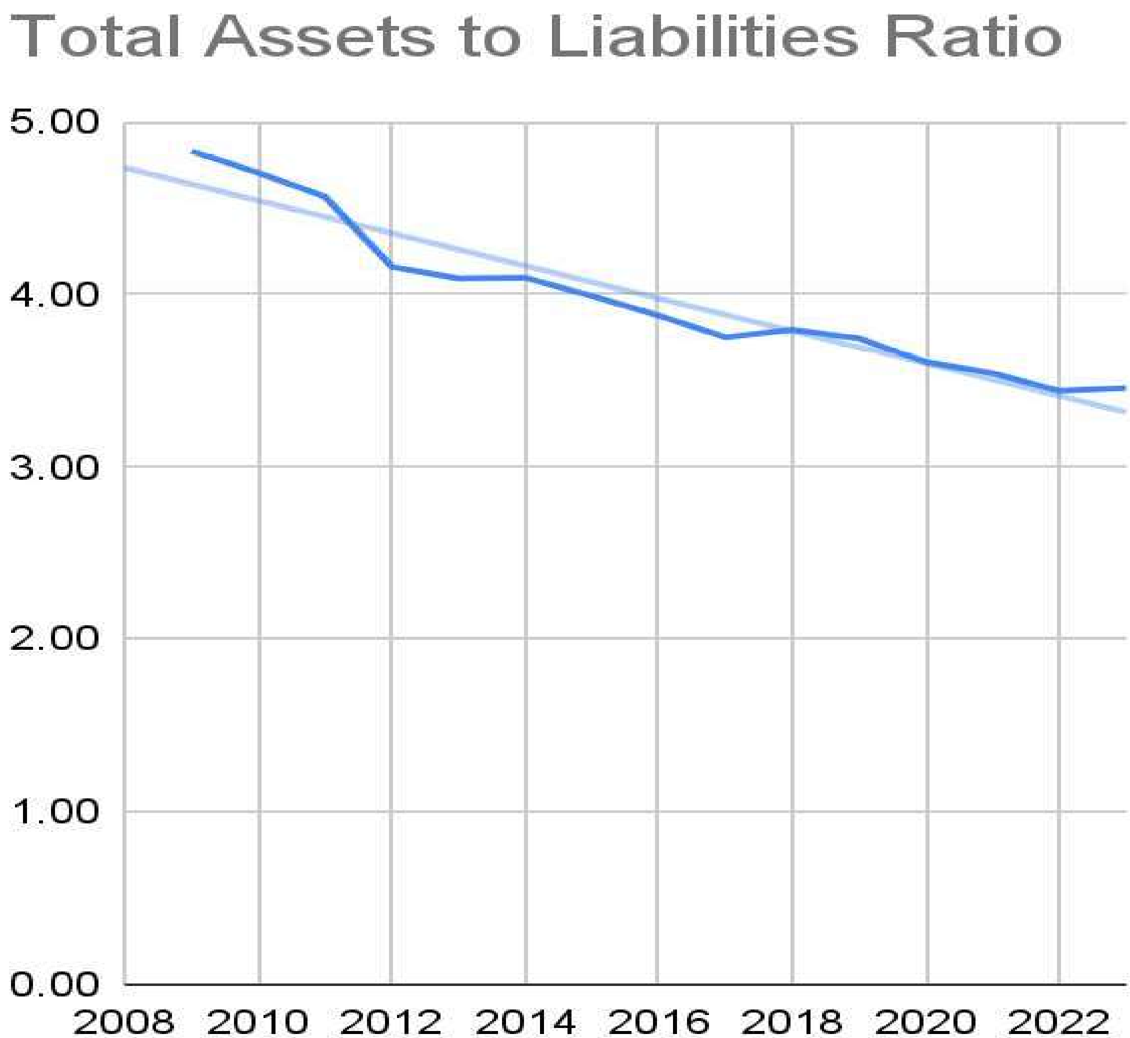
- **Financial Assets-to-Liabilities Ratio**: Ottawa's financial assets-to-liabilities ratio has fluctuated, with a slight downward trend, currently at 0.56, indicating that liabilities significantly exceed financial assets. This suggests limited financial resources are available to finance future commitments, increasing reliance on future revenues.



- **Net Debt-to-Total Revenues Ratio**: Ottawa's net debt-to-total revenues ratio has worsened over the years, reaching -0.62, signaling that an increasing share of future revenue will be required to settle past debts. This indicates reduced financial sustainability, with a rising debt burden relative to revenue generation.



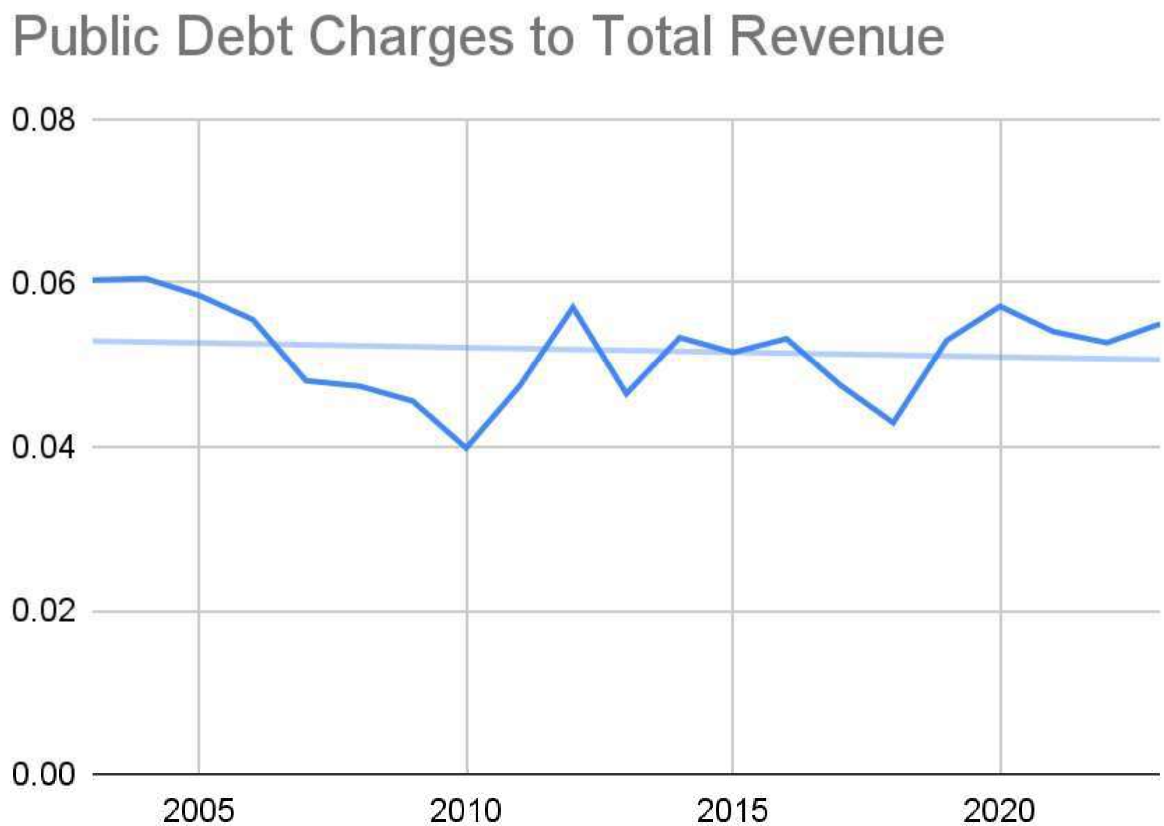
- **Total Assets-to-Liabilities Ratio**: This ratio has declined over time to around 3.46, indicating Ottawa's rising reliance on debt for financing. Although still above 1, this trend shows that financial resources are growing more constrained, which limits capacity to absorb future financial shocks.



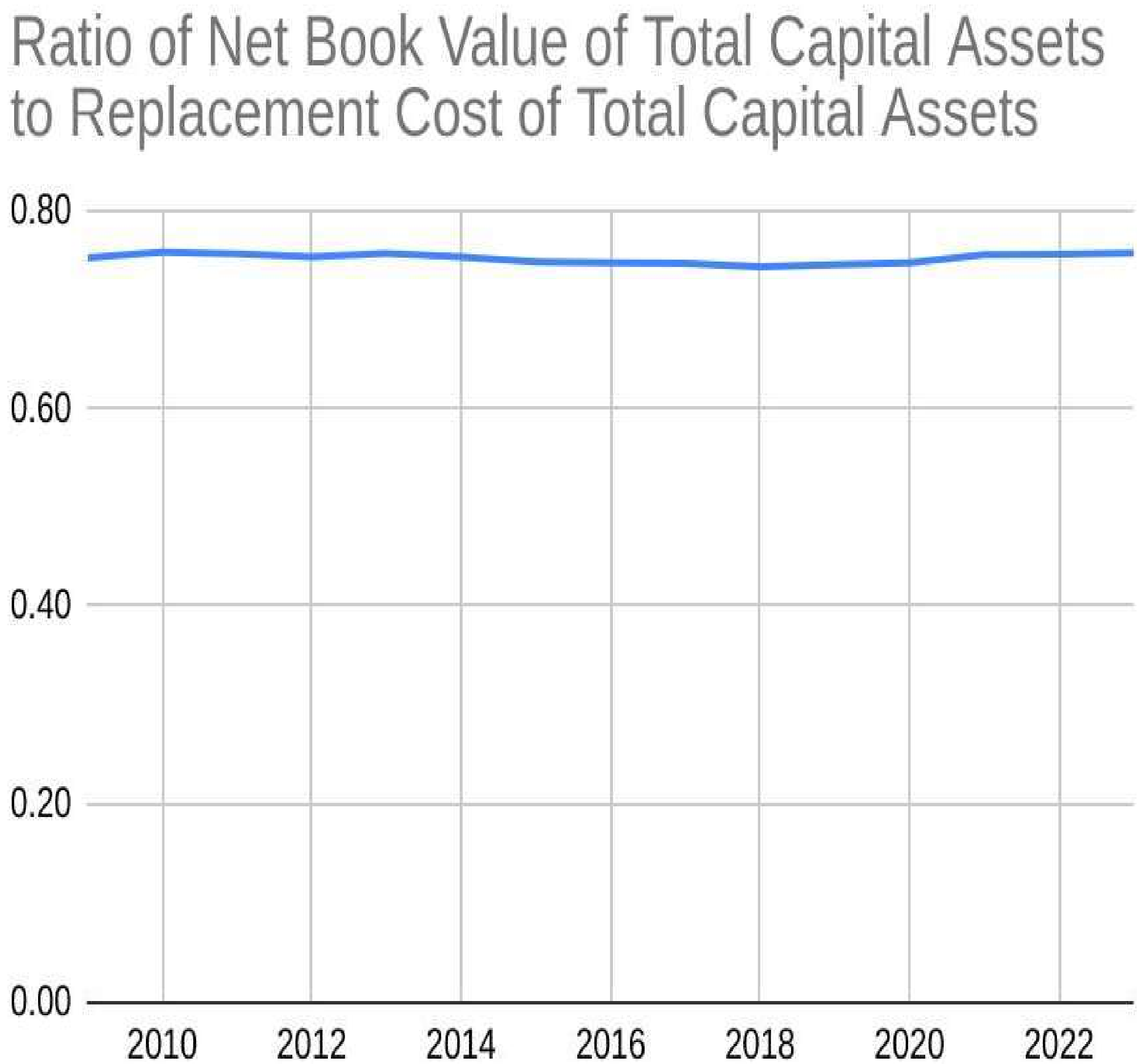
2. Financial Flexibility

Financial flexibility reflects Ottawa's ability to adjust its debt or tax levels to meet financial obligations. Critical indicators here include:

- **Public Debt Charges-to-Total Revenues Ratio**: This ratio has remained relatively stable at around 0.05, implying that current debt service costs are not overly burdensome relative to total revenue. However, the potential for increased debt could strain this ratio, impacting future flexibility in managing debt obligations.



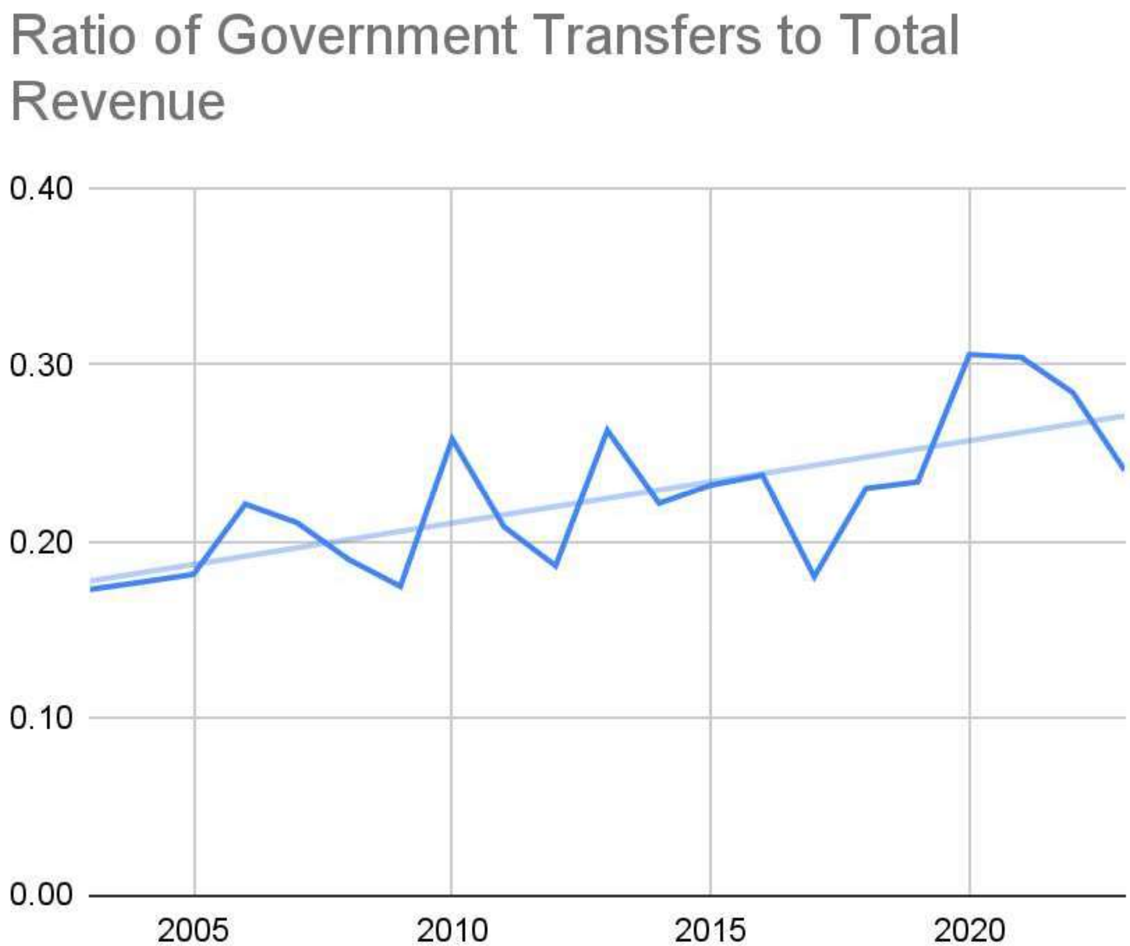
- **Net Book Value of Tangible Capital Assets (TCA) to Cost of TCA**: Ottawa's tangible capital assets show a book-to-cost ratio of around 0.76, suggesting that these assets still retain a significant portion of their service life. However, a declining ratio could mean deferred maintenance, leading to future funding requirements for asset replacement.



3. Vulnerability

Vulnerability is Ottawa's dependence on external funding sources, over which it has limited control.

- **Government Transfers-to-Total Revenues Ratio**: The ratio of government transfers to total revenue is 0.24, meaning almost a quarter of Ottawa's revenue is from government transfers. This dependence makes Ottawa vulnerable to policy changes at the federal or provincial level, which could reduce this funding and strain the budget.



Risks and Questions

Based on these metrics, Ottawa faces several key risks:

1. **Debt Dependency**: Rising net debt indicates growing dependency on future revenue to settle existing liabilities. Ottawa's ability to sustain this debt may be compromised if interest rates rise or revenue growth stagnates.
2. **Asset Maintenance**: With an aging asset base and declining flexibility, deferred maintenance could lead to higher future expenses.
3. **Vulnerability to External Funding**: Dependence on government transfers poses a risk if policies change, reducing these transfers and pressuring Ottawa's budget.

Summary Questions:

1. How does Ottawa plan to address the rising net debt-to-revenue ratio?
2. What measures are in place to ensure sustainable government transfers, and what contingencies exist for reductions?

3. How does Ottawa prioritize asset maintenance to mitigate deferred maintenance risks?
4. Is there a long-term plan to improve financial assets relative to liabilities?

To project when Ottawa's financial ratios might reach a tipping point without intervention, we'll consider the current trajectory and compounding impacts of debt growth, asset depreciation, and dependency on external funding. For each ratio, We outline expected trends and potential crisis thresholds.

1. Financial Assets-to-Liabilities Ratio

- **Current Ratio**: The financial assets-to-liabilities ratio is at 0.56, which has decreased over the years, indicating growing liabilities relative to financial assets.
- **Projection**: If this ratio continues to decline at its historical rate, it could reach 0.5 within the next five years. A ratio below 0.5 would imply that liabilities are double the financial assets, suggesting a high risk of liquidity constraints, especially during economic downturns or emergencies.
- **Crisis Point**: Once liabilities outweigh financial assets significantly (e.g., a ratio below 0.5), Ottawa would struggle to cover financial obligations without severe budget reallocations or tax hikes.

2. Net Debt-to-Total Revenues Ratio

- **Current Ratio**: Ottawa's net debt-to-total revenues ratio stands at -0.62, indicating that 62% of annual revenue would be needed to cover past obligations. This ratio has worsened steadily over the years.
- **Projection**: Continuing at its current trajectory, this ratio could reach around -0.7 in five years, which would mean a larger portion of future revenue will be allocated to servicing debt, limiting funds available for other needs.
- **Crisis Point**: A ratio of -1.0, where debt equals total revenue, would represent a crisis, as Ottawa would be dedicating all revenue to managing past obligations. This scenario is unsustainable, likely leading to downgraded credit ratings, higher borrowing costs, and reduced service delivery.

3. Public Debt Charges-to-Total Revenues Ratio

- **Current Ratio**: Public debt charges represent about 5-6% of Ottawa's total revenue.
- **Projection**: If Ottawa continues to borrow at a higher rate than revenue growth, this percentage could reach 7-8% within five to ten years. With interest rate risks, debt charges could increase more rapidly if rates rise, potentially reaching 10%.
- **Crisis Point**: When debt charges exceed 10% of revenue, Ottawa would face constraints in meeting its financial and service commitments, likely necessitating service cuts or tax hikes. A sharp rise in debt service costs would also limit flexibility for new investments or emergency spending.

4. Net Book Value of TCA-to-Cost of TCA

- **Current Ratio**: This ratio is approximately 0.76, reflecting that most of Ottawa's capital assets still have useful life. However, any ongoing deferral in maintenance would drive this ratio down over time.
- **Projection**: A reduction of 1-2% in this ratio annually could see it fall to around 0.6 within the next decade. Such a trend would indicate rising deferred maintenance and the need for substantial investments to avoid a backlog.
- **Crisis Point**: If the ratio falls below 0.5, Ottawa may face infrastructure crises, with essential assets becoming unreliable or non-functional, requiring emergency funds that could further strain finances.

5. Government Transfers-to-Total Revenues Ratio

- **Current Ratio**: Currently, government transfers contribute about 24% of total revenue. Any reductions would sharply impact Ottawa's finances.
- **Projection**: If dependency on transfers remains steady, Ottawa will continue to be vulnerable. If transfers decline or fluctuate, the impact could be severe, especially without other revenue streams.
- **Crisis Point**: A reduction in government transfers without alternative revenue could force Ottawa to make drastic cuts to services or raise taxes sharply to bridge the revenue gap.

Estimated Timeframe to Crisis without Intervention

Based on these projections, Ottawa could face financial crises in several key areas within the next **5 to 10 years**:

- Within **5 years** for financial asset-to-liabilities ratios and net debt-to-revenue levels if current trends continue without action.
- **7 to 10 years** for public debt charges, TCA depreciation, and dependency on government transfers, though interest rate rises or policy changes could accelerate these risks.

Conclusion

Without implementing actions, Ottawa may confront critical financial constraints over the next decade. Addressing these challenges proactively by reducing debt, investing in asset maintenance, and diversifying revenue sources would be crucial to maintain financial stability and avoid these tipping points.